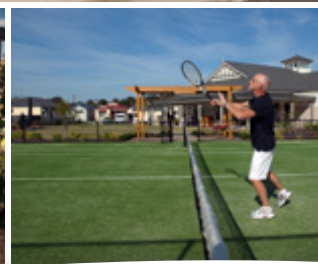


2010 | LIFESTYLE COMMUNITIES ANNUAL REPORT





CONTENTS

CHAIRMAN'S REPORT	1
MANAGING DIRECTOR'S REPORT.....	3
DIRECTORS' REPORT	6
AUDITORS INDEPENDENCE DECLARATION	18
CORPORATE GOVERNANCE STATEMENT	19
FINANCIAL STATEMENTS	27
DIRECTORS DECLARATION	57
INDEPENDENT AUDITORS REPORT	58
ASX ADDITIONAL INFORMATION	60
CORPORATE INFORMATION	62

Chairman's Report

For 2009/10 Financial Year

Dear Shareholder,

Over the past few years at Lifestyle Communities, we have pursued with determination our goal of offering affordable homes and fostering outstanding community spirit within our communities. We believe that everyone has the right to enjoy security and comfort regardless of wealth. This commitment to building quality affordable homes and managing communities that offer appealing lifestyles has enabled us to build a business that continues to deliver solid results.

We are pleased to report a profit before tax of \$7.6 million compared with \$1.0 million in the prior year. Our growing base of homes is generating substantial recurring revenues and, along with home sales, brings our total revenues this year to over \$23.9m. New home sales have continued at a steady and consistent rate across all of our villages and we anticipate this will continue in the next financial year. At 30 June 2010 we had net tangible assets of \$27.5m, up from \$22.1m last year.

We now have villages operating in Melton, Tarneit and Warragul. The first of our developments, Brookfield Village in Melton, is virtually complete and Tarneit and Warragul have seen good take-up after launching in 2008. We have two further developments in planning and our next village at Cranbourne is currently in the pre-sale phase, with construction scheduled to commence in September this year (2010). Total site capacity has reached 1087 homes and will grow further as we identify new strategically located sites for development during the 2011 financial year.

Resident feedback from each of our villages indicates a high level of lifestyle satisfaction as well as a thriving sense of community and the extensive facilities and activities on offer are well utilised by the independent and active residents that live in our communities.

In Australia, we are facing the challenges arising from an ageing population. We are also living longer and many people are retiring without sufficient assets to ensure a comfortable retirement. More than 50% of people over the age of 65 have less than \$300,000 in assets and as a result, retirees are seeking more affordable housing. This is inevitably causing a rethink about retirement lifestyles and industry analysts have predicted that demand for affordable seniors housing could double or treble over the period to 2030.

As well as increased numbers of people reaching retirement age, it is anticipated that growth will also arise from the increasing popularity of community living. It has been estimated that in Australia the current number of available retirement or lifestyle village units proportionate to our population, is a mere one third of that in the USA. As this gap



closes, the demand for the type of accommodation that Lifestyle Communities offers will inevitably increase.

With our strategic focus on affordable seniors living, Lifestyle Communities is very well placed to meet this increasing demand and we are moving forward with confidence. We have reviewed and re-focused on our three-pronged strategy of:

1. Developing and operating affordable seniors housing within communities that offer active lifestyles,
2. Creating long term stable and recurring sources of income, and
3. Maintaining a growth strategy that is balanced with the right level of debt funding and rewards for shareholders.

Our business model is now proven to generate substantial long-term annuity income from land rental, as well as more traditional revenue from home sales and deferred management fees. This will enable us to expand our capital base, commence new projects and replicate the success to date.

At Lifestyle Communities, we have a great team who are connected with our customers through the ongoing management of our villages. We are fortunate to have a low level of staff turnover and our three founding partners also remain very active in the Company's day-to-day operations. On behalf of all shareholders, I thank them for their contribution.

We continue to benefit from the valuable knowledge of our board which has not seen any change this year. I thank my fellow directors for their efforts to ensure we remain innovative and forward-looking, while at the same time balancing strategic growth with risk minimisation.

I look forward to your continued support of our Company.

Yours sincerely,

A handwritten signature in black ink that reads "David Paranthoene". The signature is written in a cursive style with a large initial 'D'.

David Paranthoene
Chairman
25 August 2010

Managing Director's Report

Dear Shareholder,

At Lifestyle Communities this year, we have achieved another year of solid growth. We have continued to steadily build our business while maintaining a focus on ensuring that our communities flourish. We have worked closely with our customers, suppliers and our staff to build a better future by developing affordable, active and fun communities for the young at heart.






Although the general economic environment has been challenging this year, our sales are in line with our expectations. In my report last year, I stated that we were on track to settle 100 homes this financial year, we in fact achieved 103 settlements. These sales combined with our recurring revenue streams and a focus on cost control, have delivered a full year profit before tax of \$7.6m, a significant increase over the prior year result of \$1.0 million.

