

23 February 2011

Mr Styn Timmerman
Adviser, Issuers (Sydney)
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

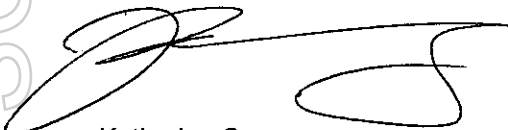
Dear Styn

Valad Property Group (ASX:VPG) – Half Yearly Results

Please find attached the following for the period ended 31 December 2010:

1. Financial statements; and
2. Appendix 4D.

Yours sincerely



Katherine Grace
General Counsel
VALAD Property Group

Encl.

Valad Property Group

Comprising Valad Funds Management Limited, Valad Property Trust
and their respective controlled entities

Interim Financial Report

For the half year ended 31 December 2010

Valad Property Group and Valad Property Trust

Interim Report – 31 December 2010

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This financial information for the half year ended 31 December 2010, comprises the consolidated financial reports of Valad Property Trust (ABN: 91 308 938 488) and Valad Funds Management Limited (ABN: 89 102 249 294) for the period from 1 July 2010 to 31 December 2010.

Financial statements for Valad Funds Management Limited consolidated group and Valad Property Trust consolidated group for the half year ended 31 December 2010 have been presented in this report, jointly as permitted by ASIC class order 05/642.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, the statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Valad Property Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Valad Property Group is a stapled group ("Group"), governed by a stapling agreement and domiciled in Australia. The registered office and principal place of business is located at Level 9, 1 Chifley Square, Sydney NSW 2000.

Valad Commercial Management Limited, the Responsible Entity of Valad Property Trust, is domiciled in Australia. The registered office and principal place of business of the Responsible Entity is located at Level 9, 1 Chifley Square, Sydney NSW 2000.

The financial statements were authorised for issue by the directors on 23 February 2011. The directors have the power to amend and reissue the financial report.

Valad Property Group and Valad Property Trust

Directors' Reports

The Directors of Valad Funds Management Limited ("VFML" or the "Company") and Valad Commercial Management Limited ("VCML") (as the Responsible entity for Valad Property Trust (the "Trust")) present their reports together with the consolidated financial reports of Valad Property Group ("VPG" or the "Group") and Valad Property Trust ("VPT" or the "Consolidated entity") for the half year ended 31 December 2010.

The units in the Trust are 'stapled' to the shares in the Company. These entities form Valad Property Group (the "Group"). A stapled security comprises one Trust unit and one Company share. The stapled securities can not be traded or dealt with separately.

Directors

The following persons were Directors of the Company and VCML during the whole of the half year and up to the date of this report, unless indicated otherwise:

T. Gerber	Chairman
P. Hurley	Managing Director (Leave of absence from 16 December 2010)
A. Martin	Director
D. Robinson	Director
R. Seidler	Director

Earnings per stapled security/unit

	VPG Dec 2010 Cents per stapled security	VPT Dec 2010 Cents per unit	VPG Dec 2009 Cents per stapled security	VPT Dec 2009 Cents per unit
Pre – Consolidation of Securities				
Basic earnings	(2.2)	(0.7)	(5.6)	(2.1)
Diluted earnings	(2.2)	(0.7)	(5.4)	(2.1)
Basic underlying earnings	0.2	0.4	0.2	1.0
Diluted underlying earnings	0.2	0.4	0.2	1.0
Post – Consolidation of Securities (comparatives restated)				
Basic earnings	(44.2)	(14.1)	(111.0)	(42.3)
Diluted earnings	(43.9)	(14.0)	(108.3)	(42.3)
Basic underlying earnings	3.1	7.1	3.9	20.8
Diluted underlying earnings	3.1	7.1	3.9	20.3

Weighted average number of stapled securities/units used as the denominator

Pre – Consolidation of Stapled Securities/Units	VPG Dec 2010 '000	VPT Dec 2010 '000	VPG Dec 2009 '000	VPT Dec 2009 '000
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit</i>	2,295,267	2,295,267	1,866,574	1,866,574
Adjustments for calculation of underlying earnings per stapled security/unit:				
Employee security ownership plan	1,916	1,916	2,327	2,327
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic underlying earnings per stapled security/unit</i>	2,297,183	2,297,183	1,868,901	1,868,901
Adjustments for calculation of diluted underlying earnings per stapled security/unit:				
Options	15,565	15,565	46,526	46,526
<i>Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted underlying earnings per stapled security/unit</i>	2,312,748	2,312,748	1,915,427	1,915,427

Valad Property Group and Valad Property Trust

Directors' Reports

(continued)

Post – Consolidation of Stapled Securities/Units	VPG Dec 2010 '000	VPT Dec 2010 '000	VPG Dec 2009 '000	VPT Dec 2009 '000
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit</i>	114,763	114,763	93,329	93,329
Adjustments for calculation of underlying earnings per stapled security/unit:				
Employee security ownership plan	96	96	116	116
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic underlying earnings per stapled security/unit</i>	114,859	114,859	93,445	93,445
Adjustments for calculation of diluted underlying earnings per stapled security/unit:				
Options	778	778	2,326	2,326
<i>Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted underlying earnings per stapled security/unit</i>	115,637	115,637	95,771	95,771

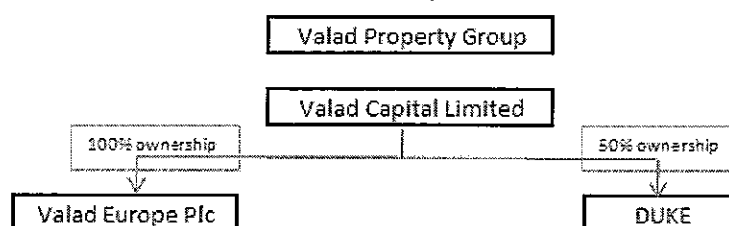
Significant changes in the state of affairs

Management Buy Out (MBO) proposal

On 16 December 2010, Valad announced it had received an indicative and incomplete proposal relating to the potential acquisition of its European business by a consortium of Valad management personnel, including the Managing Director, Peter Hurley.

Valad Europe

The Group's European Real Estate Investment Management business consists of two main investments held in a holding company (Valad Capital Limited) as represented in the diagram below:



As at 31 December 2010, the unaudited assets and liabilities of the Valad European Real Estate Investment Management business are:

	\$A'000	£'000
Co-investments and development assets ¹	27,222	17,901
Intangible assets	53,230	35,004
Deferred tax relating to intangible assets	(8,097)	(5,324)
Net working capital	13,609	8,948
	85,964	56,529
Total interest bearing liabilities	(15,693)	(10,320)
Deferred equity contribution to DUKE ²	(13,119)	(8,627)
	(28,812)	(18,947)
Net assets	57,152	37,582

¹ \$2.8m/ £1.8m of the co-investment in Parc D'Activities Fund is held outside of Valad Europe Plc but is included in this balance sheet

² The obligation to DUKE Real Estate Limited is held by Valad Capital Limited with a guarantee from VFML

Valad Property Group and Valad Property Trust

Directors' Reports

(continued)

As at 31 December 2010, the investment in DUKE is held at nil (30 June 2010: Nil). This is a 50% joint venture interest. At 30 June 2010, the latest available audited financial statements, DUKE had gross assets of £969m and a net equity position of negative £138.2m. Management accounts for DUKE as at December 2010 show that there have been some further movements in asset values and other assets and liabilities which indicate a further deterioration in DUKE's net equity position.

Sale of investments in Europe

Should the Group dispose of its interest in Valad Capital Limited, Valad Europe Plc or DUKE, there may be requirements for joint venture partner or financier consent and restrictions on the use of proceeds.

If Valad Europe Plc is sold, the restrictions on the use of the proceeds are as follows:

- Before 30 June 2012 – the proceeds from the disposal must be paid to DUKE
- After 30 June 2012:
 - If all loans to DUKE from Lloyds have been repaid in full (through sale, refinance etc), Valad can retain 100% of the proceeds from the disposal
 - If any debt is still provided by Lloyds and:
 - If the LVR >95%, then the proceeds from the disposal must be paid to DUKE
 - If the LVR <95% but >85%, 50% of the proceeds must be paid to DUKE
 - If the LVR <85%, Valad can retain 100% of the proceeds from the disposal.

Changes to Valad Management - Managing Director and Acting Chief Executive Officer

As a result of his involvement in the MBO proposal, Peter Hurley agreed to take a leave of absence from his Managing Director role effective 16 December 2010. On 17 January 2011, Valad announced the appointment of Clem Salwin to the position of Acting Chief Executive Officer, for a contract period of 12 months.

Consolidation of Sheraton Noosa

On 19 November 2010 Valad announced it had been successful in its litigation against Ashington its joint venture partner in the Sheraton Noosa. As a result of this favourable outcome Valad assumed full operational control of the Sheraton Noosa asset on 30 November 2010 and full legal ownership on 14 January 2011. This resulted in the de-recognition of the joint venture investment and a related receivable owed by the joint venture partner and recognition of inventory valued at \$85.1m, interest bearing liability of \$59.5m and other working capital acquired on consolidation of the entities in the project. This property is now the largest single on-balance sheet asset based on its current book value of \$85.8m.

