



**Lifestyle Communities Limited**  
**ABN 11 078 675 153**  
**and Controlled Entities**

**Financial Report**  
**for the Half-Year Ended**  
**31 December 2009**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2009.

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## Corporate Information

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**Lifestyle Communities Limited** ABN 11 078 675 153

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**Registered Office** Level 2, 35 Market Street  
South Melbourne VIC 3205  
Australia

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**Directors** D. Paranthoiene – *Non-executive Director & Chairman*  
J. Kelly – *Managing Director*  
B. Carter – *Director of Finance*  
D. Perlov – *Director of Operations*  
T. Poole – *Non-executive Director*

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**Company Secretary** R. South

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**Principal Place of Business** Level 2, 35 Market Street  
South Melbourne VIC 3205  
Australia  
Phone 61 3 9682-2249  
Web: [www.lifestylecommunities.com.au](http://www.lifestylecommunities.com.au)

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**Share Register** Computershare Investor Services Pty Limited  
Yarra Falls 452 Johnston Street  
Abbotsford Victoria 3067  
Investor queries (within Australia) 1300 850 505

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**Solicitors** Maddocks Lawyers  
140 William Street  
Melbourne VIC 3000  
Australia

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**Bankers** Westpac Banking Corporation  
360 Collins Street  
Melbourne VIC 3000

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**Auditors** Pitcher Partners  
15 William Street  
Melbourne VIC 3000

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## **Directors' Report**

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled, for the half year ended 31 December 2009 and independent auditor's review report thereon. This Financial Report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

### **Introduction**

Lifestyle Communities develops, owns and manages affordable independent living communities for people aged 55 and over. Established in 2003, Lifestyle Communities is a market leader in the provision of affordable accommodation for the over 55's market in Victoria. Lifestyle Communities has five strategically located sites or villages that are either under management, development or planning with a total capacity of 1100 sites.

Despite challenging economic conditions, customer enquiry remains strong with sales in line with expectations. Lifestyle Brookfield at Melton, Victoria is almost sold out and Lifestyle Seasons in Tarneit and Lifestyle Warragul are both continuing to sell as anticipated.

During the period, Lifestyle Communities was granted a planning permit for a new Lifestyle Village in Cranbourne.

### **Significant Highlights**

The significant events for the company in the first half of 2010 the financial year include:

- Revenue from sale of units of \$9,916,378 (2008: \$4,670,791).
- Revenue from site rentals \$973,602 (2008: \$534,819).
- Profit before tax of \$3,559,167 (2008: \$610,784, when adjusted for a one-off loss due to impairment of land of \$2,850,069).
- Net Assets as at 31st December 2009 of \$24,659,293 (2008: \$18,982,025).
- Strong customer interest in the villages with receipt of sales and deposits continuing in accordance with expectations despite the more difficult economic environment.
- The granting of a planning permit for a new village planned for Cranbourne in Melbourne's eastern growth corridor.

## **The Market**

The view of your Directors is that the market for people looking to move into the style of accommodation provided by Lifestyle Communities remains unchanged and continues to strengthen.

## **Development Update**

Lifestyle Communities has five village projects in Victoria at various stages of construction, development and planning bringing the company's total potential pipeline to over 1100 sites. Three of these villages are open and operating with over 387 residents living in and enjoying the villages at Brookfield in Melton, Warragul and Tarneit. The fourth project - Lifestyle Shepparton - has all the required permits in place to commence construction. The Directors however continue to take the conservative step of delaying the commencement of this project until a clearer picture emerges on the impact that the drought and the global economic conditions will have on the Shepparton housing market.

Finally, a planning permit has now been issued for a new village in Cranbourne Victoria. It is currently expected that the Joint Venture development of Lifestyle Cranbourne will commence during calendar year 2010. Lifestyle Communities will own 50% of the Joint Venture and will also enter into agreements to develop, manage and operate the village on completion of the development.

## **Changes since the Balance Date**

The \$30,000,000 Westpac Facility is due for renewal in August 2010. At the 31 December 2009 discussions with Westpac regarding extending the facility were underway but had not been finalised at balance date. In accordance with accounting standards the debt has been reclassified as a Current Liability. Subsequent to 31<sup>st</sup> December, and prior to signing this report, a letter of offer to extend the facility through to March 2011 was received and accepted.

## **The Organisation**

The ongoing process of assessing the organisational needs for the company to ensure it is able to develop and manage the villages continues to be reviewed. As at the Balance Date, no significant changes have been made.

