

MFS LIVING AND LEISURE GROUP

COMPRISING:

MFS Living and Leisure Trust

ARSN 092 701 589

(Responsible Entity: MFS L & L Management Limited

ABN 60 101 634 315, AFSL 280985) and

MFS Living and Leisure Limited

ABN 92 107 863 445



ASX / NZX & MEDIA ANNOUNCEMENT

Business Update

In light of recent events affecting MFS Limited (**MFS**) and speculation about the MFS Living and Leisure Group (**MPY**), the Board of MPY would like to clarify a number of issues.

New Acting CEO

Marshall Vann has offered his resignation as Chief Executive Officer and as a director of MPY and the MPY Board has accepted his resignation. The MPY Board thanks Mr Vann for his commitment over the past years. Mr Vann has not accepted any termination payments from MPY.

The MPY Board is pleased to announce that John Schryver has been appointed Acting Chief Executive Officer, effective immediately. Mr Schryver joined Australian Alpine Enterprises (**AAE**) in February 2005 as CEO of the Falls Creek resort, and was appointed CEO of AAE in December 2005. Mr Schryver is also responsible for managing the Treetops business. Mr Schryver is a qualified accountant with over twenty years experience in the retail industry. The MPY Board has complete confidence in his capacity and ability to lead the executive team and manage the group and its activities into the future.

The MPY Board now comprises 3 non-executive, independent directors and one executive director. There are no MFS nominee directors on the MPY Board.

Operations

Each of the AAE, Oceanis and Tree Tops' businesses are continuing to operate well. In particular, early bookings for the 2008 ski season at each of the ski resorts at Mount Hotham and Falls Creek are exceeding expectations.

Growth initiatives

As outlined in its market update presentation on 28 November 2007, MPY has been committed to growing returns in its existing businesses by undertaking a range of growth initiatives, including:

- the acquisition of the Treetops business - comprising the Otway Fly (which has been operating for 5 years) and the right to develop the Illawarra Fly (scheduled to open in March 2008). MPY has also acquired development sites at Lake George in the United States and at Lake Brunner on New Zealand's South Island;
- Northbank Place – development of three commercial buildings on the Yarra River adjacent to the Melbourne Aquarium. These buildings are under construction and are fully funded on a non-recourse basis other than limited cost overruns and are due to complete progressively by February 2009. The Northbank development is being undertaken by a joint venture entity which is not a consolidated entity of MPY. MPY has a profit share interest in this development;
- construction of the Melbourne Aquarium Stage 2 – expansion of the existing aquarium business including creation of Australia's only Antarctica themed exhibit and extended function facilities. This project is due for completion in August 2008;
- various capital works at Mount Hotham and Falls Creek proposed to be completed in time for the commencement of the 2008 ski season;
- land sub-division at Dinner Plain and land development at Mt Hotham (freehold site); and

- roadworks at Mount Hotham which are expected to facilitate significant property development opportunities at the resort.

These growth initiatives have been funded to date with the support and encouragement of MFS via loan facilities advanced by MFS (and/or related entities), as well as through operating cashflows of the group. At present there is uncertainty over MPY's ability to continue to obtain advances from MFS to meet its commitments in relation to its growth initiatives. As a result, MPY is seeking to source alternative funding commitments. If MPY is unable to draw on its funding from MFS in accordance with its normal processes or obtain alternative short term funding, it may experience difficulties in meeting these commitments.

Borrowings

MPY's borrowings comprise a senior secured facility and a subordinated unsecured facility. These facilities total approximately \$180 million (including drawn working capital facilities).

Following a request from its senior secured lender to bring forward the maturity of its senior lending facilities, the senior facilities mature on 30 May 2008. MPY's unsecured facilities also mature on 30 May 2008. Prior to the most recent volatility in the markets and the issues affecting MFS, MPY had believed that the refinancing of its borrowings would be able to be completed in the ordinary course.

MPY is continuing to seek to refinance both of its facilities and is also seeking additional finance to fund MPY's growth initiatives. Further, MPY is considering the sale of certain assets to repay borrowings.

Following the decrease in MPY's security price and the current voluntary suspension of trading of its securities, the MPY Board has decided not to proceed with the previously announced Redeemable Convertible Preference Unit facility from Cornell Capital.

Distribution

The MPY Board has determined that it will not be making an interim distribution in light of the current circumstances. MPY is still aiming to make a final distribution for the 2008 financial year.

Proposals

MPY has received several proposals from parties interested in acquiring certain assets and businesses of the group and has allowed a limited number of parties access to materials for the purpose of making a firm proposal in relation to the assets. In particular, MPY has entered into an exclusive arrangement with a party interested in acquiring the aquariums and tree tops walks businesses to enable that party to conduct due diligence investigations in relation to those assets. Subject to completion, MPY expects that it would be able to repay all of its current borrowings and continue to operate its ski fields businesses.

MPY has also been approached by several parties interested in a possible recapitalisation of the group and is in discussions with several parties interested in providing alternative forms of funding to the group. Several parties are reviewing due diligence materials for the purpose of making a firm proposal to provide alternative forms of funding to MPY, which may include investing in MPY and acquiring a significant relevant interest in MPY.

External advisers have been appointed by the MPY Board to assist it consider the various alternatives.

ASX Trading Suspension

MPY's securities have remained in voluntary suspension while the Board has reviewed MPY's position. The Board of MPY has requested that MPY's securities remain in voluntary suspension while MPY continues to review its position and assess the various alternatives. The MPY Board expects that the voluntary suspension of its securities will continue for at least the short term.

MPY will continue to update its security holders as soon as it is able to in relation to all these matters.

Julanne Shearer Independent Chair

12 February 2008

For further information, please contact: Kathy MacDermott at Rowland on 07 3229 4499 or 044 88 44 508
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