Consolidation of securities

On 17 November 2010, Valad completed the consolidation of stapled securities on a 1 for 20 basis (every 20 securities pre-consolidation were converted to 1 security post-consolidation). Prior to the consolidation there were 2,302,129,263 stapled securities outstanding. Post consolidation there were 115,108,116 stapled securities outstanding.

Valad Property Group and Valad Property Trust

Directors' Reports

(continued)

Top Ryde

On 15 November 2010, Valad announced it had entered into an agreement with the banking syndicate on Top Ryde to restructure its involvement in the project. As a result of the agreement Valad was released from all obligations relating to the credit support facility of \$43.2m, in exchange for a one-off contribution of \$6.5m. The book value of Top Ryde has been written down from \$15.0m at 30 June 2010 to nil which along with the cash contribution of \$6.5m totalled a write-down of \$21.5 million.

In the opinion of the directors there were no other significant changes in the state of affairs of the Group and Consolidated entity that occurred during the financial year under review.

Review of operations

The Group recorded a loss attributable to security holders of \$50.743m for the half year ended 31 December 2010 (Dec 2009: loss \$103.600m). Net tangible assets per security are \$2.32. Net asset value is \$320.656m. This loss includes a number of significant items, such as investment property revaluations, impairment of inventory and receivables and fair value adjustments for derivatives. It is the opinion of the Directors that these significant items and other non cash amounts should be excluded from earnings to enable security holders to obtain an understanding of the Group's result from operations. These items are detailed in the table below.

The Directors have elected not to pay a dividend or distribution for the six months ended 31 December 2010.

A summary of consolidated results is set out below:

	VPG Dec 2010 \$'000	VPT Dec 2010 \$'000	VPG Dec 2009 \$'000	VPT Dec 2009 \$'000
Underlying earnings	3,583	8,212	3,642	19,455
Other non-cash items after tax effect				
Amortisation of intangibles	(4,105)	-	(4,309)	-
Amortisation of lease incentives	(975)	(550)	(521)	(207)
Straight line rental income	268	206	521	361
Finance charge on cross staple loan	-	725	-	-
Unrealised impairment of intangibles	(7,507)	-	(12)	-
Unrealised impairment of assets	(57,351)	(26,305)	(58,571)	(15,243)
Unrealised fair value adjustment to investment property	8,797	6,075	(46,193)	(33,298)
Unrealised fair value adjustment to derivatives	3,420	3,298	541	679
Unrealised foreign exchange (gains)/losses	2,627	(7,820)	(659)	(11,197)
Non-cash employee benefit expense with respect to employee securities	(629)	-	(584)	-
Income tax effect	1,129	-	2,545	-
Net loss attributable to security/unit holders	(50,743)	(16,159)	(103,600)	(39,450)

Operational overview

Valad operates two businesses, Real Estate Investment Management (REIM) in Australia and Europe, and Real Estate Ownership, primarily in Australia and New Zealand but also in Europe through co-investment in our managed funds. At 31 December 2010, Valad had 289 employees (June 10: 294).

Real Estate Investment Management

As at 31 December 2010, the Group has \$8.0 billion (June 10: \$9.0 billion) in assets under management across 23 funds and mandates in Europe (including the Kefren mandate) and Australia.

Real Estate Ownership

This division is represented by the investment portfolio, fund co-investments and interests in developments.

As at 31 December 2010 the investment property portfolio had a total value of \$568.685m (June 10: \$520.927m), with investments in 27 properties across the commercial, industrial, bulky retail and residential in Australia and New Zealand. The weighted average capitalisation rate of the current portfolio (excluding residential assets) at 31 December 2010 is 8.7% (June 10: 8.8%).

Valad Property Group and Valad Property Trust

Directors' Reports

(continued)

As at 31 December 2010 the book value of the Group's co-investment in managed funds is \$90.324m (June10: \$94.467m). The largest investment position is the 18% interest in V+ (Australia) with a value at 31 December 2010 of \$62.015m (June10: \$62.400m).

As at 31 December 2010 developments included direct investment and interests in joint ventures. The total portfolio has a carrying value of \$89.591m (June 10: \$141.376m) and covers the retail, residential and industrial sectors.

Financial overview

Profit and Loss

The underlying earnings before interest, tax, depreciation and amortization (EBITDA) was \$24.559m.

Overall, the underlying earnings (earnings before amortisation, depreciation and fair value adjustments) was a profit of \$3.583m in December 10 (Dec 09: \$3.642m).

Fair value adjustments, impairments and other non-cash items totalled \$54.325m for December 10, relating primarily to:

- An increase of \$12.098m for the Australia/New Zealand portfolio
- A decrease of \$7,507m for the impairment of Australian management rights
- A decrease of \$0.600m for the Group's co-investments in managed funds
- A decrease of \$60.701m for the development portfolio, of which \$21.500m related to the Top Ryde project

After fair value and other non cash adjustments the Group recorded a loss attributable to security holders of \$50.743m for the half year ended 31 December 2010 (Dec 09: net loss \$103.600m)

The directors have elected not to pay a dividend or distribution for the half year ended 31 December 2010 (June 10: \$nil).

Balance sheet

At 31 December 2010, the Group held \$74.160m of cash (June 10: \$82.641m) and total assets were \$918.720m (June 10: \$962.271m). Total assets decreased by <5%.

Key highlights over the half year include:

- Investment properties
 - Full ownership of Sheraton Noosa assumed with a fair value of \$85.145m
 - Sale of rural assets for \$16.450m (exchange occurred June 2010 and settlement on 14 July 2010)
 - Sale of Shands Rd, Christchurch \$9.134m
- Exit from Top Ryde project following a settlement payment of \$6.500m which released Valad from all future commitments to the project.

At 31 December 2010, the Group had total liabilities of \$598.064m (June 10: \$580.799m). The 3% increase in total liabilities was the result of the following:

- Full ownership of Sheraton Noosa assumed resulting in an additional debt facility of \$59.5m.
- Repayment of corporate and project debt of \$37.170m from asset sale proceeds and other transactions
- Repayment of \$8.0m of convertible notes held by Kimco Realty Corporation.

The Group's gearing (calculated as interest bearing liabilities less cash divided by total assets less cash) at 31 December 2010 is 51.3% (June 10: 46%).

Net Assets / Equity

There was a change in net assets from \$381.472m at 30 June 2010 to \$320.656m at 31 December 2010. The key reasons for this decline were as follows:

- Net loss for the period of \$50.743m
- Decrease in reserves of \$13.020m relating to the foreign currency difference on translation of the European business to Australian dollars

In September 2010 Valad issued 14,446,337 stapled securities (722,317 post consolidation) under the Valad Employee Securities Trust and the Valad Long Term Incentive Plan to meet employee obligations. The securities were issued for \$0.09 per stapled security.

Valad Property Group and Valad Property Trust

Directors' Reports

(continued)

Net assets per stapled security decreased from \$3.34 to \$2.79 mainly due to the loss for the half year of \$50.743m and a fall in value of \$13.1m due to the strengthening of the Australian dollar against underlying currencies. Net tangible assets per stapled security is \$2.32 (June 10: \$2.69)

Events occurring after the balance sheet date

On 14 January 2011, Valad completed the transfer of legal ownership of Noosa Venture 1 Pty Limited and Noosa Venture Trust.

In January, further capital repayments totalling \$7.0m were made to Kimco Realty reducing the total amount outstanding to \$185.0m (excluding borrowing costs).

On 22 February 2011, agreement was reached to extend the maturity date of the Corporate debt facility (amount utilised Dec 2010 \$190.4m) from September 2011 to December 2012, subject to completion of documentation.


Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on pages 7 and 8.

Rounding of amounts

The Group and Consolidated entity are a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order, to the nearest thousand dollars unless otherwise indicated.

This report is made in accordance with a resolution of the directors.



Trevor Gerber
Chairman, Valad Funds Management Limited and Valad Commercial Management Limited
(as Responsible entity for Valad Property Trust)

Sydney
23 February 2011



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Auditor's Independence Declaration

As lead auditor for the review of Valad Property Group for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Valad Funds Management Limited and the entities it controlled and Valad Property Trust and the entities it controlled during the period, referred to as the Valad Property Group.