Key results are as follows:

- Revenue from the sale of new homes \$20.8m (2009: \$13.0m)
- Revenue from site rentals and deferred management fees of \$3.1m (2009: \$1.8m) – this now represent 13% of total revenues
- Profit before tax to revenue ratio of 32% (2009: 7%) producing a profit before tax of \$7.6m (2009: \$1.0m)
- Net assets of \$27.5 (2009: \$22.1m)
- Positive operating cash flows of \$2.3m (2009: negative \$5.4m)

Our banking facility has been renewed until August 2012 and the company will continue to explore all funding options to ensure the best possible return for our shareholders.

We are also achieving our stated target of commencing a new village every 12 to 18 months. Planning permission for the Cranbourne village was received during the year and this project is due to commence construction in September 2010. Already 61% of stage one of Lifestyle Cranbourne has been sold. Our village at Melton, Brookfield Village, is now almost fully sold and our villages at Tarneit and Warragul are between 43% and 65% sold. The following table summarises the status of each village:

<i>Village</i>		<i>Estimated completion value</i>	<i>Status</i>	<i>Sites available for development</i>
Brookfield		\$20.8m	94% sold	229
Warragul		\$17.2m	43% sold	183
Tarneit		\$13.0m	65% sold	137
Cranbourne *		\$21.2m	Will commence in Sept 2010. 63% of stage 1 presold	218
Shepparton **		\$25.0m	DA obtained	320
Total		\$97.2m		1087 sites

* Represents 100% of the development of which Lifestyle Communities will share 50%

** Our Lifestyle Shepparton project has all the required permits in place, however as previously reported, we will not commence this project until a clearer picture emerges of the impact that the drought and economic conditions will have on the Shepparton housing market.

Outlook

Demand for affordable living options remains strong. Affordability and the ageing population remain the big housing market themes and the affordable seniors housing Lifestyle Communities sell directly addresses these themes. Rapidly increasing prices in the broader residential housing market have generated additional interest across our target market age group this year. Our sales success however, is also linked to the ability of our customers to sell their own homes. Many of our residents are selling in the sub \$300,000 market, and this more affordable end of the traditional real-estate market has remained strong due to the increasing lack of affordability in the wider housing market.

Our target market group is going from strength to strength due to an ageing population combined with the desire of many to downsize, to unlock the equity tied up in their larger family homes and to enjoy the freedom of an active village lifestyle. Our strategic decision to develop villages at the affordable end of the market has been proven correct. Aside from our own strong sales results, our research has indicated that about 66% of retirees are searching for homes in the sub \$250,000 price range.

The average price of a home in a typical retirement village is approximately \$350,000 while our homes have an average sales price of \$240,000. Our facilities are extensive and we confidently offer 95% of the value of a typical village for only 65% of the price.

We have selected our sites to allow residents easy access to shopping centres, medical centres, entertainment, transport and other essential facilities. Our quality homes provide affordable living and allow residents to live with like-minded people of a similar age in a safe and secure environment.

In summary, our business model, which is focused on developing both new home sales and recurring revenue streams, is working well and continues to address the big housing market themes of affordability and the ageing population. Settled homes produce a solid ongoing management revenue stream that will increase as further homes are added to the base. This provides us with a good source of cash flow to invest in new home construction and enables us to work within a comfortable debt level. We are now well positioned to build on our established platform and grow the business.

We continue to review site acquisition opportunities across Melbourne and regional Victoria and we will work towards the following over the next twelve months:

- achieve similar home sales to 2010;
- continue to work towards our goal of commencing a new development every 12 to 18 months by acquiring new sites and planning new villages, and
- build further ongoing annuity revenue streams.

Although we are optimistic on our outlook for the next twelve months, we recognise that there remains significant uncertainty in the global economy and financial markets and we will continue to carefully monitor any potential impacts from this.

I look forward to working together with our excellent team to deliver strong results for our shareholders in the coming year.

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

James Kelly
Managing Director
25 August 2010

Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled, for the financial year ended June 30 2010 and auditor's report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

Principal Activities

The principal activities of the business have not changed during the financial year ended 30 June 2010 and the company remains focused on creating and managing master planned residential villages for active, independent people.

Results

The consolidated profit after income tax attributable to members of Lifestyle Communities Limited was \$5,297,458 (2009: \$705,406).

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 the entire period unless otherwise stated.

David Paranthoene, Chairman

David became a non-executive director of Lifestyle Communities Limited in 2007 and chairman in February 2008. He was formerly the managing director of Namberry Limited, and was a founding principal of the listed telecommunications company Pracom Limited. David spent more than 21 years in senior leadership roles including that of managing director, and he brings to our Company valuable operational experience within services enterprises.

James Kelly, Managing Director

James was appointed to the position of Managing Director in 2007. With over 28 years' experience in property development and construction, James brings a wealth of knowledge to our organisation. Prior to establishing Lifestyle Communities Limited, James held several senior management roles in property and related sectors.

Bruce Carter, Executive Director Finance

A founding member of Lifestyle Communities Limited, Bruce has more than 23 years' experience in financial and business management. He was the co-founder of the listed telecommunications company Pracom Limited, serving as joint managing director from 1988 to 2002. Bruce brings to Lifestyle Communities Limited extensive knowledge and experience of building and operating complex listed companies.

