

## **Annual General Meeting 20<sup>th</sup> November 2008, 10:30am**

### **Managing Directors Address**

Thank you David.

Notwithstanding the state of the financial markets at present, I am pleased to report that your company, Lifestyle Communities has enjoyed a strong year of growth for the year ended 30 June 2008.

The key highlights being:

- ✓ Achieved an EBITDA (Earnings before Interest Tax, Depreciation & Amortisation) of \$2.11M which is a significant increase over last year
- ✓ Achieved more than a 65% increase in site lease revenues at Brookfield Village, excluding any unit resale revenue.
- ✓ Commenced the development of villages at Tarneit and Warragul and achieved an encouraging level of presales at each village
- ✓ Obtained planning approval for the Lifestyle Communities village at Lynbrook
- ✓ Completed design and engineering for Lifestyle Communities village at Shepparton
- ✓ Successfully recruited key sales, project and operational personnel to sustain our business as we continue to sell and settle homes at Melton, Tarneit and Warragul

Your board is very mindful of the current economic conditions and has been closely monitoring sales and stock levels at each village that is under construction. During October, there was a reduction in customer enquiries, however, since the financial initiatives announced by the Federal Government, there has been a noticeable improvement in the enquiries being received. As we build and develop one of the most affordable villages in the market, we also anticipate attracting customers who cannot afford more traditional retirement options and will be looking for a more affordable alternative. Lifestyle Communities is well positioned to capitalise on this opportunity.

As I mentioned earlier, our customers are further supported by the Federal Government's recent announcement of an increase in the first home buyers grant for existing homes. As most of our residents are selling homes that are typically bought by the first home buyer, we believe that the government grant will assist in ensuring that our customers are able to sell their existing home and be able to settle and move into their new home in on of our villages.



Early sales interest at both Lifestyle Warragul and Lifestyle Seasons are encouraging and ahead of expectations.

Normally there is limited sales interest until the clubhouse is completed, which is the centrepiece of the village and the display homes are finished. At Lifestyle Warragul we have pre-sold 50% of Stage 1 and at Lifestyle Seasons we have pre-sold over 30% of the first stage. In both cases, the clubhouse and displays are being still being completed. This has further strengthened our view of the demand for this type of affordable village lifestyle as well as the robustness of the overall model.

Lifestyle Communities now has 6 villages in various stages of management, development and planning. To summarise:

- Brookfield Village continues to perform well with the village now 76% sold and has 218 residents living in the village. Feedback from residents is extremely positive. We now have a leads data base of over 500 people with less than 60 homes left to sell. The annuity income stream from site operations is very strong and the village is already generating strong operational cashflows. This underpins the businesses long term vision of producing, secure, long term income streams from operations.
- Construction has commenced on both the Tarneit and Warragul Villages and the first residents will be moving into the villages before Christmas this year.
- The design and final documentation has been completed on the village in Shepparton and we have gone out to tender on Stage 1 of the village. A final decision on when we will commence the Shepparton project has been deferred until the March 2009 quarter.
- Planning permits have been issued for the village at Lynbrook and engineering design is also well progressed. We have also been successful in selling some land that was not required and achieved a price that was equal to our current book value. At this stage it is anticipated that this project will commence construction in second half of the current financial year.
- The village proposed for Bendigo is still proceeding through a rezoning process and we have until July 2009 to exercise the option if we were to proceed with this village.

To resource this growth, Lifestyle Communities has recruited some outstanding staff to project manage, sell and operate the various villages currently under development.

We are running a decentralised business model with most resources located at the villages. We also run a lean head office team with the large majority of the design, engineering and construction work contracted out. We remain focused on our construction and operating costs to ensure that we continue to deliver affordability as well as maximise shareholder returns.



As David mentioned, we have also embarked on a Rights Issue to raise up to \$10.4 m to both reduce gearing and to ensure that we have sufficient working capital to meet the needs of the business whilst we keep a close watch on general economic conditions. In support of this issue the founders have announced that they will invest \$4.5 million via the issue.

### **Financial highlights**

The company's EBITDA rose to \$2.11m compared to \$115,000 for the same period last year with a Net Profit After Tax (NPAT) of \$89,000. NPAT comparisons to last year are not relevant due to a number of one off entries in the current and prior year results following the introduction of new international accounting standards and changes to the company's recognition of changes in the fair value of its land assets.

During the financial year, Brookfield Village was the company's only development generating revenues through the sale of homes and site leases on occupied sites. Revenue from both the Tarneit and Warragul developments will commence in December this year, as planned.

### **Conclusion**

In conclusion, your company remains on track to deliver affordable housing to people over the age of 55 and is pleased with the operating performance of the business. General economic conditions remain challenging; however current indications are that the more affordable end of the retirement and general housing market remains stable.

I look forward to keeping you informed on our progress throughout the year.

James Kelly  
Managing Director  
Lifestyle Communities  
Limited  
20<sup>th</sup> November 2008