A handwritten signature in black ink, appearing to read 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
23 February 2011

Valad Property Group and Valad Property Trust
Directors' Report
(continued)



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Auditor's Independence Declaration

As lead auditor for the review of Valad Property Trust for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Valad Property Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
23 February 2011

Valad Property Group and Valad Property Trust

Consolidated Income Statements

For the half year ended 31 December 2010

	Note	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Revenue		76,482	30,605	84,089	41,910
Employee benefits expense		(27,401)	-	(25,800)	-
Finance costs		(19,055)	(17,068)	(22,150)	(19,290)
Investment property expenses		(4,963)	(3,122)	(5,510)	(3,415)
Cost of development asset sold		(545)	-	(5,999)	-
Cost of investment sold		(1,629)	(560)	-	-
Administrative expenses		(13,608)	(106)	(13,847)	(176)
Management fees		-	(1,424)	-	(1,428)
Depreciation expense		(626)	-	(1,432)	-
Amortisation expense		(4,105)	-	(4,309)	-
Loss on disposal of fixed assets		(36)	-	(713)	-
Impairment of intangible assets	10	(7,507)	-	(12)	-
Impairment of assets	5	(62,947)	(26,305)	(66,306)	(15,243)
Unrealised fair value adjustments to assets	5	8,797	6,075	(46,193)	(33,298)
Unrealised fair value adjustment to derivatives		3,420	3,298	541	679
Foreign exchange gains/(losses)		2,627	(7,820)	34	(10,500)
Share of net profit of associates and joint ventures accounted for using the equity method		505	268	1,606	1,319
Loss before income tax expense		(50,591)	(16,159)	(106,001)	(39,442)
Income tax credit/(expense)		(152)	-	2,401	(8)
Loss for the half year		(50,743)	(16,159)	(103,600)	(39,450)
Loss attributable to the stapled security/unit holders of Valad Property Group and Valad Property Trust		(50,743)	(16,159)	(103,600)	(39,450)

		VPG Cents per stapled security	VPT Cents per unit	VPG Cents per stapled security	VPT Cents per unit
Basic earnings	3	(44.2)	(14.1)	(111.0)	(42.3)
Diluted earnings	3	(43.9)	(14.0)	(108.3)	(42.3)

The above consolidated income statements should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust
Consolidated Statements of Comprehensive Income
For the half year ended 31 December 2010

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Loss for the half year	(50,743)	(16,159)	(103,600)	(39,450)
Other comprehensive income				
Changes in the fair value of financial assets, net of tax	1,502	-	587	379
Cash flow hedges, net of tax	473	-	4,622	3,228
Net investment hedges, net of tax	-	-	(1,994)	175
Exchange differences on translation of foreign operations	(13,021)	(4,518)	(2,939)	(65)
Other comprehensive income for the half year, net of tax	(11,046)	(4,518)	276	3,717
Total comprehensive income for the half year	(61,789)	(20,677)	(103,324)	(35,733)
Total comprehensive income for the half year attributable to:				
Stapled security/unit holders of Valad Property Group/Valad Property Trust	(61,789)	(20,677)	(103,324)	(35,733)
	(61,789)	(20,677)	(103,324)	(35,733)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust

Consolidated Balance Sheets

As at 31 December 2010

	Note	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Current assets					
Cash and cash equivalents		74,160	7,855	82,641	3,032
Loans and receivables	6	18,183	471,912	67,470	43,015
Investments accounted for using the equity method		3,185	2,489	-	-
Other financial assets		62,615	62,015	-	-
Inventory		1,097	-	-	-
Non-current assets held for sale	7	110,526	7,550	17,344	-
Other assets		5,716	271	3,861	767
Total current assets		275,482	552,092	171,316	46,814
Non-current assets					
Loans and receivables	6	12,415	38,705	13,403	514,365
Inventory		38,781	-	55,520	-
Investments accounted for using the equity method		28,576	-	49,300	3,700
Other financial assets		13,099	2,759	77,688	65,314
Property, plant and equipment		2,686	-	3,088	-
Investment property	8	479,736	308,871	508,646	320,617
Deferred tax assets	9	14,088	-	9,400	-
Intangible assets	10	53,857	-	73,910	-
Total non-current assets		643,238	350,335	790,955	903,996
Total assets		918,720	902,427	962,271	950,810
Current liabilities					
Payables		36,224	6,042	37,865	4,167
Interest bearing liabilities	11	300,214	211,925	57,970	22,383
Current tax liabilities		1,706	-	3,660	-
Derivative financial instruments		1,097	1,097	-	-
Provisions		11,036	-	4,339	-
Total current liabilities		350,277	219,064	103,834	26,550
Non-current liabilities					
Payables		10,242	-	10,843	-
Interest bearing liabilities	11	207,026	130,778	431,969	347,460
Deferred tax liabilities	9	21,517	-	21,275	-
Derivative financial instruments		7,359	7,014	11,667	11,409
Provisions		1,643	-	1,211	-
Total non-current liabilities		247,787	137,792	476,965	358,869
Total liabilities		598,064	356,856	580,799	385,419
Net assets		320,656	545,571	381,472	565,391
Equity					
Contributed equity	12	2,502,044	1,770,834	2,500,473	1,769,977
Reserves		(89,178)	(20,371)	(77,464)	(15,853)
Accumulated losses	13	(2,091,771)	(1,204,892)	(2,041,028)	(1,188,733)
Non controlling interests		(439)	-	(509)	-
Total equity		320,656	545,571	381,472	565,391

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust

Consolidated Statements of Changes in Equity

For the half year ended 31 December 2010

VPG	Attributable to the owners of Valad Property Group				Non-controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
Balance as 1 July 2010	2,500,473	(77,464)	(2,041,028)	381,981	(509)	381,472
Total comprehensive income for the half year	-	(11,046)	(50,743)	(61,789)	-	(61,789)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,300	-	-	1,300	-	1,300
Treasury stock	(281)	-	-	(281)	-	(281)
Employee share options	-	(668)	-	(668)	-	(668)
Other	552	-	-	552	70	622
	1,571	(668)	-	903	70	973
Balance at 31 December 2010	2,502,044	(89,178)	(2,091,771)	321,095	(439)	320,656

VPG	Attributable to the owners of Valad Property Group				Non-controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
Balance as 1 July 2009	2,431,804	(63,253)	(1,875,814)	492,737	44	492,781
Total comprehensive income for the half year	-	276	(103,600)	(103,324)	-	(103,324)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	63,747	-	-	63,747	-	63,747
Distribution paid	-	-	-	-	(6)	(6)
Employee share options	-	(2,317)	-	(2,317)	-	(2,317)
	63,747	(2,317)	-	61,430	(6)	61,424
Balance at 31 December 2009	2,495,551	(65,294)	(1,979,414)	450,843	38	450,881

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust

Consolidated Statements of Changes in Equity (continued)

For the half year ended 31 December 2010

VPT	Attributable to the owners of Valad Property Trust			
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance as 1 July 2010	1,769,977	(15,853)	(1,188,733)	565,391
Total comprehensive income for the half year	-	(4,518)	(16,159)	(20,677)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	857	-	-	857
	857	-	-	857
Balance as 31 December 2010	1,770,834	(20,371)	(1,204,892)	545,571

VPT	Attributable to the owners of Valad Property Trust			
	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance as 1 July 2009	1,728,328	(17,003)	(1,156,101)	555,224
Total comprehensive income for the half year	-	3,717	(39,450)	(35,733)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	38,665	-	-	38,665
	38,665	-	-	38,665
Balance at 31 December 2009	1,766,993	(13,286)	(1,195,551)	558,156

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust

Consolidated Cash Flow Statements

For the half year ended 31 December 2010

	Note	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		72,074	22,121	68,670	19,866
Cash payments in the course of operations		(45,847)	(5,825)	(57,488)	(9,936)
Interest received		2,601	211	2,938	42
Distribution and dividends received		738	705	1,881	1,314
Finance costs paid		(20,870)	(16,803)	(24,105)	(17,953)
Corporate tax receipt /(payment)		(2,820)	-	1,659	(8)
Net cash inflow/(outflow) from operating activities		5,876	409	(6,445)	(6,675)
Cash flows from investing activities					
Cash acquired on acquisition of subsidiary company	17	4,044	-	-	-
Payments for deferred consideration on purchase of controlled entities		-	-	(53,905)	-
Payments for purchase of investments		-	-	(7,207)	(7,207)
Cost of investments sold		(1,629)	(560)	-	-
Proceeds from returns of investments		2,628	1,211	2,847	-
Capital expenditure on investment properties		(2,455)	(2,064)	(3,485)	(1,784)
Proceeds from sale of investment properties		22,664	9,756	98,057	78,991
Proceeds from sale of inventory		2,165	-	6,352	-
Payments for purchase of inventory		(5,596)	-	(3,062)	-
Payments for property, plant and equipment		(344)	-	(370)	-
Proceeds from sale of property, plant and equipment		2,270	-	-	-
Payments for intangible assets		(285)	-	-	-
Payment in respect of Top Ryde		(6,500)	-	-	-
Payment of loans to third parties		-	-	(52)	-
Repayment of loans from third parties		13,750	-	5,536	-
Loans (to)/repayment of loans from related parties		(340)	19,085	4,826	(28,935)
Net cash inflow from investing activities		30,372	27,428	49,537	41,065
Cash flows from financing activities					
Proceeds from issue of securities		-	-	63,900	40,396
Payment for issue costs		-	-	(2,868)	(1,733)
Proceeds from borrowings		1,655	-	17,227	-
Repayment of borrowings		(38,202)	(22,685)	(112,415)	(77,328)
Net cash outflow from financing activities		(36,547)	(22,685)	(34,156)	(38,665)
Net increase/(decrease) in cash held		(299)	5,152	8,936	(4,275)
Cash at the beginning of the financial period		82,641	3,032	76,903	5,650
Effects of exchange rate changes on cash and cash equivalents		(8,182)	(329)	(1,791)	705
Cash at the end of the financial period		74,160	7,855	84,048	2,080

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010

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Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 1 Basis of preparation of interim report

This general purpose financial report for the interim reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Valad Property Group ("VPG" or the "Group") financial report represents the consolidated financial report of Valad Funds Management Limited and its controlled entities and Valad Property Trust and its controlled entities in accordance with Urgent Issues Group (UIG) Consensus View 1013, Consolidated Financial Reports in relation to Pre-Date-Of-Transition Stapling Arrangements. The Valad Property Trust financial report represents the consolidated financial report of Valad Property Trust and its controlled entities ("VPT" or the "Consolidated entity").

