

MFS DIVERSIFIED GROUP  
COMPRISING:

MFS DIVERSIFIED TRUST ("Trust")

ARSN 104 482 206

(RESPONSIBLE ENTITY: MFS DIVERSIFIED GROUP MANAGEMENT LTD

ABN 77 116 506 882, AFSL 304866)

MFS DIVERSIFIED LIMITED ("Company")

ABN 38 117 546 326

ASX Code: MFT



## ASX/MEDIA ANNOUNCEMENT

### SECURITYHOLDER COMMUNICATION

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The following letter from the newly appointed Board Chairman, Richard Anderson, was circulated to all securityholders today.

This letter provides an overview of the MFS Diversified Group (Group), details of the Group's relationship with MFS Limited as well as a Group business update.

Guy Farrands  
Managing Director and CEO  
0416 198 371

Date: 1 February 2008

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31 January 2008

INCORPORATING

**VILLAWORLD**  
**MODA**

Dear Fellow Securityholders,

My name is Richard Anderson. I was appointed Chairman of MFS Diversified Group last week.

Recently, as I am sure you are aware, share prices across the board have reduced significantly. Unfortunately the impact of global issues on the market price of your stapled securities has been exacerbated by the Group's relationship, spotlighted in the media, with MFS Limited.

This has occurred even though MFS Limited and MFS Diversified Group businesses are completely separate. Your Group continues to be separately funded and to operate profitably as a separately listed entity governed by a separate board of directors.

Because of issues relating only to MFS Limited and to them personally Michael King and Michael Hiscock, both former directors of MFS Limited, have resigned from the board of MFS Diversified Group.

Your board now comprises:

Richard Anderson (Independent Chairman)  
Guy Farrands (Managing Director)  
John Potter (Independent and non-executive)  
Craig White (Non-executive)

Your directors take these matters extremely seriously and are working as quickly as possible to restore securityholder market value that has been temporarily eroded.

## **Overview**

MFS Diversified Group consists of a real estate investment trust and a real estate development company. The units in the trust and the shares in the company are stapled together as one stapled security which is listed and traded on the ASX.

The Group's total land bank is approximately 6,750 lots, representing about 7 years supply at current delivery rates, with an end value of approximately \$1.64 billion. The Group also owns a portfolio of commercial, industrial and retail properties valued at 31 October, 2007 at approximately \$309 million. This is an extremely attractive and valuable body of assets.

## **MFS Limited relationship with MFS Diversified Group**

The relationships between MFS Limited and MFS Diversified Group are limited.

Craig White, a director of your Group, was appointed Chief Executive Officer of MFS Limited last week. Subsidiaries of MFS Limited, previously the holders of approximately 27.3m stapled securities in MFS Diversified Group (being approximately 6.4% of the current issued capital), have sold all of them. MFS Limited also controls other MFS Diversified Group stapled securities that are held in managed funds.

Other than the following there are no financial dealings or financial relationships (including joint borrowings or guarantees) between MFS Limited and MFS Diversified Group.

1. A subsidiary of MFS is the responsible entity of MFS Diversified Trust.

Nineteen members of the 151 member team that manages the MFS Diversified Group businesses are employees of MFS Limited. All of those 19 team members are dedicated solely to the management of MFS Diversified Group.

There has been no interruption to the day to day management of the MFS Diversified Group.

2. A land development fund (MFS Land Fund), to be jointly managed by MFS Limited (as responsible entity) and MFS Diversified Group (as development manager), was announced on 7 November 2007 to undertake two projects. There is no certainty now that the land fund will proceed but our FY08 earnings forecast does not include a contribution from this activity.

Should MFS Land Fund not proceed or be delayed MFS Diversified Group may assume 100% ownership and become responsible for 100% funding of the developments. MFS Diversified Group has the financial capacity to meet these obligations.

We will provide you with a further update should there be any change to these relationships or financial arrangements.

## **MFS Diversified Group Business update**

MFS Diversified Group's Communities Development Division is experiencing sales volumes well in excess of expectations in both its Victorian and Queensland projects. Sales for the six months ended 31 December 2007 were 749 lots, representing about 66% of the forecast sales volume for the 2008 financial year. Due to the strong demand experienced across a number projects, the Group has been able to achieve prices ahead of budget, resulting in some improved margins.

As with previous years the majority of Communities Development Division full year earnings will be recognised in the second half of the financial year. The traditional bias to the second half will be greater than expected due to the wet weather in South East Queensland during December 2007 and January 2008, and resultant delays in settlements.

We believe the outlook for the Communities Development Division remains strong. Overall the business is performing well. The investment properties owned by the Trust are 99% leased and are actively managed ensuring a steady stream of income return.

### **The Future**

Your directors firmly believe that prospects for MFS Diversified Group, as a separate entity operating separate businesses, are extremely sound.

I wish to assure you again that we take this matter extremely seriously and that we are working as quickly as possible to restore the securityholder value that has been temporarily eroded.



Richard Anderson

Chairman