Dael Perlov, Executive Director Operations

A founding member of Lifestyle Communities Limited, Dael was appointed as Executive Director, Operations in 2007. With more than 21 years sales and marketing experience, Dael has a strong background in business innovation. His experience in service delivery to both consumer and corporate markets is invaluable in establishing the robust systems and procedures needed to operate Lifestyle Communities Limited.

Tim Poole, Non-Executive Director

Tim was appointed to the board of Lifestyle Communities Limited, as a non-executive director in November 2007. He holds a Bachelor of Commerce from University of Melbourne and is a Chartered Accountant. Tim is a director of Newcrest Mining Limited, Victorian Racing Club Limited, Westbourne Credit Management Limited and Continuity Capital Partners Pty Limited. He is the former chairman of the Asciano Group and a former Managing Director of Hastings Fund Management. He is also a member of the Investment Committee of the industry superannuation fund, AustralianSuper, and a member of the LEK Consulting Advisory Board.

Ray South, Company Secretary

Ray is a Chartered Accountant, Fellow of the Institute of Chartered Accountants, Fellow of the Chartered Institute of Secretaries and Fellow of the Australian Society of Certified Practising Accountants. Ray has not held any directorships in any other listed entities during the past 4 years. Ray is a contractor of the company in his role as Company Secretary and was appointed in September 2004.

Interests in the Shares and Options of the Company and Related Bodies Corporate

At the date of this report, the interests of the directors in the shares and options of Lifestyle Communities Limited were:

Director	Fully Paid Ordinary Shares	Options over Ordinary Shares
Bruce Carter	106,559,042	1,500,000
Dael Perlov	89,366,652	Nil
James Kelly	101,716,417	Nil
David Paranthoiene	6,370,646	1,500,000
Tim Poole	6,845,334	4,000,000

Dividends

The Lifestyle Communities directors have resolved not to pay a dividend in respect of the 2010 financial year. The directors believe it is beneficial at this time to retain cash in the business to continue to develop the company.

Operating & Financial Review

Significant Operating Results

- Revenues: \$23.9m (2009: \$14.8m)
- Earnings before interest, tax, depreciation, amortisation, impairment and loss on sale \$9.3m (2009: \$4.7m)
- Net profit after tax of \$5.3m (2009: \$0.7m)
- Net assets at the end of the period: \$27.5m (2009: \$22.1m)
- Positive operating cash flows of \$2.3m (2009: negative \$5.4m)
- Closing debt \$22.9m (2009: \$24.5m)

Full details are provided in the notes to financial statements section of this report.

Outlook – Future Activities

Our results for this financial year are in line with the longer-term growth trajectory anticipated for our Company.

Although we continue to keep a cautious eye on the state of the global economy and the continuing uncertainty in financial markets, our focus will be on delivering affordable housing within secure communities for active independent seniors. We anticipate that this market will continue to grow as greater numbers of Australians reach retirement age, and as more people seek affordable housing options that do not compromise on quality and lifestyle. More than 80% of retiring Australians will rely solely on the Federal Government pension and rental assistance due to insufficient retirement savings. Our research indicates that these people will be seeking safe, secure and affordable housing close to family and services.

We will continue to identify sites and build new villages that offer:

- Affordable good quality homes
- Thriving and supportive communities that enable people to engage easily with friends, neighbours and family
- On-site facilities and activities that engender a full and active lifestyle
- Architectural designs that are appropriate to the needs of our residents as they get older
- A safe and secure environment
- Easy access to public transport, doctors, and shops

The success of our first three villages is attributable to these features and we are confident that our satisfied residents will continue to be our ambassadors, recommending our villages to their friends and family. This, combined with a continuation of our well-targeted marketing strategies will enable us to take advantage of the growing demand for affordable homes.

We believe that the business will continue to grow steadily in the near term. Our focus over the next 12 months will be to launch our new site at Cranbourne, to finalise sales at our Melton site and to achieve consistent sales levels at Warragul and Tarneit. At the same time, we will devote considerable focus to identifying potential new sites and assessing the alternative financing arrangements available for future developments.

The board continues to hold an optimistic view of the future demand for the affordable homes and the lifestyle that is delivered within our villages.

Please refer to the Managing Director's report for further information regarding our results and the outlook for the Company.



Significant Changes in the State of Affairs

During the year ended 30 June 2010, there have not been any significant changes to the business.

Significant Events after the Balance Date

There are no matters or affairs that have arisen since balance date which significantly affect or may significantly affect the operations of the consolidated entity.

Likely Developments and Expected Results

Please refer to the Outlook section and to the Managing Director's report for information on our future plans.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company has paid premiums in respect of a contract of insurance for Directors' and Officers' Liability.

The nature of the liabilities insured and premium payable under this contract of insurance has not been disclosed in accordance with confidentiality provisions within the policy.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

Directors' Meetings

	No. of Meetings in year ending 30th June 2010	
	Held	Attended
D. Paranthoiene	12	12
B. Carter	12	12
D. Perlov	12	12
J. Kelly	12	12
T. Poole	12	12

Audit Committee Meetings

	No. of Meetings in year ending 30th June 2010	
	Held	Attended
D. Paranthoiene	3	3
T. Poole	3	3

Remuneration Committee Meetings

	No. of Meetings in year ending 30th June 2010	
	Held	Attended
D. Paranthoiene	2	2
T. Poole	2	2

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lifestyle Communities Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained later in this report.

