



Lifestyle Communities Limited  
ABN 11 078 675 153

Half Year Report  
for the  
Period Ended  
31 December 2007

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The list of directors & the auditor's independence declaration forms part of your directors' report.



## Corporate Information

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<b>Lifestyle Communities Limited</b>	ABN 11 078 675 153
<b>Registered Office</b>	104 Tope Street South Melbourne VIC 3205 Australia
<b>Directors</b>	B. Redden – <i>Non-executive Chairman (Resigned 05/02/08)</i> D. Paranthoienne – <i>Non-executive Director (Appointed Chairman 05/02/08)</i> J. Kelly – <i>Managing Director</i> B. Carter – <i>Director of Finance</i> D. Perlov – <i>Director of Operations</i> T. Poole – <i>Non-executive Director (Appointed 20/11/07)</i>
<b>Company Secretary</b>	R. South
<b>Principal Place of Business</b>	104 Tope Street South Melbourne VIC 3205 Australia Phone 61 3 9682-2249 Web: <a href="http://www.lifestylecommunities.com.au">www.lifestylecommunities.com.au</a>
<b>Share Register</b>	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Investor queries (within Australia) 1300 850 505
<b>Solicitors</b>	Maddocks Lawyers 140 William Street Melbourne VIC 3000 Australia
<b>Bankers</b>	Westpac Banking Corporation 360 Collins Street Melbourne VIC 3000
<b>Auditors</b>	Ernst & Young Australia 8 Exhibition Street Melbourne VIC 3000

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## Directors' Report

Your directors submit their report for the half year ended 31 December 2007.

### 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. In addition to Brookfield Village, Lifestyle Communities has 5 other strategically located sites, with a total capacity of over 1400 unit sites, in metropolitan Melbourne and regional Victoria. Customer enquiry on these new sites is strong and we anticipate that construction will commence on 3 of these sites shortly.

In parallel with this we have been building the company's organisational capability with the recruitment of key staff and the implementation of appropriate systems to ensure that we can manage our growth in a sustainable way.

### Significant Highlights

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

- Revenue from ordinary activities of \$5.7m
- Earnings before interest, tax, depreciation and amortisation of \$1.9m
- Net Profit After Tax and before distributions of \$1.5m
- Net Profit After Tax and distributions of \$61k
- Continued solid performance of the Brookfield Village project
- Strong customer interest in new villages with holding deposits now being taken.
- Lodgement of the planning permit for our proposed village at Lynbrook, in the South Eastern growth corridor near Cranbourne in Victoria.
- Established a \$30 million debt facility with Westpac Banking Corporation.
- Successfully completed a \$6.4 million capital raising to professional investors in November 2007, which was oversubscribed.
- Securing planning permits for our development sites in Tarnet in outer Melbourne and in regional Victoria at Shepparton and Warragul.
- 100% acquisition of the Brookfield Village Development Trust.



## The Market

The view of your Directors is that the market for people looking to move into this form of accommodation continues to strengthen. The 3 key drivers for the growth of this sector continue to be:

1. **Changing Demographics** – Australia’s population is aging. The number of people over the age of 65 will double by 2021 and then double again by 2051;
2. **Changing Sociographics** - 50% of people over the age of 65 have less than \$300,000 in total net wealth;
3. **Changing perceptions** – Currently only 4% of Australians over the age of 65 want to live in an independent living village compared to experience in the United States and the UK where it is closer to 12%.

When considering that the average price to enter a traditional retirement village is now over \$300,000, there is still a significant gap in the market place for the type of accommodation provided by Lifestyle Communities. With the increasing issue of affordability for the first and second home buyer, the residential housing market is experiencing an increase in pricing of the existing housing stock in the outer suburbs of Melbourne and Regional Victoria.

These increasing prices mean potential Lifestyle residents are able to sell their existing homes for higher prices thus enabling them to further afford what Lifestyle Communities has to offer.

Lifestyle Communities is one of the very few companies developing and offering affordable accommodation in Victoria. The company believes that demand continuing to exceed supply and the strengthening market for this type of offer should translate into strengthening sales and pricing in Lifestyle villages.