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 of Valad Property Group and Valad Property Trust for the year ended 30 June 2010 and any public announcements made by Valad Property Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The units in Valad Property Trust are 'stapled' to the shares in Valad Funds Management Limited. These entities form Valad Property Group (the "Group"). A stapled security comprises one Trust unit and one Company share. The stapled securities can not be traded or dealt with separately.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2010 reporting period. The Group's assessment of the impact of these new standards and their interpretations is set out below.

The following accounting standards have no impact to the Group:

- (i) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. VPG is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the Group.

- (ii) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 3, 7, 121, 128, 131, 132 & 139] (effective from 1 July 2010)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

- (iii) *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 7, 101 & 134 and Interpretation 13] (effective from 1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

- (iv) *Revised IFRS 9 Financial Instruments (addressing accounting for financial liabilities and the de-recognition of financial assets and financial liabilities) (effective from 1 January 2013)*

In October 2010, the IASB issued a revised IFRS 9 Financial Instruments which now incorporates requirements for the accounting for financial liabilities and the derecognition of financial assets and liabilities. The AASB is expected to issue an equivalent revised AASB 9 shortly. The new requirements will affect the accounting for financial liabilities that are designated as at fair value through profit or loss. Since the Group does not have any such financial liabilities, these latest amendments will not have any impact on the group's financial. No changes were made to the rules for the derecognition of financial assets and liabilities.

- (v) *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (effective from 1 July 2011)*

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures, which introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 1 Basis of preparation of interim report (continued)

(b) Going concern

During the half year ended 31 December 2010 the Group recorded a net accounting loss of \$50.743m (Dec 2009: loss of \$103.600m) and the Consolidated entity recorded a net loss of \$16.159m (Dec 2009: loss of \$39.450m). Cash inflows from operations for the Group were \$5.876m (Dec 2009: outflows of \$6.445m) and the Consolidated entity cash inflows were \$0.409m (Dec 2009: outflows of \$6.675m). The Group has net current liabilities of \$74.795m (Jun 2010: net current assets \$67.482m) and the Consolidated entity has net current assets of \$333.028m (Jun 2010: \$20.264m). Bank loans of \$191.0m were classified as current liabilities at balance date as they were due within 12 months. Since balance date lenders have committed to an extension of this loan to December 2012, subject to documentation. Were this loan reclassified to non current liabilities as a result of this extension, the balance sheet would return to a current net asset position.

Based on the facts set out above, the forecast results and cash flows, including asset sales and debt repayment and refinance of the Group and the Consolidated entity expected over the next 12 months from the date of this report, there are reasonable grounds for the directors to believe that the Group and the Consolidated entity will be able to meet financial undertakings in debt facilities which are tested regularly, meet their debts as and when they become due and payable and accordingly the financial statements have been prepared on a going concern basis.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 2 Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and Consolidated entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group and Consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment property

The Group and Consolidated entity determines the fair value from either:

- external valuations conducted by registered valuers, or
- internal valuations based on:
 - current net market income capitalised in perpetuity which may be adjusted for current or pending vacancies, leasing costs, incentives and capital expenditure. A capitalisation rate is applied based on current market yields.
 - an analysis of market information such as current sales and conditions, market rents and yields is conducted in consultation with third parties such as agents, valuers and research commentaries.

Uncertainty around property valuations

The global market for many types of real estate continues to be affected by the volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector translated into a general weakening of market sentiment towards real estate and the number of real estate transactions reduced significantly.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The volume of sales of property assets, particularly in premium assets, is still lower than experienced historically. This means that there is still a shortage of comparable market evidence relating to pricing assumptions and market drivers compared to "normal" levels. This means that some uncertainty remains in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be prolonged.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation.

(ii) Fair value of derivatives

The Group determines the fair value of derivatives using its Treasury system, which is confirmed against external valuations conducted by banks. Where the fair value is calculated using financial market pricing models, the methodology used is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market parameters, including, for example, interest rate yield curves and currency rates. Most market parameters are either directly observable or are implied from instrument prices. The process of calculating fair value may require estimation of certain pricing parameters, assumptions or model characteristics.

(iii) Estimated impairment of goodwill and management rights

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i) of the June 2010 annual financial reports.

The Group determines the recoverable amount of cash-generating units by reference to fair value less costs to sell. Fair value less costs to sell is based on the estimated economic value of the business, being determined by the future maintainable earnings multiplied by an appropriate earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, less an allowance for selling costs. These calculations require the use of assumptions. Refer to note 9 for details of these assumptions and the potential impact of changes to the assumptions.

Where an impairment of goodwill is indicated a further calculation of value in use is conducted if possible. Value in use is the present value of the future cash flows expected to be derived from a cash generating unit. The calculation estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal. An appropriate discount rate is applied with factors such as the uncertainty inherent in the asset and other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset. The discounted cash flow analysis is prepared on the basis of risk weighted business plans.

The recoverable amount of management rights is based on discounting forecast fund income for the remaining life of the fund.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 2 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(iv) Valuation of loans to third parties

The Group and Consolidated entity tests the collectability of receivables on an ongoing basis, in accordance with the accounting policy stated in note 1(k) of the June 2010 annual financial reports. These loans are monitored monthly by reference to performance of the underlying projects in each venture. Projects that perform in line with profitable feasibilities are not considered to be impaired. These calculations require the use of assumptions, particularly concerning the future performance of the business operated by the third parties.

(v) Net realisable value for developments

Net realisable value for land and property developments held for resale or development is determined by project feasibilities which are based on either residual or discounted cash flow models. Feasibility inputs are based on assessments of current and future market value when developments are forecast to complete and also recognise additional costs to completion. Where appropriate, cash flows have been discounted at the cost of capital for each project.

The low liquidity in the debt markets and the current lack of comparable market evidence relating to pricing assumptions and market drivers means that there is less certainty in regard to project profits and the assumptions applied to feasibility inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

The net realisable value of development property has been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimate of realisable value as at the balance sheet date, the current market uncertainty means that if development property is sold in the future the price achieved may be higher or lower than the realisable value or cost recorded in the financial statements.

(vi) Fund co-investments

The Group and Consolidated entity assess the carrying value of their fund co-investments by reference to either:

1. underlying project feasibilities which are based on discounted cash flow models and fund net assets. Project feasibility inputs are based on assessments of future market value when fund developments are forecast to complete and also recognise additional costs to completion. The cash flows are discounted at the cost of capital for each project, or
2. carrying value of assets where the underlying assets are fair valued.

Where the project feasibilities and/or fund net assets indicate that it is unlikely that sufficient returns will be generated to repay the Group and Consolidated entity's equity investment, an impairment is recorded in the income statement.

(b) Critical judgements in applying the entity's accounting policies

The Group and Consolidated entity have not made any critical judgements in applying their accounting policies.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 3 Earnings per stapled security/unit

	VPG 31 Dec 2010	VPT 31 Dec 2010	VPG 31 Dec 2009	VPT 31 Dec 2009
Pre – Consolidation of Stapled securities/units				
Basic earnings per stapled security/unit (cents)	(2.2)	(0.7)	(5.6)	(2.1)
Diluted earnings per stapled security/unit (cents)	(2.2)	(0.7)	(5.4)	(2.1)
Post – Consolidation of Stapled securities/units				
Basic earnings per stapled security/unit (cents)	(44.2)	(14.1)	(111.0)	(42.3)
Diluted earnings per stapled security/unit (cents)	(43.9)	(14.0)	(108.3)	(42.3)

(a) Reconciliation of earnings used in calculating earnings per stapled security/unit

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
<i>Basic and diluted earnings per stapled security/unit</i>				
Net loss	(50,743)	(16,159)	(103,600)	(39,450)
<i>Diluted earnings per stapled security/unit</i>				
Net loss	(50,743)	(16,159)	(103,600)	(39,450)

(b) Weighted average number of stapled securities/units used as the denominator

	VPG 31 Dec 2010 '000	VPT 31 Dec 2010 '000	VPG 31 Dec 2009 '000	VPT 31 Dec 2009 '000
Pre – Consolidation of Stapled securities/units				
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit</i>	2,295,267	2,295,267	1,866,574	1,866,574
<i>Adjustments for calculation of diluted earnings per stapled security/unit:</i>				
Options	15,565	15,565	46,526	46,526
<i>Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted earnings per stapled security/unit</i>	2,310,832	2,310,832	1,913,100	1,913,100
Post – Consolidation of Stapled securities/units				
<i>Weighted average number of ordinary stapled securities/units used as the denominator in calculating basic earnings per stapled security/unit</i>	114,763	114,763	93,329	93,329
<i>Adjustments for calculation of diluted earnings per stapled security/unit:</i>				
Options	778	778	2,326	2,326
<i>Weighted average number of ordinary stapled securities/units and potential ordinary stapled securities/units used as the denominator in calculating diluted earnings per stapled security/unit</i>	115,541	115,541	95,655	95,655

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 4 Segment information

(a) Description of segments

The Group and Consolidated entity have adopted AASB 8 Operating Segments which requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

The Group and Consolidated entity views and reports to internal management, segments of the business from a core competencies and geographic basis. This basis has identified five segments, Australian and New Zealand property and funds management, European property and funds management and Corporate. The segment result is the measure of operating profit reported to the chief operating decision maker and reflects the total profit or loss for the period excluding non cash, non reoccurring items.