## **Funding the Business**

The business is currently funded by shareholders' equity, debt provided by Westpac and cash flow generated by the operating business. The Directors believe that the conservative and prudent course of action is to continue to reduce debt over time to a level that provides flexibility with respect to options available in the future.

## **Review of Operations**

The operating performance of the business remains strong with customer enquiry levels and sale deposits increasing since the opening of our villages in Tarneit and Warragul. Sales commitments at these villages are robust, however it should be noted that sales revenue is only reported at settlement. The company expects revenue from the sale of new homes for the second half to continue to be strong as committed sales move to settlement.

Revenue from the sale of units for the period was \$9,916,378 which was \$5,245,587 greater than the prior period.

Net profit before tax for the period was \$3,559,167, an increase of \$5,798,452 compared to the prior period.

Rental income for the period was \$973,602 which was \$438,783 greater than the prior period, which is a reflection of more homes having been settled in the period with residents now paying rent on the land they occupy.

Settlement revenue and annuity income streams from site fees and Deferred Management Fees (DMF) at the three villages under development continued to build during the first half of the financial year as new residents move into the villages.

Operating and administrative expenses for the period were consistent with the prior period and within budget.

Directors are satisfied with the operating performance of the business. Results are robust and in line with the internal forecast.

## **Outlook**

Lifestyle Communities believes the long term demand for affordable accommodation for people aged over 55 will continue to grow. The current economic uncertainty has not changed the population demographics nor solved the housing affordability crisis.

The recently announced one-off payment to pensioners and the underlying demand in the wider community from first home buyers has had a positive impact on our target market as the majority of our customers rely on fixed income government pensions and their existing houses are attractive to first home buyers. Lifestyle Communities can also be seen as a safety net for many retirees as we offer one of the lowest priced over 55's living solutions in the market.

As a result, new home sale rates have remained steady over the first half of the financial year with the sales rate increasing as the villages become more established.

Assuming historical averages of settlements are met, the profit outlook for the 2010 financial year is on track to meet the higher end of the forecast range, being a profit before tax of between \$5.8m and \$7.4m.

## **The Board**

There have been no board changes during the past half year. The board now encompasses a broad base of experience and skill which will assist the company in both delivering its current business plan as well being able to assess new opportunities.

## **Directors**

The names of the company's Directors in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

DAVID PARANTHOIENE (Non-Executive Director & Chairman)

JAMES KELLY (Managing Director)

BRUCE CARTER (Executive Director – Finance)

DAEL PERLOV (Executive Director – Operations)

TIM POOLE (Non-Executive Director)

RAY SOUTH (Company Secretary)

## **Auditor's Independence Declaration**

The auditor's independence declaration is set out on page 6 and forms part of the Director's Report for the half year ended 31 December 2009.

Signed in accordance with a resolution of the directors.



James Kelly  
Managing Director  
24 February 2010

## **AUDITOR'S INDEPENDENCE DECLARATION**

### **To the Directors of Lifestyle Communities Limited**

In relation to the half-year independent review for the six months ended 31 December 2009, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.



**S D WHITCHURCH**  
Partner  
24 February 2010



**PITCHER PARTNERS**  
Melbourne



**Condensed Consolidated Statement of Comprehensive Income**  
For the half year ended 31 December 2009

		Half-year	
	Note	2009 A\$	2008 A\$
<b>Revenue</b>	3	11,249,939	5,568,450
Cost of sales		<u>(8,342,374)</u>	<u>(2,769,330)</u>
<b>Gross profit</b>		2,907,565	2,799,120
Other income	4	2,940,000	679
Administrative expenses		(1,722,976)	(1,780,469)
Other expenses		(484,859)	(229,442)
Impairment of land	5	-	(2,850,069)
Finance cost		(80,563)	(179,104)
<b>Profit/(loss) before income tax expense</b>		<u>3,559,167</u>	<u>(2,239,285)</u>
Income tax expense		(1,086,804)	(193,742)
<b>Profit/(loss) for the half-year</b>		<u>2,472,363</u>	<u>(2,433,027)</u>
<b>Other comprehensive income</b>			
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		<u>2,472,363</u>	<u>(2,433,027)</u>
<b>Profit/(loss) is attributable to:</b>			
Members of the parent		<u>2,472,363</u>	<u>(2,433,027)</u>
<b>Total comprehensive income is attributable to:</b>			
Members of the parent		<u>2,472,363</u>	<u>(2,433,027)</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>			
		Cents	Cents
Basic earnings per share		0.54	(0.79)
Diluted earnings per share		0.54	(0.79)

The accompanying notes form part of these financial statements.