Auditor Independence and non-audit Services

The Directors received an Independence Declaration from the auditor of Lifestyle Communities Limited.

Non-audit Services

The Company's auditor, Pitcher Partners, provided tax compliance, general tax advice and structuring advice services at a cost of \$59,870 (2009: \$3,150). The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of these non-audit services means that auditor independence was not compromised.

Remuneration Report (Audited)

The remuneration report has been subject to audit. It outlines the remuneration arrangements in place for directors and executives of the Company.

Compensation of Key Management Personnel

The Company has established a remuneration committee and utilises the remuneration philosophy and policies listed below.

Remuneration Policy

The remuneration policy is designed to determine the remuneration arrangements in place for directors and executives of the Company.

Remuneration Philosophy

The board of Lifestyle Communities Limited is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Such officers are given the opportunity to receive their base emoluments in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

(i) Non-Executive Director remuneration

Objective

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a General Meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held in November 2007 when shareholders approved an aggregate remuneration of \$1,000,000 per year, however, non-executive directors fees have been less than this amount during 2009/10. Each director receives a fee for being a director of the Company. The remuneration of non-executive directors for the period ending 30 June 2010 is detailed in the remuneration table in this report.

(ii) Senior Management and Executive Director remuneration

Objective

The Company aims to reward executives with remuneration commensurate with their position and responsibilities within the Company to:

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

(iii) Structure

Employment contracts are entered into with senior executives that aim to achieve all the above objectives.

Compensation of Key Management Personnel

(i) Employment contracts

Over the last three years, all executive directors have been employed under an Executive Services Agreement. The agreements commenced on 22 May 2007 and have been renewed on 1 July 2010, under slightly revised terms and conditions. Under the terms of the agreements, executive directors may resign from their positions and terminate their contracts by giving three months written notice to the Company.

The Company may terminate any of these employment agreements by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of their remuneration plus entitlements).

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed plus entitlements, and only up to the date of termination.

(ii) Compensation of Directors and Key Management Personnel (Consolidated) for the year-ended 30 June 2010

30 June 2010	Short Term				Post Employment		Long Term	Share Based Payment	Total Performance Related %	Total
	Salary & Fees \$	Cash Bonus \$	Non Monetary \$	Other \$	Super \$	Retirement Benefits \$	Incentive Plans \$	Options \$	%	\$
Directors										
D Paranthoienne	60,000	-	-	-	-	-	-	-	-	60,000
T Poole	50,000	-	-	-	4,500	-	-	48,623	47.2	103,123
B Carter	154,128	-	-	-	13,872	-	-	-	-	168,000
J Kelly	220,183	-	-	-	19,817	-	-	-	-	240,000
D Perlov	220,183	-	-	-	19,817	-	-	-	-	240,000
Total	704,494	-	-	-	58,006	-	-	48,623		811,123

(iii) Compensation of Directors and Key Management Personnel (Consolidated) for the year-ended 30 June 2009

30 June 2009	Short Term				Post Employment		Long Term	Share Based Payment	Total Performance Related %	Total
	Salary & Fees \$	Cash Bonus \$	Non Monetary \$	Other \$	Super \$	Retirement Benefits \$	Incentive Plans \$	Options \$	%	\$
Directors										
D Paranthoienne	60,000	-	-	-	-	-	-	-	-	60,000
T Poole	30,000	-	-	-	2,700	-	-	128,604	79.7	161,304
B Carter	154,128	-	-	-	13,872	-	-	-	-	168,000
J Kelly	220,183	-	-	-	19,817	-	-	-	-	240,000
D Perlov	220,183	-	-	-	19,817	-	-	-	-	240,000
Total	684,494	-	-	-	56,206	-	-	128,604		869,304

The directors consider that there are no other key management personnel within the group.

Shares Under Option

As at the date of this report, there were 10,250,000 unissued ordinary shares under option.

No option holder has any right under the options to participate in any other share issue of the company.

For details on the valuation of the options, including models and assumptions used, please refer to note 23.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no options granted during the year.

There were no forfeitures during the period.

Signed in accordance with a resolution of the Directors.

On behalf of the Board



David Paranthoene
Chairman
25 August 2010



James Kelly
Managing Director
25 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Lifestyle Communities Limited

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

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



S D WHITCHURCH

Partner

25 August 2010



PITCHER PARTNERS

Melbourne

Corporate Governance Statement

The board of directors of Lifestyle Communities Limited is responsible for the corporate governance of the Company. The board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected, and to whom they are accountable.

The Company's corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

The board continued to operate under the following policies during the year (these can be viewed on our website).