Australian and New Zealand Real Estate Ownership

The Australian and New Zealand property segment consists of rental income producing passive properties, properties held for development and resale, property structured finance to external parties and joint ventures and investments held in property funds within the Australian and New Zealand region.

European Real Estate Ownership

The European segment consists of the DUKE joint venture (a 50:50 joint venture with Uberior (Europe) a subsidiary of Bank of Scotland) and joint ventures and investments held in property funds within the European region.

Australian and New Zealand Real Estate Investment Management

The funds managements segment establishes and manages listed and unlisted property funds within the Australian and New Zealand region.

European Funds Real Estate Investment Management

The funds managements segment establishes and manages listed and unlisted property funds within the European region.

Corporate

The segment includes all employee costs and associated administration costs for the Group and the Group's financing cost.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 4 Segment information (continued)

(b) Primary reporting format – business segments

VPG 31 December 2010	Aust/NZ Real Estate Ownership \$'000	European Real Estate Ownership \$'000	Aust/NZ Real Estate Investment Management \$'000	European Real Estate Investment Management \$'000	Corporate \$'000	Consolidated \$'000
Net revenue from external customers	26,952	72	3,864	30,375	-	61,263
Interest income	-	-	-	-	1,585	1,585
Shares of net profit of associates and joint ventures	651	-	(142)	(4)	-	505
Total revenue and other income	27,603	72	3,722	30,371	1,585	63,353
Less costs						
Administrative and other expenses	-	-	-	-	(12,021)	(12,021)
Employment expenses	-	-	-	-	(26,772)	(26,772)
Financing cost	-	-	-	-	(19,069)	(19,069)
Depreciation	-	-	-	-	(626)	(626)
Income tax expense	-	-	-	-	(1,282)	(1,282)
Segment result	27,603	72	3,722	30,371	(58,185)	3,583
Impairment of assets	(56,731)	(994)	(268)	-	642	(57,351)
Impairment of intangible assets	-	-	-	-	(7,507)	(7,507)
Unrealised fair value adjustment to assets	8,797	-	-	-	-	8,797
Unrealised fair value adjustment to derivatives	-	-	-	-	3,420	3,420
Segment assets	721,379	27,222	-	51,093	119,026	918,720
Segment liabilities	-	-	-	-	598,064	598,064
VPG 31 December 2009	Aust/NZ Real Estate Ownership \$'000	European Real Estate Ownership \$'000	Aust/NZ Real Estate Investment Management \$'000	European Real Estate Investment Management \$'000	Corporate \$'000	Consolidated \$'000
Net revenue from external customers	21,578	288	3,705	33,042	192	58,805
Interest income	1,155	-	-	-	2,043	3,198
Shares of net profit of associates and joint ventures	1,584	-	-	22	-	1,606
Total revenue and other income	24,317	288	3,705	33,064	2,235	63,609
Less costs						
Administrative and other expenses	-	-	-	-	(11,025)	(11,025)
Employment expenses	-	-	-	-	(25,216)	(25,216)
Financing cost	-	-	-	-	(22,150)	(22,150)
Depreciation	-	-	-	-	(1,432)	(1,432)
Income tax expense	-	-	-	-	(144)	(144)
Segment result	24,317	288	3,705	33,064	(57,732)	3,642
Impairment of assets	(66,595)	1,183	-	-	(894)	(66,306)
Impairment of intangible assets	-	-	-	-	(12)	(12)
Unrealised fair value adjustment to assets	(46,193)	-	-	-	-	(46,193)
Unrealised fair value adjustment to derivatives	-	-	-	-	541	541
Segment assets	794,775	25,459	11,567	107,047	100,976	1,039,824
Segment liabilities	-	-	-	-	588,943	588,943

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 4 Segment information (continued)

(b) Reportable segments (continued)

VPT 31 December 2010	Aust/NZ Real Estate Ownership \$'000	European Real Estate Ownership \$'000	Aust/NZ Real Estate Investment Management \$'000	Corporate \$'000	Consolidated \$'000
Net revenue from external customers	17,073	-	-	-	17,073
Interest income	-	-	-	9,469	9,469
Shares of net profit of associates and joint ventures	268	-	-	-	268
Total revenue and other income	17,341	-	-	9,469	26,810
Less costs					
Administrative and other expenses	-	-	-	(1,530)	(1,530)
Financing cost	-	-	-	(17,068)	(17,068)
Income tax expense	-	-	-	-	-
Segment result	17,341	-	-	(9,129)	8,212
Impairment of assets	(653)	99	-	(25,751)	(26,305)
Unrealised fair value adjustment to assets	6,075	-	-	-	6,075
Unrealised fair value adjustment to derivatives	-	-	-	3,298	3,298
Segment assets	380,926	2,760	-	518,741	902,427
Segment liabilities	-	-	-	356,856	356,856
VPT 31 December 2009	Aust/NZ Real Estate Ownership \$'000	European Real Estate Ownership \$'000	Aust/NZ Real Estate Investment Management \$'000	Corporate \$'000	Consolidated \$'000
Net revenue from external customers	15,574	-	-	7	15,581
Interest income	-	-	-	22,760	22,760
Shares of net profit of associates and joint ventures	1,319	-	-	-	1,319
Total revenue and other income	16,893	-	-	22,767	39,660
Less costs					
Administrative and other expenses	-	-	-	(907)	(907)
Financing cost	-	-	-	(19,290)	(19,290)
Income tax expense	-	-	-	(8)	(8)
Segment result	16,893	-	-	2,562	19,455
Impairment of assets	(4,208)	(294)	-	(10,741)	(15,243)
Unrealised fair value adjustment to assets	(33,298)	-	-	-	(33,298)
Unrealised fair value adjustment to derivatives	-	-	-	679	679
Segment assets	394,829	3,465	-	552,115	950,409
Segment liabilities	-	-	-	392,253	392,253

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 4 Segment information (continued)

(b) Reportable segments (continued)

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Reconciliation to loss for the half year				
Segment Result	3,583	8,212	3,642	19,455
Impairment of assets	(57,351)	(26,305)	(58,571)	(15,243)
Impairment of intangibles	(7,507)	-	(12)	-
Unrealised FV adjustment to assets	8,797	6,075	(46,193)	(33,298)
Unrealised FV adjustment to derivatives	3,420	3,298	541	679
Non-cash employee benefit expense with respect to employee securities	(629)	-	(584)	-
Straight line rental income	268	206	521	361
Amortisation of intangibles	(4,105)	-	(4,309)	-
Amortisation of lease incentives	(975)	(550)	(521)	(207)
Finance charge on cross staple loan	-	725	-	-
Unrealised foreign exchange (gains)/losses	2,627	(7,820)	(659)	(11,197)
Income tax expense relating to non cash items	1,129	-	2,545	-
Loss for the half year	(50,743)	(16,159)	(103,600)	(39,450)

(c) Other segment information

There are no sales between segments and therefore no elimination of inter-segment revenue is required.

Revenues from external customers are derived from rental income, sales of property, interest income, dividends and distributions and fund management fees.

For VPT, revenues of approximately 15.6% (2009: less than 10%) are derived from a single external customer. These revenues are attributable to the Australian and New Zealand Real Estate Ownership segment.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 5 Impairment and fair value adjustments

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Impairment of assets				
Receivables	31,611	25,652	39,469	10,741
Investments	268	268	2,908	2,908
Inventory	26,036	-	21,327	-
Other financial assets	5,032	385	2,602	1,594
	62,947	26,305	66,306	15,243
Fair value adjustments to assets				
Increase/(decrease) in fair value of Investment property	8,797	6,075	(46,193)	(33,298)
	8,797	6,075	(46,193)	(33,298)

Note 6 Loans and receivables

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Current				
Trade receivables	11,797	759	15,201	887
Provision for impairment of receivables	(4,303)	(556)	(4,409)	(574)
Other receivables	8,689	1,212	15,007	1,252
Loans and receivables to third parties	119,284	-	148,595	5,044
Provision for impairment of loans and receivables to third parties	(117,284)	-	(108,491)	(5,044)
Loans to joint ventures/associates	2,899	-	4,373	-
Provision for impairment of loans to joint ventures/associates	(2,899)	-	(2,806)	-
Loans to related parties	3,385	662,547	3,356	177,239
Provision for impairment of loans to related parties	(3,385)	(192,050)	(3,356)	(135,789)
	18,183	471,912	67,470	43,015
Non-current				
Loans to third parties	20,643	-	20,303	-
Provision for impairment of loans and receivables to third parties	(8,228)	-	(6,900)	-
Loans to related parties	-	159,681	-	654,742
Provision for impairment of loans to related parties	-	(120,976)	-	(140,377)
	12,415	38,705	13,403	514,365