## Development Pipeline

Lifestyle Communities now has six village projects in Victoria at various stages of construction, planning and development bringing the Company’s total potential pipeline to over 1,400 sites. We are on programme to commence the construction of Warragul, Shepparton and Tarnait in the first quarter of 2008.







Our recent acquisition of the land at 435 Evans Road in Lynbrook, near Cranbourne gives the group a strategic foothold in the South Eastern corridor of Melbourne. The site can accommodate up to 360 homes and will offer a



clubhouse, tennis court, bowling green and swimming pool all set adjacent to a 16 hectare environmental reserve which is controlled by the Victorian Government.

With Brookfield Village, Melton nearing completion, Lifestyle is assessing additional sites in Melbourne and regional Victoria where we are not represented.

A status report on the different Lifestyle Villages is detailed below:

Village	Location	% Sold	Sites available for development
 Lifestyle BROOKFIELD	Melton, Victoria	54% sold	229
 Lifestyle WARRAGUL	Warragul, Victoria	Construction commencing March 2008	180
 Lifestyle SHEPPARTON	Shepparton, Victoria	Construction commencing March 2008	320
 Lifestyle WHIRAKEE	Bendigo, Victoria	Planning	220
 Lifestyle SEASONS	Tarneit, Victoria	Construction commencing March 2008	137
 Lifestyle LYNBROOK	Cranbourne, Victoria	Planning	360
			<b>1,446</b>

Brookfield Village at Melton, Victoria continues to meet our internal forecasts in terms of build-out and sales rates. The company's financial performance and our unique business model have also assisted us to secure the \$30 million global debt facility with Westpac Banking Corporation.

### The Board

Directors had the pleasure of welcoming Tim Poole onto the board in November 2007. Tim is well known to the financial markets having been more recently the Managing Director of Hastings Funds Management. Tim is currently Chairman of Asciano Limited, on the board of Newcrest Mining Limited and brings a wealth of experience to the Lifestyle Communities Board.



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 that may come to hand.

### **Changes since the Balance Date**

In February 2008, Brendan Redden made the decision to retire as Chairman and resign as a Director of the company. Brendan has made an enormous contribution to the company in protecting and re-building shareholder value over the last 4 years and the Board would like to formally register its appreciation for his contribution to the company. David Paranthoene took over the role of Chairman following Brendan's resignation.

### **The Organisation**

An assessment has been undertaken to determine the organisational needs for the company to ensure it is able to develop and manage the villages that are planned and commencing in 2008. As a result, several staff appointments have been made in the key areas of project delivery, sales management and financial management, to ensure the company continues to fast-track growth and to protect profitability in the future.

### **Funding the Business**

In November, the company announced that it had successfully raised \$6.4m of equity through the issue of new shares. The placement of the shares, managed by Bell Potter, was oversubscribed and the shares taken up by professional investors.

The proceeds from the share placement were applied to restructuring the Brookfield Village Development Trust (Brookfield Developments), (see below) and to assist in the acquisition of future development sites, a number of which are currently under negotiation.

In relation to the \$30m Westpac Bank facility, the company finalised the facility with Westpac in August 2007 and discharged its historical debt facility with its previous lender. Lifestyle Communities continues to take a conservative approach to its debt funding arrangements.

### **Consolidation of the Brookfield Village Development Trust**

During the first half of the financial year, the Brookfield Developments Trustee redeemed the Class A units in the trust. The redemption of the Class A units was funded from part of the proceeds of the capital raised through the Bell Potter-managed share placement.



The redemption of the Class A units in the Brookfield Development trust has resulted in Lifestyle Communities owning all the units in the Brookfield Developments, enabling the company to fully consolidate the profits generated from the Brookfield development in the companies accounts. The acquisition has also enabled Lifestyle Communities to have greater control over Brookfield's pricing and sales strategies, which are now consistent across all developments.

Brookfield Developments is responsible for the development of Brookfield Village in Melton and raised capital at the commencement of the project in 2004 from a number of private investors including parties associated with James Kelly, David Paranthoene and Bruce Carter. Under the terms of the Brookfield Developments Trust Deed, the Trustee distributed income to the Class A unit holders and redeemed the units at cost.