**Condensed Consolidated Statement of Financial Position**  
**AS AT 31 DECEMBER 2009**

	Note	31-Dec-09 A\$	30-Jun-09 A\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,578,189	2,075,962
Trade and other receivables		252,198	309,168
Inventories		18,611,357	17,118,044
Other current assets		65,620	67,615
<b>Total current assets</b>		<u>20,507,364</u>	<u>19,570,789</u>
<b>Non-current assets</b>			
Deferred management fee		1,715,282	1,378,910
Property, plant and equipment		5,613,245	5,640,086
Investment properties	6	26,000,532	22,886,235
Deferred tax assets		30,467	-
<b>Total non-current assets</b>		<u>33,359,526</u>	<u>29,905,231</u>
<b>TOTAL ASSETS</b>		<u>53,866,890</u>	<u>49,476,020</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,274,214	2,216,194
Interest-bearing loans and borrowings		25,319,219	112,701
Provisions		237,523	235,020
<b>Total current liabilities</b>		<u>27,830,956</u>	<u>2,563,914</u>
<b>Non-current liabilities</b>			
Provisions		98,891	89,808
Deferred tax liabilities		1,277,750	160,479
Interest-bearing loans and borrowings		-	24,526,062
<b>Total non-current liabilities</b>		<u>1,376,641</u>	<u>24,776,349</u>
<b>TOTAL LIABILITIES</b>		<u>29,207,597</u>	<u>27,340,263</u>
<b>NET ASSETS</b>		<u>24,659,293</u>	<u>22,135,757</u>
<b>EQUITY</b>			
Contributed equity	8	24,214,692	24,214,692
Reserves		354,524	303,351
Retained profits/(accumulated losses)		90,077	(2,382,286)
<b>TOTAL EQUITY</b>		<u>24,659,293</u>	<u>22,135,757</u>

The accompanying notes form part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

<b>CONSOLIDATED</b>	<i>Issued Capital</i>	<i>Retained Earnings</i>	<i>Other Reserves</i>	<i>Total</i>
	\$A	\$A	\$A	\$A
<b>At 1 July 2008</b>	18,141,367	(3,087,692)	166,466	15,220,141
Profit for the half year	-	(2,433,027)	-	(2,433,027)
Issue of shares – share placement	152,774	-	-	152,774
Issue of shares – rights issue	5,971,534	-	-	5,971,534
Share-based payments	-	-	70,603	70,603
<b>At 31 December 2008</b>	<u>24,265,675</u>	<u>(5,520,719)</u>	<u>237,069</u>	<u>18,982,025</u>

<b>CONSOLIDATED</b>	<i>Issued Capital</i>	<i>Retained Earnings</i>	<i>Other Reserves</i>	<i>Total</i>
	\$A	\$A	\$A	\$A
<b>At 1 July 2009</b>	24,214,692	(2,382,286)	303,351	22,135,757
Profit for the half year	-	2,472,363	-	2,472,363
Issue of shares – share placement	-	-	-	-
Issue of shares – rights issue	-	-	-	-
Share-based payments	-	-	51,173	51,173
<b>At 31 December 2009</b>	<u>24,214,692</u>	<u>90,077</u>	<u>354,524</u>	<u>24,659,293</u>

The accompanying notes form part of these financial statements.



**Condensed Consolidated Statement of Cash Flows**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	HALF-YEAR	
		2009 A\$	2008 A\$
<b>Cash flow from operating activities</b>			
Receipts from customers		12,101,696	4,967,343
Payments to suppliers and employees		(12,888,884)	(10,617,737)
Interest received		23,587	9,439
Interest paid		(80,563)	(179,104)
Income taxes paid		-	(5,983)
		<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>		<u>(844,164)</u>	<u>(5,826,042)</u>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		(97,088)	(5,234,738)
Payments for infrastructure		(174,297)	-
		<u>                    </u>	<u>                    </u>
<b>Net cash used in investing activities</b>		<u>(271,385)</u>	<u>(5,234,738)</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		-	6,124,309
Proceeds from external borrowings		9,517,712	5,875,165
Repayment of external borrowings		(8,882,348)	-
Repayments of hire purchase		(17,588)	(6,273)
		<u>                    </u>	<u>                    </u>
<b>Net cash flow provided by financing activities</b>		<u>617,776</u>	<u>11,993,201</u>
<b>Net increase/(decrease) in cash held</b>		(497,773)	932,421
<b>Cash and cash equivalents at the beginning of the half- year</b>		<u>2,075,962</u>	<u>423,409</u>
<b>Cash and cash equivalents at the end of the half-year</b>		<u>1,578,189</u>	<u>1,355,830</u>

The accompanying notes form part of these financial statements.