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 7 Non-current assets held for sale

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Investment property (note 8)	24,693	7,550	12,281	-
Inventory	85,833	-	-	-
Property, plant and equipment	-	-	2,311	-
Livestock	-	-	2,752	-
	110,526	7,550	17,344	-

Note 8 Investment property

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Current				
Industrial	7,550	7,550	-	-
Other	17,143	-	12,281	-
	24,693	7,550	12,281	-
Non-current				
Office	172,988	62,000	166,515	56,941
Bulky goods	135,800	86,000	127,363	79,113
Industrial	170,948	160,871	196,771	184,563
Other	-	-	17,997	-
	479,736	308,871	508,646	320,617
	504,429	316,421	520,927	320,617

A reconciliation of the carrying amounts of investment property for the reporting period are set out below:

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Opening balance	520,927	320,617	584,058	359,062
Capital expenditure	606	571	4,269	2,727
Lease incentives	2,555	2,546	(525)	(555)
Straight line rental income	268	206	973	899
Disposals	(22,433)	(9,506)	(29,950)	(10,900)
Net gain/(loss) from fair value adjustment	8,797	6,075	(50,973)	(31,282)
Transfers from property, plant and equipment, and inventory	-	-	12,207	-
Effect of exchange rate changes	(6,291)	(4,088)	868	666
Closing balance	504,429	316,421	520,927	320,617

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 8 Investment property (continued)

Investment property	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	VPG Consolidated book value 31 Dec 2010	VPT Consolidated book value 31 Dec 2010	VPG Consolidated book value 30 Jun 2010	VPT Consolidated book value 30 Jun 2010
			\$'000		\$'000	\$'000	\$'000	\$'000
Current								
- Industrial (Australia)								
80-100 Fulton Drive, Derrimut VIC	Nov 2007	Dec 2010	7,550	Colliers	7,550	7,550	-	-
- Other (Australia)								
432 Moroka Road, Valencia Creek VIC	Feb 2008	Feb 2009	4,500	Herron Todd White	-	-	2,499	-
259 Smyths Road, Valencia Creek VIC	Feb 2008	Feb 2009	1,900	Herron Todd White	-	-	1,067	-
170 Dows Road, Valencia Creek VIC	Feb 2008	Feb 2009	1,045	Herron Todd White	-	-	602	-
Pilkington Road, Fish Creek, VIC	Feb 2008	Feb 2009	7,400	PRP Valuers	-	-	4,323	-
Darnum, River Road, Yarragon VIC	Jun 2008	Mar 2009	5,800	PRP Valuers	-	-	3,790	-
Central Apartments, 502 Flinders Street, Townsville, QLD	Jun 2009	May 2010	14,830	Herron Todd White	14,198	-	-	-
Itara Apartments, 15 Sporting Drive, Kirwan QLD	May 2009	Dec 2008	3,252	Herron Todd White	2,945	-	-	-
Total current investment property					24,693	7,550	12,281	-
Non-current								
- Office (Australia)								
Riverside Corporate Place, North Ryde, NSW	Oct 2005	Dec 2010	60,100	Jones Lang Lasalle	60,100	-	57,267	-
207 Pacific Highway, St Leonards, NSW (50%)	Aug 2004	Dec 2010	62,000	Jones Lang Lasalle	62,000	62,000	56,940	56,940
370 Queen Street, Brisbane, QLD	Oct 2007	Dec 2010	19,700	DTZ	19,700	-	18,944	-
502 Flinders Street, Townsville, QLD	Jun 2009	Dec 2010	10,350	Herron Todd White	10,350	-	10,747	-
- Office (New Zealand)								
34 Shortland Street, Auckland	Dec 2007	Dec 2010	20,838	Colliers	20,838	-	22,617	-
- Bulky goods (Australia)								
Home Central, Bankstown NSW	Mar 2005	Dec 2010	38,000	Knight Frank	38,000	38,000	32,000	32,000
Home Central, McGraths Hill NSW	Dec 2004	Dec 2010	25,000	Jones Lang Lasalle	25,000	25,000	24,976	24,976
555 Kessels Road, Macgregor QLD	Dec 2007	Dec 2010	23,000	Knight Frank	23,000	23,000	22,137	22,137
280-290 Benalla Road, Shepparton VIC	Jan 2007	Dec 2010	18,000	Savills	18,000	-	17,750	-
Bath Road, Kirrawee, NSW	Aug 2008	Dec 2010	31,800	Jones Lang Lasalle	31,800	-	30,500	-
- Industrial (Australia)								
21 Metroplex Avenue, Murarrie QLD	Aug 2007	Dec 2010	7,800	Savills	7,800	7,800	7,971	7,971
17-21 Strezlecki Avenue, Sunshine VIC	Dec 2007	Dec 2010	5,300	Colliers	5,300	5,300	5,009	5,009
80-100 Fulton Drive, Derrimut VIC	Nov 2007	Dec 2010	7,550	Colliers	-	-	7,501	7,501
991 Mountain Highway, Boronia VIC	Nov 2007	Dec 2010	10,000	CB Richard Ellis	10,000	10,000	9,810	9,810
65-75 Strezlecki Avenue, Sunshine VIC	Nov 2007	Dec 2010	16,800	M3property	16,800	16,800	16,408	16,408
Boundary Road, Richlands QLD	Oct 2005	Dec 2010	12,250	Savills	12,250	12,250	12,261	12,261
Newton Road, Wetherill Park NSW	Jul 2006	Dec 2010	14,000	Colliers	14,000	14,000	13,900	13,900
Malta & Seville St, Fairfield NSW	Aug 2007	Dec 2010	8,900	Savills	8,900	8,900	8,932	8,932
Eurora Street, Kingston QLD	Aug 2007	Dec 2010	6,375	DTZ	6,375	6,375	6,128	6,128
McCredie Street, Smithfield NSW	Aug 2007	Dec 2010	19,300	Savills	19,300	19,300	19,328	19,328
Lot 7 Erskine Park, NSW	Jul 2007	Dec 2010	11,500	Jones Lang Lasalle	11,500	11,500	13,425	13,425
- Other (Australia)								
Central Apartments, 502 Flinders Street, Townsville, QLD	Jun 2009	May 2010	14,830	Herron Todd White	-	-	15,052	-
Itara Apartments, 15 Sporting Drive, Kirwan QLD	May 2009	Dec 2008	3,252	Herron Todd White	-	-	2,945	-
- Industrial (New Zealand)								
20 Mahunga Drive, Mangere	Aug 2007	Dec 2010	18,541	CB Richard Ellis	18,541	18,541	20,169	20,169
11 Tararua Road, Levin	Aug 2007	Dec 2010	7,366	CB Richard Ellis	7,366	7,366	7,931	7,931
85 Shands Road, Christchurch	Aug 2007	Dec 2009	10,733	CB Richard Ellis	-	-	10,756	10,756
196 Browns Road, Manukau	Aug 2007	Dec 2010	11,575	CB Richard Ellis	11,575	11,575	12,800	12,800
862 Great South Road, Penrose	Aug 2007	Dec 2010	11,164	CB Richard Ellis	11,164	11,164	12,235	12,235
60 McEwan Road, Marsden Point	Apr 2008	Dec 2010	10,077	DTZ	10,077	-	12,207	-
Total non-current investment property					479,736	308,871	508,646	320,617
Total investment property					504,429	316,421	520,927	320,617

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 9 Deferred tax assets and liabilities

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The information below provides further details on tax losses in VFML and VPT

(a) VFML Tax losses

Unused tax losses for which no deferred tax asset has been recognised	<u>\$139.5m</u>
Potential tax benefit @ 30%	<u>\$41.9m</u>

(b) VPT Tax losses

Under current law VPT is not liable for tax provided that VPT's taxable income is fully distributed to security holders each year.

VPT has carried forward revenue tax losses as at 31 December 2010 of \$227.1m. These losses may be utilised by VPT in a future income year subject to satisfying certain loss recoupment tests.

If a distribution is made to security holders in an income year that is not taxable (eg where the taxable income of VPT has been offset by prior year tax losses), then the distribution would be classified as a tax deferred distribution.

For stapled security holders who hold their units on capital account, it is current ATO practice that tax deferred amounts are not included in the assessable income of stapled security holders when received. However, such amounts reduce a stapled security holder's cost base of their units which is relevant for capital gains tax purposes upon sale of the units. Once the cost base of a stapled security holder's units is fully eroded by tax deferred amounts, then any tax deferred distribution in excess of the remaining cost base of the units would result in an immediate capital gain for the security holder.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 10 Intangible assets

	Consolidated VPG		
	Management rights/software \$'000	Goodwill \$'000	Total \$'000
At 30 June 2010			
Cost	99,260	595,654	694,914
Accumulated amortisation and impairment	(50,973)	(570,031)	(621,004)
Net book amount	48,287	25,623	73,910
Half year ended 31 Dec 2010			
Opening net book amount	48,287	25,623	73,910
Additions	285	-	285
Amortisation charge	(4,105)	-	(4,105)
Impairment	(7,489)	(18)	(7,507)
Effect of exchange rate changes	(5,267)	(3,459)	(8,726)
Closing net book amount	31,711	22,146	53,857
At 31 Dec 2010			
Cost	91,884	518,923	610,807
Accumulated amortisation and impairment	(60,173)	(496,777)	(556,950)
Net book amount	31,711	22,146	53,857

(a) Management rights/software

All remaining management rights (Dec 2010 net book amount \$28.937m) relate to future income streams from European managed funds. They are amortised over their useful life. Software relates to Australia (Dec 10: \$0.627m) and Europe (Dec 10: \$2.147m).