- Board Charter
- Board Code of Conduct
- Audit Committee Charter
- Remuneration & Nomination Committee Charter
- Dealing in Securities; Directors & Officers Policy
- Dealing in Securities; Staff Policy
- Disclosure Policy

1. Lay Solid Foundations for Management and Oversight

The board's responsibilities include development of strategy, oversight of management, risk management and compliance systems and monitoring performance. The board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

The board's activities are governed by the Board Code of Conduct. All board members are entitled to obtain independent professional advice after advising the other directors of the intention to do so. The responsibilities of the board are set out in the Board Code of Conduct which can be viewed on our website.

David Paranthoienne and Tim Poole are non-executive directors. Messrs Perlov, Kelly & Carter are all significant shareholders, they are executive directors and involved in the day-to-day operations of the Company.

It is the responsibility of management to administer the Company in accordance with the directions and policies of the board and within the powers delegated by the board. The Company has established the functions delegated to senior executives as part of their employment contracts and as such, the Company considers them confidential.

Appointment and induction of senior executives is carried out in a manner appropriate to the size of the Company. Performance is monitored and appraised on a continuous basis. The evaluation process is informal, as this is considered appropriate to the size of the Company. The performance evaluation of the senior executives is in accordance with these principles.

2. Structure the Board to Add Value

The board comprises a non-executive chairman and three executive directors and a non-executive director whose qualifications and experience are set out in the Directors' Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. Both non-executive directors, Mr T Poole and Mr D Paranthoienne are considered to be independent as defined in the ASX Guidelines. Mr J Kelly is managing director of the Company.

Whilst not all recommendations are complied with because of the Company's size and cost considerations, the board has an appropriate level of industry experience and business skills.

The Company has no formal performance evaluation procedure for the board. The informal, ongoing self-evaluation by the board is appropriate to its size.

The functions of a nomination committee are carried out by the remuneration and nomination committee, the charter for which is available on our website.

Mr D Paranthoienne and Mr T Poole form this committee and both have attended two meetings out of two. The Company has no formal procedure or policy for the selection and appointment of new directors as this is considered appropriate to the requirements of a small company. Re-election of directors is carried out in accordance with the Listing Rules and the Company's Constitution.

Whenever necessary, individual members of the board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as directors.

Directors acknowledge the need to act in good faith in the interests of all shareholders.

3. Promote Ethical and Responsible Decision-making

Directors, management and staff are expected to act ethically and responsibly at all times. The Company's Code of Conduct may be viewed on our website. All board members are qualified professionals within their respective industries and accordingly conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as directors.

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Directors and officers of Lifestyle Communities Limited should not deal in securities of Lifestyle Communities Limited or communicate information concerning Lifestyle Communities Limited to a person who may deal in securities unless:

- They have satisfied themselves that they are not in possession of any price sensitive information that is not generally available to the public;
- They have advised the chairman of their intention to do so;
- The chairman has made appropriate enquiries of other directors and officers; and
- The chairman has indicated that there is no impediment to them doing so.

The chairman will generally allow directors and officers to deal in securities of Lifestyle Communities Limited as a matter of course (unless there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception) in the following periods:

- Within the period of one month after the release of annual and half yearly results
- Within the period of one month after the issue of a prospectus

They should also wait at least two business days after the relevant release so that the market has had time to absorb the information.

The Company's Trading Policy is in accordance with the ASX Corporate Governance Principles.

The board recognises the legitimate interests of shareholders, employees and other stakeholders. Lifestyle Communities Limited will work closely with relevant community groups and people to identify significant cultural and heritage sites and any impact the Company's activities may have on them.

Lifestyle Communities Limited is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of Lifestyle Communities Limited, its employees, its alliance partners and suppliers of goods and services.

Specifically, Lifestyle Communities Limited will:

- comply with the intent and provision of all applicable laws, regulations and standards;
- minimise environmental impact; and
- ensure that employees, partners, suppliers and the public are made fully aware of Lifestyle Communities Limited's responsibility for the effect of its operations on the environment.

The Company is committed to gender diversity across our workforce. Given the Company's minimal employee numbers there are no guidelines in place regarding the monitoring of gender diversity. The Company will endeavour to select the appropriate candidates for any positions, regardless of gender. As at 30 June 2010 Lifestyle Communities Limited had an equal proportion of male and female employees.

4. Safeguard Integrity in Financial Reporting

In accordance with modern governance practice, the Company has formed an audit committee.

Due to the size of the board, there are currently only two members of the audit committee: D. Paranthoienne and T. Poole whose details are set out in the Directors' Report. The committee has met on three occasions during the year with the following attendances:

D Paranthoienne	3 out of 3
T Poole	3 out of 3

The Audit Committee Charter which is available on our website, directs the role of the committee, and the committee oversees the risk management and audit processes of the Company. The committee also regularly reviews the work of the external auditors to determine whether a change in auditors would be in the best interests of the Company. In doing so, it assesses the firm's policy of partner rotation, its independence, and ensures that no extra assignments are allotted to the auditors that would infringe on their independence. Auditors are officially invited by the audit committee to attend the annual general meeting.