## Notes to the half-year Financial Statements

31 December 2009

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### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Lifestyle Communities Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

The half-year financial report was authorised for issue by the directors at the date of the director's report.

#### (a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The half year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### (b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Lifestyle Communities Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

### 2. SEGMENT INFORMATION

#### Segment Reporting

The group has applied revised AASB 8 Operating Segments as of 1 July 2009. Operating segments are now reported based on internal reporting provided to the Managing Director who is the Group's chief operating decision maker. Segment reporting on the basis required under AASB 8 is consistent with the Group's previous reporting of primary segments.

The consolidated entity operates within one operating segment, being the property development and management industry. As a result disclosures in the consolidated financial statements and notes are representative of this segment.



## Notes to the half-year Financial Statements

31 December 2009

### 3. REVENUE

	31-Dec-09 \$A	31-Dec-08 \$A
Sale of units	9,916,378	4,670,791
Rental revenue	973,602	534,819
Deferred management fee	336,372	353,401
Finance revenue	23,587	9,439
	<u>11,249,939</u>	<u>5,568,450</u>

### 4. OTHER INCOME

Sundry Income	-	679
Fair value adjustment	2,940,000	-
	<u>2,940,000</u>	<u>679</u>

Fair value adjustment results from restating Brookfield, Seasons and Warragul Developments to their fair value at 31 December 2009. This income represents incremental adjustments to the fair value of investment properties upon settlement of units and reflects the discounted value of future rental and deferred management fee revenues net of expenses.

### 5. SIGNIFICANT ITEMS

Impairment of land	-	(2,850,069)
	<u>-</u>	<u>(2,850,069)</u>

Pursuant to sale of land contracts entered into in November and December 2008 the Lynbrook property has been sold. Settlement of the contracts occurred after 31 December 2008. The unconditional contract does provide evidence of the fair value of the land. A fair value impairment of \$2,850,069 has been recorded. This reflects the expected loss on sale.



## Notes to the half-year Financial Statements

31 December 2009

### 6. INVESTMENT PROPERTIES

	31-Dec-09	30-Jun-09
	\$A	\$A
Opening balance as at 1 July	22,886,235	15,400,978
Transfers to Inventory (a)	-	(1,772,333)
Transfer from property & equipment	-	6,267,590
Investment in infrastructure	174,297	-
Net gain from fair value adjustments	<u>2,940,000</u>	<u>2,990,000</u>
Closing balance as at 31 December	<u><u>26,000,532</u></u>	<u><u>22,886,235</u></u>

(a) \$1,772,333 was transferred from investment properties to inventory to reflect the change in sale agreements to include infrastructure as part of the property sale.

### 7. COMMITMENTS AND CONTINGENCIES

There have been no changes to the commitments and contingencies disclosed in the most recent annual financial report.

### 8. CONTRIBUTED EQUITY

Issued and paid up capital		
462,073,090 (2008: 462,073,090)		
ordinary shares	<u>24,214,692</u>	<u>24,214,692</u>

### 9. SUBSEQUENT EVENTS

Subsequent to balance date, and prior to signing this report, Lifestyle Communities received and accepted a letter of offer from Westpac to extend the current facilities through to March 2011.



## Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 13 are in accordance with the *Corporations Act 2001*; and

- (a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the company and the consolidated entity as at 31 December 2009 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lifestyle Communities Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink that reads "James Kelly".

James Kelly  
Director  
Melbourne, 24 February 2010

**LIFESTYLE COMMUNITIES LIMITED  
ABN 11 078 675 153  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
LIFESTYLE COMMUNITIES LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Lifestyle Communities Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 Interim and Other Financial Reports 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 2009 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 Lifestyle Communities Limited, 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. 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.

*Independence*

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

**LIFESTYLE COMMUNITIES LIMITED  
ABN 11 078 675 153  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
LIFESTYLE COMMUNITIES LIMITED**

*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 Lifestyle Communities Limited 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 2009 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*.



S D WHITCHURCH  
Partner  
24 February 2010



PITCHER PARTNERS  
Melbourne