As a result of current Accounting Standards, the income distribution of \$1.32m that was made by the Brookfield Developments Trustee was classified as an interest payment, resulting in a one-off increase in the company's interest charge and reducing the Net Profit After Tax for the period by the same amount.

## **The Results**

The operating performance of the business remains strong with customer enquiry levels increasing prior to the release of the new developments at Warragul, Shepparton and Tarneit. Holding deposits, with a sales value of in excess of \$2.0m have already been taken on these sites prior to the commencement of any sales and marketing activity.

Our building program is on track, with construction of the Tarneit village commencing in February with Warragul and Shepparton scheduled to start in March. Construction contracts have been executed for these sites and fall within our cost estimates.

Based on this program, we anticipate that revenues from the sale of homes and the annuity income streams from the site fees will start to flow though during the December 2008 quarter.

Annuity income streams from site fees and Operations and Maintenance Contributions (DMF) at Brookfield continued to build during the first half of the financial year as new residents move into the village with village operating costs remaining within budget.



The result for the period includes the following one off charges:

- An income tax expense of \$146k as a result of the redemption of the Class A units in the Brookfield Village Development trust. This change of ownership resulted in full tax consolidation in the current period.
- As a result of the application of AIFRS, the income distribution of \$1.32m to the Brookfield Village Development trust's Class A unit holders being classified as an interest expense.

Financial high lights for the period are:

- Revenues from ordinary activities of \$5.7m
- Earnings before interest, tax, depreciation and amortisation of \$1.9m
- Net Profit After Tax and before distributions of \$1.5m
- Net Profit After Tax and distributions of \$61k, after allowing for the one-off items detailed above
- Net Assets as at 31st December 2007 of \$25.3m

Directors are satisfied with the operating performance of the business after taking into consideration a number one-off accounting adjustments that have had a significant impact on the reported operating results for the period.

## **Conclusion**

Directors believe the operating performance of Lifestyle Communities for the first half of this financial year reflects the continuing growth and strength of the underlying operating business. Following the issuing of planning permits on 3 of the development sites, combined with very strong customer interest in the new developments, we expect the growth in the business to continue over the foreseeable future.



## **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.

BRENDAN REDDEN (Chairman) Resigned 05/02/08

DAVID PARANTHOIENE (Non-Executive Director) appointed Chairman

05/02/08

JAMES KELLY (Managing Director)

BRUCE CARTER (Executive Director – Finance)

DAEL PERLOV (Executive Director – Operations)

TIM POOLE (Non-Executive Director) - Appointed 20/11/07

RAY SOUTH (Company Secretary)



## Auditor's Independence Declaration

We have obtained the following independence declaration from our auditors, Ernst & Young.



Ernst & Young Building  
8 Exhibition Street  
Melbourne VIC 3000  
Australia

Tel 61 3 9288 8000  
Fax 61 3 8650 7777

GPO Box 67  
Melbourne VIC 3001

### Auditor's Independence Declaration to the Directors of Lifestyle Communities Limited

In relation to our review of the financial report of Lifestyle Communities Limited for the half year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Don Brunley  
Partner  
25 February 2008

Liability limited by a scheme approved under  
Professional Standards Legislation.

Signed in accordance with a resolution of the directors.