5. Make Timely and Balanced Disclosure

The board aims to ensure that the shareholders are fully informed of all material developments on a timely basis. The board aims to ensure that shareholders are in a position to assess the board performance and Company results. Information is communicated in a clear and balanced way to shareholders through:

- Continuous disclosure to the ASX: Lifestyle Communities is committed to maintaining full and proper disclosure to its shareholders and the market in general. This is addressed in the Disclosure Policy adopted by the board which is available in the Company's Governance Manual on the website, and through the appointment of a disclosure officer who has accountability for ensuring that timely and appropriate disclosure is continuously addressed.
- Meetings: The Company holds a general meeting each year and copies of the managing director's address are placed on the ASX and Lifestyle Communities websites. The external auditor attends the meeting each year and is available to answer questions from the shareholders regarding the audit process and the audit report.
- Reporting: In addition to any ongoing disclosure updates, Lifestyle Communities formally reports to the shareholders and the market twice each year. These reports contain both financial results and an update on key strategic and operational issues.
- www.lifestylecommunities.com.au: The Lifestyle Communities website provides comprehensive information regarding the Company's operations. It also includes an investor section with current reports. Historical reports are available upon request.

6. Respect the Rights of Shareholders

The board aims to ensure in accordance with the Recommendation 6.1 that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half-year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The Company maintains a website on which is placed Company announcements, the Annual Report and Company policies. The Corporate Governance Principles and Policies on our website contain the Company's communications policy.

The auditor is invited to the annual general meeting for the purpose of answering shareholders' questions.

7. Recognise and Manage Risk

The board has responsibility for managing risk and internal control and acknowledges that risk management is a core principle of sound Corporate Governance. The financial viability, reputation and future of the Company are materially dependent on the manner in which risk is managed.

The board's strategy covers the areas of financial risk, operational risk, insurance and internal control. The Company has not appointed a risk management committee due to the importance the board places on risk mitigation. In addition, the small size of the board makes it appropriate for the full board to manage this area.

Financial Risk

The board receives regular financial reports that measure performance and trends against budget. The reports are discussed at board meetings and the finance director answers questions posed by the other directors. Any variations from budget are highlighted, explained and evaluated. This scrutiny is appropriate to a company of the size of Lifestyle Communities Limited. In addition to monthly financial reporting, the Company has in place policies to manage credit and other business risks. Non-executive directors meet at appropriate times with the external auditor in order to fulfil the Audit Committee Charter. This Charter may be viewed on our website.

Operational Reporting

Projects are approved only after extensive review and detailed submissions to the board through the chairman. Outside consultants are engaged as required to enhance the chances of success. Environmental considerations are factors in the consideration of every new project and are fully evaluated and reported before approval by the board.

Insurance

The board recognises the value of insurance as a risk mitigation strategy and works with a leading insurance broker to ensure that appropriate insurance cover is in place at all times. Contracts with contractors are drawn up or reviewed by solicitors prior to the Company entering into any commitment.

Internal Control and Audit

In a small company, an extensive internal control system is not possible, however, there is a natural control as a consequence of being small. The board works very closely with the staff and, because the transactional volume is small, the directors have a detailed knowledge of the working of the Company. It is considered that an internal audit function is therefore not appropriate at this time. The directors believe the system of internal control is appropriate to the size of the Company and to its level of potential risk.

Declaration by the Managing Director and Chief Financial Officer

In accordance with the Australian Securities Exchange (ASX) Corporate Governance Recommendation 7.1, both the managing director and executive director finance sign the following declaration in the presence of the board prior to the board accepting the financial results each year:

In accordance with the Corporations Act 2001 section 295A, I declare that to the best of my knowledge and belief:

- the financial records of the disclosing entity for the financial year have been properly maintained in accordance with section 286; and
- the financial statements, and the notes for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view; and
- any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.

Also in accordance with the ASX Corporate Governance Council Best Practice Recommendations 4.1 and 7.2, to the best of my knowledge and belief, and in my opinion:

- (i) the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- (ii) the statement in (i) above concerning the integrity of financial statements is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The board has procedures in place to recognise and manage risk. The three executive directors report to the board on matters pertaining to risk.

8. Remunerate Fairly and Responsibly

The Company has established a remuneration and nomination committee.

The board is responsible for determining and reviewing the remuneration of the directors, executive officers and other employees of the Company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining employees with the skills to manage the Company's operations. The board reviews the remuneration of officers and employees of the Company. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board may seek the advice of external advisers in connection with the structure of remuneration packages.

The board also reviews the levels and form of remuneration for non-executive directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the Company in general meeting. Details of the structure of directors' and senior executives' remuneration are set out in the Directors' Report. Details of the remuneration committee are set out in section 2 of these notes.

The board reviews the composition of the board on a regular basis to ensure that the board has the appropriate mix of expertise and experience.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality board members and executives. Directors and executives are remunerated with reference to market rates for comparable positions. Details of the remuneration of specified directors and executives are contained in the Directors' Report.

Termination payments are not agreed in advance. In the event of a termination, the Company complies with all appropriate legal requirements and Company policy precludes any payment in the event of removal for misconduct.

No formal evaluation of the performance of the board is conducted. The board, being a small active board is in a position to view its performance on a constant basis. Similarly, key executives are well known to the board and constant contact with them forms a constant performance review.

