

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 ANNOUNCEMENT/MEDIA RELEASE

SECURITYHOLDER COMMUNICATION

The following letter from the Board Chairman, Richard Anderson, will be circulated to all securityholders today.

Media enquiries to:

Guy Farrands
Managing Director and CEO
MFS Diversified Group

Date: 18 March 2008

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18 March 2008

INCORPORATING

VILLAWORLD

MODA

Dear Securityholder,

As you may be aware, the securities of MFS Diversified Group (the Group") were suspended from trading on the ASX on 29 February, 2008, at the request of the Group. The request was made by Directors in the best interest of securityholders after careful consideration of a number issues. I would like to take this opportunity to provide securityholders with an update.

Why have we requested a suspension of trade?

The suspension was requested pending the outcome of negotiations related to a covenant in the Group's \$450 million debt facility. Given ongoing market volatility, the need to negotiate with banks and market concerns with debt issues the Directors of the Group considered it appropriate to suspend trading of securities until resolution of the issue is achieved to allow trading on an informed basis.

The Directors are optimistic this issue can be dealt with successfully and expeditiously and are confident of returning to the market with a positive outcome.

The facility is provided by a syndicate of four banks. The Syndicate Manager, BOS International, notified the Group on 27 February 2008 that it was in technical breach of a debt covenant for the period ending 31 December, 2007. The notice also included a simultaneous waiver of the breach on the basis that a substitute financial covenant acceptable to the banking syndicate is agreed by no later than 31 March, 2008.

The banking syndicate has expressed its ongoing support of the Group subject to satisfactory restructure of the financial covenants within the stated time frame.

It should be noted that this was the first reporting period that the financial covenants were to be tested under the debt facility. This is because the facility was only established in June 2007. The Group, at its own instigation, approached the banking syndicate members confidentially to gain clarity on the operation of the covenant. There was no agreement amongst the banks themselves as to the proper operation of this covenant. The Syndicate Manager eventually decided to determine a breach and to simultaneously waive that breach, conditional on a replacement covenant being agreed, and also to offer an expression of support.

The Directors are optimistic that they will resolve this issue within the stated timeframe. It is expected that any new covenant will be clear and concise and also more appropriate for the Group's business model. The Group at our own instigation intends to de-lever the business, through a reduction of capital allocated to both, or either of, the communities' development and investment divisions.

What is the current state of the debt facility?

While the above negotiations continue, the Directors would like to confirm:

- No restrictions have been imposed on the Multi-Option Facility by the syndicate of banks and draw downs continue to be made in the ordinary course of business.
- The syndicate of banks have agreed in principle that the existing breached covenant is inappropriate based on the current organisation of the Group.
- Except for this breach no other covenant breach or event of default has occurred under the Multi-Option Facility Agreement, or in relation to any other indebtedness of the Group.
- There are no market capitalisation related debt covenants.
- BOS International, the leader of the syndicate, has recently provided further financing in the form of debt and equity to a newly created joint venture with MFT in respect of a project in Gladstone.
- There is significant net tangible asset backing of \$0.79 per MFT stapled security as at 31 December 2007. This increases to \$0.91 per security if the internal estimate (unaudited) of the current mark to market value adjustments to the land bank are included.

How were the financial results for the half ended 31 December 2007?

As a result of the breach of covenant the drawn interest bearing liabilities relating to the facility have been classified as current as at 31 December 2007, in accordance with the requirements of AASB 101 Presentation of Financial Statements.

The Group reported Net Profit After Tax (NPAT) of \$7.0 million for the six months to 31 December, 2007, an increase of 17% on the same period last year, and representing 1.7 cents per security (EPS). Cash available for distribution for the period was 4.9 cents per security, after unwinding the fair valuation adjustments on development inventory arising from the acquisition of Villa World and excluding net valuation uplift on the investment portfolio.

We are generally pleased with the operating performance of the business in the first half and we have achieved strong presales. The outlook for the remainder of 2008 looks sound, subject to negotiations with our banks proceeding as expected and the overall position of the economy (especially the housing market, which we expect may to some degree be effected by recent interest rates rises).

Will the March distribution be paid?

A distribution of 2.225 cents per security will be paid on 15 April 2008. The Dividend Reinvestment Plan (DRP) has been suspended pending the outcome of negotiations regarding the debt covenant.

Do directors have pressure to sell their securities?

The Board has sought, and obtained, an assurance from each Director that no Director is under any financial pressure to sell any MFT stapled securities

What is happening with the change of name?

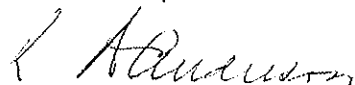
The Group also convened a Special General Meeting of MFS Diversified Limited on 27 March, 2008, to seek securityholder approval to change the name of the company to GEO Property Group Limited. It is also intended to change the name of MFS Diversified Trust to GEO Property Trust and the Group will be known from then as GEO Property Group. The name will reflect the Group's independence from MFS Limited, following the sale of MFS' own holding in the Group in January¹.

Where can I get more information?

What is set out above is a summary of the position as at today. The Group has made more detailed releases to ASX, which are available on the Group's website, www.mfsdiversified.com.au.

I look forward to providing securityholders with further updates when appropriate.

Yours sincerely



Richard Anderson OAM
Chairman

¹ A fund managed by MFS still owns approximately 10% of the Group's stapled securities.