(b) Goodwill

The only cash generating unit (CGU) is the European funds management business.

(c) Key assumptions

Goodwill and management rights are tested for impairment annually or more frequently if there are indicators of impairment. There was an impairment loss recorded against goodwill and management rights of \$7.507m during the period (Dec 2009: \$0.012m).

The recoverable amount of goodwill is determined by reference to fair values less costs to sell. Fair value less costs to sell is based on the estimated economic value of the business, being determined by the future maintainable earnings multiplied by an appropriate multiple, less an allowance for selling costs. The future maintainable earnings are based on forecasts for the next three financial years approved by management of those businesses. EBITDA multiples have been determined having regard to external broker revaluation multiples for similar businesses.

The recoverable amount of management rights is based on discounting forecast fund income for the remaining life of the fund. Discount rates used for December 2010 were 6.5% for European management rights. These rates were compared to weighted average costs of debt for appropriateness.

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 11 Interest bearing liabilities

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Current				
Secured liabilities				
Bank loans	293,214	206,955	57,970	22,383
Unsecured liabilities				
Convertible notes	7,000	4,970	-	-
	300,214	211,925	57,970	22,383
Non-current				
Secured liabilities				
Bank loans (net of borrowing costs)	22,394	-	232,463	206,164
Other loans	576	-	668	-
Unsecured liabilities				
Convertible notes	184,056	130,778	198,838	141,296
	207,026	130,778	431,969	347,460

(a) Convertible notes

Kimco Realty Corporation (NYSE: KIM), a US Real Estate Investment Trust, holds convertible notes in the Group. The convertible notes were issued for \$200million in February 2008 and have been since paid down to \$192million at 31 December 2010 with a further \$7million reduction after half year end. The notes have a term until August 2014.

Coupon is payable at 9.5% on the outstanding balance. At February 2013, this rate steps up to 10.5% and at August 2013 this rate resets to the higher of 12% and 1 year swap rate plus 500bps.

Kimco have the right, but not the obligation to convert into VPG stapled securities at any time. Currently the conversion would be at a price of \$26.60 per stapled security (equivalent to the pre-consolidation price of \$1.33 per stapled security) which was based on 20% premium to the adjusted 5-day volume weighted average price at the date of issue of the note (\$22.20 or \$1.11 pre-consolidation). At February 2013, the conversion price will be reset to a 15% premium to the 5 day VWAP ending 11 February 2013. At August 2013, the conversion price will again reset to the lower of the conversion price calculated at February 2013 and a 10% premium to the 5 day VWAP ending 9 August 2013.

If not converted Valad must repay at August 2014. Valad has a right to repay at any time. On a change of control of the Group, Kimco has a right to be repaid at 101% of principal and the accrued interest at that time.

Kimco has the right, subject to certain conditions, to sell down their position to institutional investors who are incorporated in an OECD country.

The main covenants and undertakings are as follows:

- Gearing covenant not to exceed 75% until and including 31 December 2012, thereafter 65%.
- In the event of the sale of any of the following assets; 18% co-investment in VPlus (Australia) Fund, 21% investment in the One Alfred St joint venture or Valad's European business, a minimum of 35% of net proceeds are to be applied to repayment of any debt in the Group.
- Restriction until February 2013 on not incurring further balance sheet debt other than the refinancing, extension or redraw of existing facilities as at December 2011.

\$8.0m of notes were redeemed in December 2010 and a further \$7.0m of notes were redeemed in January 2011. The convertible notes are presented in the balance sheet as follows:

	Consolidated			
	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Face value of notes issued – current	7,000	4,970	-	-
Face value of notes issued – non-current	185,000	131,350	200,000	142,000
Deferred transaction costs	(944)	(572)	(1,162)	(704)
Total	191,056	135,748	198,838	141,296

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 11 Interest bearing liabilities (continued)

(b) Assets pledged as security

The bank loans of the Group are secured by first and second mortgages over some of the Group's and Consolidated entity's properties, or by cash flows.

The carrying amount of assets pledged as security for non-current interest bearing liabilities are:

	Consolidated			
	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
First and second mortgages				
Receivables	26,096	-	37,455	-
Non-current assets held for sale	-	-	12,281	-
Current assets	26,096	-	49,736	-
Inventory	111,833	-	47,356	-
Property, plant and equipment	1,375	-	1,577	-
Investment property	501,484	316,421	505,700	320,617
Non-current assets	614,692	316,421	554,633	320,617
Total assets pledged as security	640,788	316,421	604,369	320,617

(c) Financing arrangements

The following financing facilities were available to the Group at balance date:

	Consolidated			
	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 30 Jun 2010 \$'000	VPT 30 Jun 2010 \$'000
Finance facilities				
Total financing facilities at the reporting date	518,252	342,703	504,379	369,843
Amounts utilised at the reporting date (excluding borrowing costs)				
Current	(293,214)	(206,955)	(57,970)	(22,383)
Non-current	(214,026)	(135,748)	(433,131)	(347,460)
Financing resources available at the end of the half year	11,012	-	13,278	-
Maturity profile of financing facilities (net of borrowing costs)				
Due within one year	301,790	211,925	60,362	22,383
Due between 1 and 2 years	30,062	-	232,164	206,164
Due between 2 and 3 years	185,615	130,778	210,186	141,296
Due between 3 and 4 years	785	-	882	-
Due between 4 and 5 years	-	-	785	-
	518,252	342,703	504,379	369,843

Of the financing resources available at the end of the period \$1.576m (June 2010: \$2.392m) represents the ability to capitalise interest on certain facilities rather than capacity to draw down further debt.

On 22 February 2011, agreement was reached to extend the maturity date of the Corporate debt facility (amount utilised Dec 2010 \$190.4m) from September 2011 to December 2012, subject to completion of documentation.

(d) Defaults and breaches of loans payable

During the period ended 31 December 2010, there were no defaults on loan payments (Jun 2010: nil) and at 31 December 2010, there were no debt covenants in breach (June 2010: nil).

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 12 Equity securities issued

		Valad Property Trust		Valad Funds Management Limited		
Date		Price	No of units '000	\$'000	No of shares '000	\$'000
Pre-Consolidation						
1 July 10	Opening balance		2,287,683	1,812,311	2,287,683	747,225
2 Sep 10	Employee securities	\$0.09	14,446	819	14,446	481
2 Nov 10	Closing balance		2,302,129	1,813,130	2,302,129	747,706
Post-Consolidation						
3 Nov 10	Security consolidation (1 for 20 basis)		115,108	1,813,130	115,108	747,706
31 Dec 10	Closing balance		115,108	1,813,130	115,108	747,706
	Contributed equity			1,813,130		747,706
	Issue costs			(38,186)		(15,135)
	Securities issued under Valad securities ownership plan			(4,110)		(1,080)
	Treasury stock			-		(281)
	Net contributed equity			<u>1,770,834</u>		<u>731,210</u>
	Total net contributed equity					2,502,044

Note 13 Accumulated losses

	VPG 31 Dec 2010 \$'000	VPT 31 Dec 2010 \$'000	VPG 31 Dec 2009 \$'000	VPT 31 Dec 2009 \$'000
Opening balance at the beginning of the half year	(2,041,028)	(1,188,733)	(1,875,814)	(1,156,101)
Loss for the half year	(50,743)	(16,159)	(103,600)	(39,450)
Closing balance at the end of the half year	(2,091,771)	(1,204,892)	(1,979,414)	(1,195,551)

Note 14 Dividends and distributions

No dividend or distribution has been declared in respect of the half year ended 31 December 2010 (2009: nil).

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 15 Commitments

(a) Capital commitments

Note	Consolidated			
	VPG Dec 10 \$'000	VPT Dec 10 \$'000	VPG Jun 10 \$'000	VPT Jun 10 \$'000
Capital commitments – investment property				
Commitments in relation to capital expenditure on investment properties contracted for at reporting date but not recognised as liabilities payable:				
Within one year	(a) 3,443	1,776	1,697	1,466
	<u>3,443</u>	<u>1,776</u>	<u>1,697</u>	<u>1,466</u>
Capital commitments – capital call and funding				
Commitments in relation to capital calls and funding of projects contracted for at reporting date but not recognised as liabilities payable:				
Within one year	(b) 2,755	2,755	17,643	3,013
Within one to five years	(c) -	-	35,200	-
	<u>2,755</u>	<u>2,755</u>	<u>52,843</u>	<u>3,013</u>

- (a) Includes commitments for tenant incentives and property refurbishments. The increase from June 10 is due to tenant commitments arising from new leases entered during the half year.
- (b) Includes commitments for uncalled capital of \$2.755m (Jun 10: commitments included Noosa joint venture \$5.000m, a third party loan of \$8.000m and uncalled capital of \$4.643m)
- (c) The third party loan commitment of \$35.200m was extinguished during the half year period. (Jun 10: commitment is a third party loan of \$35.200m)

(b) Lease commitments: Group company as lessee

	Consolidated			
	VPG Dec 10 \$'000	VPT Dec 10 \$'000	VPG Jun 10 \$'000	VPT Jun 10 \$'000
Lease commitments – operating				
Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at reporting date but not recognised as liabilities payable:				
Within one year	3,757	-	1,975	-
Later than one year, but not later than five years	4,218	-	7,624	-
	<u>7,975</u>	<u>-</u>	<u>9,599</u>	<u>-</u>
Representing:				
Cancellable operating leases	251	-	407	-
Non-cancellable operating leases	7,724	-	9,192	-
	<u>7,975</u>	<u>-</u>	<u>9,599</u>	<u>-</u>

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 16 Contingent liabilities

The Group had contingent liabilities at 31 December 2010 in respect of sales consultancy agreements totalling \$2.1m (Jun 2010: \$1.8m) payable on the development and settlement of residential apartments and bank guarantees given on behalf of Group entities totalling \$0.385m (Jun 2010: \$0.385m).

