

GEO Property Group

Comprising:

GEO Property Trust ("Trust")

ARSN 104 482 206

(Responsible Entity: GEO Management Limited

ABN 77 116 506 882, AFSL 304866)

GEO Property Group Limited ("Company")

ABN 38 117 546 326

ASX Code: GPM

Date: 1 October 2009



ASX ANNOUNCEMENT LETTER FROM CHAIRMAN

As you are aware the past year presented some enormous challenges to GEO Property Group. We believe that we have overcome the majority of these and are now looking to the future with confidence.

The Group is now focussed on its core business of affordable land only and house and land products in Melbourne and South East Queensland. Projects inconsistent with this are being sold and overhead costs associated with those projects eliminated.

With the combination of a much healthier and streamlined business and a strengthening balance sheet we believe that GEO is well positioned to benefit from improving economic conditions.

This letter is a brief summary only and must be read in conjunction with our full year accounts and supporting documentation, which are available at www.geopg.com.au.

Financial review

In the year to 30 June, 2009, the Group reported total revenues and other income of \$224 million, down from \$324.1 million in the previous year. This delivered an operating profit of \$22.7 million, down from \$30 million in the prior year, with operating earnings per security (EPS) of 5.3 cents.

Despite the substantial operating profit the final net result was a loss of \$131.6 million, due largely to \$176.0 million of one-off impairments/losses including a \$50.4 million write off of goodwill.

Net Tangible Assets (NTA) at the end of the year were 35.0cps, down from 58.5cps at 30 June 2008.

Distributions initially were reduced and then suspended during the year. This was not done lightly and reflected the pressure on earnings and a strategic decision to accelerate the repayment of debt to de-risk the business. As previously indicated the reinstatement of distributions will be considered in the second half of the current financial year.

Capital management

Our key capital management goal throughout the year has been to reduce the Group's gearing to a sustainable level, with borrowings reduced by 60% from its peak in February 2008. Gearing at 30 June 2009 was 37.1%, down from 43.9% at 30 June 2008.

Over the last 12 months the Board has taken steps to reduce the Group's underlying expense and it now has a cost base 45% lower than a year ago and 35% lower than the year just ended.

At Board level, Non-Executive Directors have reduced their base fees by 40% and waived all committee fees from April 2009 and the Managing Director/CEO has waived his contractual entitlement to a bonus of \$400,000 and agreed to a 38% cut in base remuneration.

Some bonus payments have been made to key management personnel in accordance with contractual arrangements that the Group was legally obliged to assume as part of its acquisition of GEO Management Limited from Octaviar Limited. All payments required to be made under this scheme have now been made and the scheme discontinued.

Communities Development

The Group's core residential development business has a history of more than 20 years of profitable operation and has successfully navigated through several market downturns. The current downturn has been no exception, with strong sales rates but reduced margins achieved. This year 18 projects contributed to FY2009 profit, with exchanged contracts of 731 units compared to 1,064 in 2008. An average gross margin of 23% per lot was achieved.

Investment Portfolio

The Group achieved the sale and settlement of 11 investment properties from the Trust for a total consideration of \$128.3 million in 2009. The remaining seven assets, with a book value of \$69 million, are targeted to be sold in the 2010 financial year.

Outlook

There are signs that the impact of the Global Financial Crisis on the Australian economy may be less prolonged than initially believed. Notwithstanding the impending reduction in the First Home Owners Boost on 1 January 2010 the Group is cautiously optimistic about the coming year. However, it seems likely that the constrained capital environment will continue for the foreseeable future. This means that a careful approach to re-stocking our development pipeline will be required.

The Group's strategy remains unchanged with a focus on its core business of developing affordable residential communities, combined with prudent capital management and debt reduction. It is expected that GEO's debt will be substantially lower at 30 June 2010.

The company's strengths include an experienced and dedicated management team, a pipeline of profitable projects and the well-established VillaWorld brand.

We look forward to meeting the challenges of the coming year with an expectation that economic conditions will continue to improve and the knowledge the Group is well placed to seize any opportunities which may arise.

Finally, we wish to thank securityholders for their support during this challenging year.



Richard Anderson
Chairman

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