Signed by the Managing Director and Executive Director Finance

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

James Kelly
Managing Director

A handwritten signature in black ink that reads "Bruce Carter".

Bruce Carter
Executive Director Finance

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Sale of units		20,754,694	13,016,088
Rental revenue		1,945,147	1,196,780
Deferred management fee		1,194,786	609,307
Interest revenue		44,984	21,886
Revenue		<u>23,939,611</u>	<u>14,844,061</u>
Cost of sales		(16,771,489)	(9,133,325)
Gross profit		<u>7,168,122</u>	<u>5,710,736</u>
Other income	4	7,222,649	3,003,512
Impairment expenses	5	(1,152,327)	-
Development expenses		(1,720,070)	(999,586)
Village management expenses		(1,014,329)	(640,022)
Corporate overheads		(2,532,844)	(2,465,183)
Finance cost	5	(329,888)	(499,954)
Loss on sale of investments	5	-	(3,077,109)
Profit before income tax		<u>7,641,313</u>	<u>1,032,394</u>
Income tax expense	6	(2,343,855)	(326,988)
Net profit from continuing operations		<u><u>5,297,458</u></u>	<u><u>705,406</u></u>
Other comprehensive income:			
Share based payments		51,173	136,885
Total comprehensive income for the year		<u>5,348,631</u>	<u>842,291</u>
Profit is attributable to:			
Members of the parent		<u>5,348,631</u>	<u>842,291</u>
Total comprehensive income is attributable to:			
Members of the parent		<u>5,348,631</u>	<u>842,291</u>
 Earnings per share for profit attributable to the ordinary equity holders of the parent			
Earnings per share		cents	cents
Basic earnings per share	21	1.146	0.180
Dilutive earnings per share	21	1.146	0.180



Consolidated Statement of Financial Position
As at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	1,485,187	2,075,962
Trade and other receivables	9	388,055	309,168
Inventories	10	17,377,954	17,118,044
Land held for sale	13	614,202	-
Other current assets	11	104,110	67,615
Total current assets		<u>19,969,508</u>	<u>19,570,789</u>
Non-current assets			
Deferred management fee	9	2,181,917	1,378,910
Property, plant and equipment	12	727,810	921,180
Land held for sale	13	-	585,729
Investment properties	14	37,452,776	27,019,412
Total non-current assets		<u>40,362,503</u>	<u>29,905,231</u>
TOTAL ASSETS		<u>60,332,011</u>	<u>49,476,020</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	7,073,392	2,216,193
Interest-bearing loans and borrowings	17	22,861,402	37,261
Provisions	16	241,946	235,020
Total current liabilities		<u>30,176,740</u>	<u>2,488,474</u>
Non-current liabilities			
Interest-bearing loans and borrowings	17	54,081	24,601,502
Provisions	16	112,467	89,808
Deferred tax liabilities	6	2,504,335	160,479
Total non-current liabilities		<u>2,670,883</u>	<u>24,851,789</u>
TOTAL LIABILITIES		<u>32,847,623</u>	<u>27,340,263</u>
NET ASSETS		<u>27,484,388</u>	<u>22,135,757</u>
EQUITY			
Contributed equity	18	24,214,692	24,214,692
Reserves	19	354,524	303,351
Retained earnings / (accumulated losses)	19	2,915,172	(2,382,286)
TOTAL EQUITY		<u>27,484,388</u>	<u>22,135,757</u>

Consolidated Statement of Changes in Equity
For the year ended 30 June 2010

	Contributed equity	Reserves	Retained earnings	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2008	18,141,367	166,466	(3,087,692)	15,220,141
Profit for the year	-	-	705,406	705,406
Employee share options	-	136,885	-	136,885
Total comprehensive income for the year	-	136,885	705,406	842,291
Transactions with owners in their capacity as owners:				
Issue of shares	72,774	-	-	72,774
Rights issue	5,959,511	-	-	5,959,511
Tax effect of share / rights issue	41,040	-	-	41,040
	6,073,325	-	-	6,073,325
Balance as at 30 June 2009	24,214,692	303,351	(2,382,286)	22,135,757
Profit for the year	-	-	5,297,458	5,297,458
Employee share options	-	51,173	-	51,173
Total comprehensive income for the year	-	51,173	5,297,458	5,348,631
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Rights issue	-	-	-	-
Tax effect of share / rights issue	-	-	-	-
	-	-	-	-
Balance as at 30 June 2010	24,214,692	354,524	2,915,172	27,484,388