James Kelly  
Managing Director  
26<sup>th</sup> February 2008



**Lifestyle Communities Limited**

**ABN 11 078 675 153**

**Half Year  
Financial Report  
for the Period Ended  
31 December 2007**



**BALANCE SHEET**  
AS AT 31 DECEMBER 2007

	Note	CONSOLIDATED	
		31-Dec-07 A\$	30-Jun-07 A\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	1,576,263	768,915
Trade and other receivables		2,130,580	1,570,042
Inventories	4	3,590,336	7,384,864
Other current assets		135,000	90,575
<b>Total Current Assets</b>		<b>7,432,180</b>	<b>9,814,396</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		363,212	258,812
Investment properties	5	21,424,960	8,646,887
Intangible assets		14,653	9,653
Goodwill		10,196,704	10,196,704
Deferred tax asset		372,883	413,790
<b>Total Non-Current Assets</b>		<b>32,372,412</b>	<b>19,525,846</b>
<b>TOTAL ASSETS</b>		<b>39,804,592</b>	<b>29,340,242</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,369,663	2,152,650
Interest-bearing loans and borrowings		407,186	4,860,059
Provisions		179,513	37,834
Income tax payable		96,438	15,577
<b>Total Current Liabilities</b>		<b>2,052,801</b>	<b>7,066,120</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings		12,302,088	1,003,922
Deferred tax liabilities		125,464	84,964
Unit holders	8	-	2,200,003
<b>Total Non-Current Liabilities</b>		<b>12,427,552</b>	<b>3,288,889</b>
<b>TOTAL LIABILITIES</b>		<b>14,480,352</b>	<b>10,355,009</b>
<b>NET ASSETS</b>		<b>25,324,240</b>	<b>18,985,233</b>
<b>EQUITY</b>			
Contributed equity	8	18,149,365	11,897,888
Reserves		93,674	67,530
Retained earnings		7,081,201	7,019,815
<b>TOTAL EQUITY</b>	1	<b>25,324,240</b>	<b>18,985,233</b>



**INCOME STATEMENT**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	CONSOLIDATED	
		31-Dec-07 A\$	31-Dec-06 A\$
Sale of goods		4,496,275	4,828,870
Rental revenue		451,459	158,154
Deferred Management Fee		633,480	47,596
Finance revenue		49,146	64,812
Sundry revenue		70,765	294
<b>Revenue</b>		<u>5,701,123</u>	<u>5,099,726</u>
Cost of Sales		<u>(2,229,309)</u>	<u>(4,113,811)</u>
<b>Gross profit</b>		3,471,814	985,915
Other Income		1,148	-
Administrative expenses		(1,402,400)	(259,489)
Other expenses		(150,882)	(150,786)
Finance cost-other than distributions to Brookfield Development unit holders		(279,461)	(192,680)
<b>Profit before income tax and distribution to Brookfield Development unit holders</b>		<u>1,640,219</u>	<u>382,960</u>
Income tax (expense) / benefit		(112,687)	-
<b>Net profit before distribution to Brookfield Development unit holders</b>		<u>1,527,532</u>	<u>382,960</u>
Distribution to Brookfield Development unit holders		(1,320,000)	-
Income tax (expense) / derecognition of Brookfield Development tax losses		(146,146)	-
<b>Net profit attributable to members of the parent</b>		<u>61,386</u>	<u>382,960</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>			
		cent	cent
Basic earnings per share		0.022	0.760
Dilutive earnings per share		0.022	0.690



**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR HALF YEAR ENDED 31 DECEMBER 2007

<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 2006</b>	-	(254,561)	-	(254,561)
Profit for the half year	-	382,960	-	382,960
<b>At 31 December 2006</b>	-	128,399	-	128,399

<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 2007</b>	11,897,888	7,019,815	67,530	18,985,233
Profit for the half year	-	61,386	-	61,386
Issue of Shares	6,251,477	-	-	6,251,477
Share-based payments	-	-	26,144	26,144
<b>At 31 December 2007</b>	18,149,365	7,081,201	93,674	25,324,240



**CASH FLOW STATEMENT**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	CONSOLIDATED	
		31-Dec-07 A\$	31-Dec-06 A\$
<b>Cash flows from operating activities</b>			
Receipts from customers		5,021,139	5,049,818
Payments to suppliers and employees		(5,716,491)	(5,041,396)
Interest received		49,146	64,812
Interest paid		(279,461)	(192,680)
<b>Net cash flows (used in) operating activities</b>		<b>(925,667)</b>	<b>(119,446)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,741,847)	-
Proceeds from sale of property, plant and equipment		4,331	-
<b>Net cash flows (used in) investing activities</b>		<b>(7,737,516)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,154,913	-
Proceeds from borrowings		7,459,905	409,895
Repayments of hire purchase		(5,330)	(1,403)
Repayment of the unit holders		(1,950,000)	-
Interest paid to the unit holders		(1,170,000)	-
Repayment of directors loans		(1,002,872)	-
Loans from/(payments to) related parties		(16,085)	150,953
<b>Net cash flows from financing activities</b>		<b>9,470,531</b>	<b>559,445</b>
<b>Net increase in cash and cash equivalents</b>		<b>807,348</b>	<b>439,999</b>
<b>Cash and cash equivalents beginning of period</b>		<b>768,915</b>	<b>207,526</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>1,576,263</b>	<b>647,525</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