There is a legal claim and a number of potential claims against a wholly owned subsidiary of the Group that advised on the set up or managed the operation of two Funds which the claims relate to. No amounts have been provided for at the half year as the claim did not meet the criteria for a provision or no formal complaints have been lodged. The Group has considered where insurance may cover any claim payable. Further the claims are contained to a subsidiary with a written down value of nil.

Valad Europe

Should the Group dispose of its interest in Valad Capital Limited, Valad Europe Plc or DUKE, there may be requirements for joint venture partner or financier consent and restrictions on the use of proceeds.

If Valad Europe Plc is sold, the restrictions on the use of the proceeds are as follows:

- Before 30 June 2012 – the proceeds from the disposal must be paid to DUKE
- After 30 June 2012:
 - If all loans to DUKE from Lloyds have been repaid in full (through sale, refinance etc), Valad can retain 100% of the proceeds from the disposal
 - If any debt is still provided by Lloyds and:
 - If the LVR >95%, then the proceeds from the disposal must be paid to DUKE
 - If the LVR <95% but >85%, 50% of the proceeds must be paid to DUKE
 - If the LVR <85%, Valad can retain 100% of the proceeds from the disposal.

Note 17 Business Combinations

a) Acquisitions of controlled entities

On 30 November 2010, Valad Property Group obtained control of the entity Noosa Venture 1 Pty Limited (ABN 65 127 734 249 and Noosa Venture Trust (ABN 39 952 898 807). Legal transfer of the shares and units in these entities occurred on 14 January 2011. The principal activity of these entities is property investment and development. Prior to this date, the Group had joint control of these entities and accounted for them as an equity accounted investment.

The acquired business contributed revenues of \$0.634m and a net profit of \$0.292m for the period from 30 November 2010 to 31 December 2010. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated profit for the half year ended 31 December 2010 would have been \$13.095m and \$1.314m respectively.

Details of net assets acquired are as follows:

	\$'000
Purchase consideration	
Fair value of consideration – Receivable	10,000
Total purchase consideration	10,000
Fair value of net identifiable assets acquired (refer below)	10,000
Goodwill on acquisition	-

Valad Property Group and Valad Property Trust

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2010 (continued)

Note 17 Business Combinations (continued)

a) Acquisitions of controlled entities

The provisional assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	4,044	4,044
Receivables	1,003	1,003
Inventory	85,969	85,145
Other assets	3,427	3,427
Payables and provisions	(6,129)	(8,345)
Non-interest bearing loan	(5,600)	(5,600)
Interest bearing liabilities	(59,500)	(59,500)
Derivative liabilities	(186)	(174)
Net identifiable assets	23,028	20,000
Net identifiable assets at 100%		20,000
Net identifiable assets at 50%		10,000
		\$'000
Inflow of cash on consolidation of business:		
Cash consideration paid ¹		-
Less cash acquired		(4,044)
Inflow of cash		4,044

¹ Transfer of the shares and units occurred on 14 January 2011.

Note 18 Events occurring after the balance sheet date

The events which occurred after balance sheet date in the Group and Consolidated entity were as follows:

On 14 January 2011, Valad completed the transfer of legal ownership of Noosa Venture 1 Pty Limited and Noosa Venture Trust.

In January 2011, further capital repayments totalling \$7.0m were made to Kimco Realty reducing the total amount outstanding to \$185.0m (excluding borrowing costs).

On 22 February 2011, agreement was reached to extend the maturity date of the Corporate debt facility (amount utilised Dec 2010 \$190.4m) from September 2011 to December 2012, subject to completion of documentation.

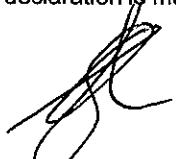
Valad Property Group and Valad Property Trust

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 35 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's and Consolidated entity's financial position as at 31 December 2010 and of their performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Group and Consolidated entity will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Trevor Gerber
Chairman, Valad Funds Management Limited and Valad Commercial Management Limited
(as Responsible entity for Valad Property Trust)

Sydney
23 February 2011

PricewaterhouseCoopers
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Independent auditor's review report to the stapled security holders of Valad Property Group

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Valad Property Group (the Group), which comprises the balance sheet as at 31 December 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Group. The Group comprises of Valad Funds Management Limited and the entities it controlled during that half-year, and Valad Property Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Valad Funds Management Limited and Valad Commercial Management Limited, as Responsible Entity of Valad Property Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independent auditor's review report to the stapled security holders of Valad Property Group (continued)

Independence

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

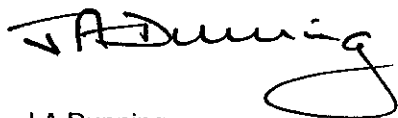
Conclusion

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 Valad Property Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



J A Dunning
Partner

Sydney
23 February 2011

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Independent auditor's review report to the unitholders of Valad Property Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Valad Property Trust (the Registered Scheme), which comprises the balance sheet as at 31 December 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Valad Property Trust Group (the Consolidated Entity). The Consolidated Entity comprises both Valad Property Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Valad Commercial Management Limited, as Responsible Entity of Valad Property Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the unitholders of
Valad Property Trust (continued)**

Independence

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

Conclusion

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 Valad Property Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

J A Dunning

J A Dunning
Partner

Sydney
23 February 2011

Appendix 4D

Half year report Six months ended 31 December 2010

VALAD PROPERTY GROUP ("VPG")

Consisting of the consolidated reports of Valad Funds Management Limited (ABN 89 102 249 294) and its controlled entities and Valad Property Trust (ABN 91 308 938 488) and its controlled entities. Valad Commercial Management Limited (ABN 76 101 802 046) is the Responsible Entity of Valad Property Trust.

Results for announcement to the market

(corresponding period half year ended 31 December 2009)

	Half year to 31 December 2010 \$Am	Half year to 31 December 2009 \$Am	% change
Revenues from ordinary activities	76.5	84.1	(9)%
Underlying profit ¹	3.6	3.6	0%
Loss from ordinary activities after tax attributable to members	(50.7)	(103.6)	51%
Loss for the period attributable to members	(50.7)	(103.6)	51%

1. The underlying profit reflects the statutory profit/loss after tax as adjusted to present an operating result reflecting the ongoing business activities. It represents net profit after tax excluding non cash, non operating items namely impairment and fair value adjustments, movement in foreign exchange and amortisation.

Distributions

There is no interim distribution for this period.

Refer to the attached VPG Half Year Report and ASX Announcement for further details.

Net tangible assets per security – 31 December 2010
(Post consolidation of stapled securities)

\$2.32

Previous corresponding period – 30 June 2010 (Post
consolidation of stapled securities)

\$2.69

Previous corresponding period – 30 June 2010 (Pre
consolidation of stapled securities)

\$0.13

5. Associates and Joint Venture entities

	Ownership Interest		Share of Net Profit/(Loss)	
	31 Dec 2010 %	31 Dec 2009 %	31 Dec 2010 \$m	31 Dec 2009 \$m
Investments in Associates /Joint Ventures				
Valad Opportunity Fund No 12	34%	34%	0.3	-
Valad Fields Holding Trust	34%	34%	(0.1)	-
Noosa Venture Trust	100%	50%	0.3	-
KVSI Trust	-	25%	-	1.3
KVSI Pty Ltd	-	25%	-	-
Denison Bulwara Property Trust	50%	50%	-	-
Honeycombes Property Group Pty Limited	-	32%	-	-
Honeycombes Ownership Pty Limited	-	32%	-	-
D.U.K.E Real Estate Limited	50%	50%	-	-
Ascent Insurance Brokers Limited	50%	50%	-	-
Markland Thorpe Park Investments Limited	-	50%	-	-
Equitis Limited	50%	50%	-	-
Thames Gateway Limited Partnership	50%	50%	-	-
iO Groupo Lar Grosvenor Management SL	50%	50%	-	-
VCP II BV	-	50%	-	-
The Teesland iDG Salfords Unit Trust	20%	20%	-	-
Other investments	50%	50%	-	0.3
			0.5	1.6


Katherine Grace
Company Secretary

Date: 23 February 2011