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**1 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2007 and considered together with any public announcements made by Lifestyle Communities Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

**Changes in Accounting Policy**

Since 1 January 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards* (AASB 132, 101, 114, 117, 133, 139, 1,4,1023 and 1038)
- AASB 2007-4 *Amendments to Australian Accounting Standards* arising from ED151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 + 1038)
- AASB 2007-7 *Amendments to Australian Accounting Standards* (AASB 134)
- AASB 2007-1 *Amendments to Australian Accounting Standards* arising from AASB Interpretation II (AASB 2)
- Interpretation II AASB2 - Group and Treasury Share Transactions

**2 SEGMENT INFORMATION**

**Business segment**

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

**Geographic segment**

The entity operates in one geographical area, Australia.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

**3 CASH AND CASH EQUIVALENTS**

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	<b>CONSOLIDATED</b>	
	<b>31-Dec-07</b>	<b>31-Dec-06</b>
	<b>\$A</b>	<b>\$A</b>
Cash at bank and in hand	1,576,263	-
	<u>1,576,263</u>	<u>-</u>

**4 INVENTORIES**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-07</b>	<b>30-Jun-07</b>
	<b>\$A</b>	<b>\$A</b>
Work in progress	3,590,336	7,384,864
	<u>3,590,336</u>	<u>7,384,864</u>

Commencing from the 1st of July 2007 terms of trade have been varied. Infrastructure costs are separated from inventory capitalised, refer Note 5 Investment Properties.

**5 INVESTMENT PROPERTIES**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-07</b>	<b>30-Jun-07</b>
	<b>\$A</b>	<b>\$A</b>
Opening balance as at 1 July	8,646,887	-
Additions-property	7,168,377	1,480,000
Additions-Infrastructure	5,609,696	-
Net gain from fair value adjustments	-	7,166,887
	<u>21,424,960</u>	<u>8,646,887</u>
Closing balance as at 31 December 2007		

**6 COMMITMENTS AND CONTINGENCIES**

**(a) Commitments**

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

**7 EVENTS AFTER THE BALANCE SHEET DATE**

There were no adjusting or non-adjusting events to report at the date of report.

**8 CONTRIBUTED EQUITY**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-07</b>	<b>30-Jun-07</b>
	<b>\$A</b>	<b>\$A</b>
Ordinary shares	18,149,365	11,897,888
Opening Balance as at 1 July 07		11,897,888
15 November 2007 Share Placement	40,480,000	6,476,800
Costs attributed to share placement		(321,889)
Tax effect of Costs attributed to share placement		96,566
Balance as at 31 December 07		<u>18,149,365</u>

**(a) Unit holders**

Pursuant to a resolution dated the 15th of November 2007 it was resolved that the Class units in the Brookfield Development Unit Trust be redeemed. It was also resolved that a dividend of \$0.60 per class A unit be paid. The redemption of units and payment of dividend was made on the 7th of December. For the purpose of AIFRS the underlying unit holding was classified as debt at June 2007. As a result the dividend payment is characterised as interest in the accounts.



## **Directors' Declaration**

In accordance with a resolution of the directors of Lifestyle Communities Limited, I state that:

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards 3 and Corporations Regulations 2001;and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2007.

On behalf of the Board

James Kelly  
Director  
Melbourne, 25 February, 2008

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

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

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

The directors of the company 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 controls 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 an Interim Financial Report 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 2007 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 and the entities it controlled during the half-year, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lifestyle Communities Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Don Brumley  
Partner  
Melbourne  
25 February 2008