Cash Flow Statement

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		25,255,563	17,658,934
Payments to suppliers and employees		(22,813,223)	(22,685,416)
Interest received		44,984	21,886
Interest paid		(209,522)	(384,085)
Income tax paid		-	(47,028)
		<u> </u>	<u> </u>
Net cash flows from / (used in) operating activities	20	<u>2,277,802</u>	<u>(5,435,709)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(26,538)	(5,932,254)
Purchase of investment properties and capitalised costs		(1,106,515)	-
Proceeds from sale of property, plant and equipment		-	9,582,680
		<u> </u>	<u> </u>
Net cash flows from / (used in) investing activities		<u>(1,133,053)</u>	<u>3,650,426</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	6,073,326
Proceeds from external borrowings		19,058,791	26,604,573
Repayment of external borrowings		(20,754,694)	(29,330,262)
Proceeds from hire purchase		-	115,319
Repayments of hire purchase		(39,621)	(25,120)
		<u> </u>	<u> </u>
Net cash flows from / (used in) financing activities		<u>(1,735,524)</u>	<u>3,437,836</u>
Net increase / (decrease) in cash held		(590,775)	1,652,553
Cash at the beginning of the financial year		<u>2,075,962</u>	<u>423,409</u>
Cash at the end of the financial year	8	<u><u>1,485,187</u></u>	<u><u>2,075,962</u></u>

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Lifestyle Communities Limited and controlled entities as a consolidated entity. Lifestyle Communities Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue in accordance with a resolution of the directors on 25 August 2010.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Basis of preparation

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalent International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

Historical Cost Convention

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

(b) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

(c) 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 the parent has the power to control the financial and operating policies so as to obtain benefits from its activities.

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, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is established. They are de-consolidated from the date that control ceases.

(d) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is assigned to inventories based on specific identification. Inventories include housing units built but not sold at the reporting date. With effect from 1st January 2009 sales contract terms were changed and inventories include civil and infrastructure costs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of units

Revenue from the sale of units is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed. The consolidated entity considers all risks and rewards as transferred to the customer upon receipt of final settlement.

(ii) Interest revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) Rental revenue

Rental revenue from investment properties is derived from unit holders and is accounted for on a straight-line basis over the lease term.

(iv) Deferred management fee

The deferred management fee is payable upon a resident selling their property.

For all contracts entered into prior to 1 January 2009, the fee payable is 15% on the resale value of the unit and after a period of occupation of a year and one day.

For all contracts entered into post 1 January 2009, the fee payable is up to 20% (the fee accumulates by 4% per year over 5 years up to 20%) on the resale value of the unit.

The deferred management fee is calculated based on actuarial assumptions such as probability of expected stay. In determining this, the calculation takes account of the age and gender of the occupants. In addition the calculation uses the current house prices and discount rate.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Property under development is not depreciated. The depreciable amounts of all other fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the assets as follows:

Buildings	30 to 40 years
Plant and equipment	5 to 15 years
Computer equipment	3 to 8 years
Motor vehicles	4 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are re-measured at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Land held for development purposes is classified as property, plant and equipment.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The recognition of investment properties has been changed as a result of changes to AASB 140 Investment Properties. Previously, an asset was only recognised as an investment property once rental income was being received. Under the current standard, investment properties include those properties being constructed or held for future use as an investment property.

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases are recognised as expenses on a straight-line basis over the term of the lease.

(j) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Interests in joint ventures

The consolidated entity reports its interests in jointly controlled entities using proportionate consolidation. The consolidated entity's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(m) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale, and acceptance fees which are amortised over the life of the facility.

(n) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Defined contribution superannuation plan

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

Share based payments

The consolidated entity operates an equity settled employee option scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transactions costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgments

Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

Valuation of investment properties

The Group values investment properties at fair value. Fair value is determined by a combination of the discounted annuity streams associated with the completed home units and the fair value of the land.

Calculation of deferred management fee (DMF)

The deferred management fee is payable upon a resident selling their property.

For all contracts entered into prior to 1 January 2009, the fee payable is 15% on the resale value of the unit and after a period of occupation of a year and one day.

For all contracts entered into post 1 January 2009, the fee payable is up to 20% (the fee accumulates by 4% per year over 5 years up to 20%) on the resale value of the unit.

The deferred management fee is calculated based on actuarial assumptions such as probability of expected stay. In determining this, the calculation takes account of the age and gender of the occupants. In addition the calculation uses the current house prices and is discounted using an imputed rate of interest that is aligned to the Group's weighted cost of bank finance.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, with the assumptions detailed in note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Change to sales contracts (prior year)

At 1 January 2009 a restructure of sales contracts resulted in civil and infrastructure costs being included in the sale. As such the following civil and infrastructure expenditure was transferred to inventory at cost during the year ended 30 June 2009:

\$7,049,311 Transferred from property plant & equipment

\$1,772,333 Transferred from investment property

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, finance leases, cash and short-term deposits, trade receivables, and trade payables.

The Group manages its exposure to key financial risk, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts. These procedures provide sufficient comfort that no mitigating action is required.

The Board reviews and agrees policies for managing each of these risks as summarised as follows:

Risk exposure and responses

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations and deferred management fee receivable. The level of debt is disclosed in note 17.

Long-term debt obligations

As at balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk (being the bank bill business rate):

	<u>2010</u>	<u>2009</u>
	\$	\$
Financial assets		
Cash and cash equivalents	1,485,187	2,075,962
Financial liabilities		
Secured loans	22,830,159	24,526,062
Net exposure	<u>(21,346,022)</u>	<u>(22,451,150)</u>

As at balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Consolidated				
+1% (100 basis points)	(149,422)	(157,158)	-	-
-0.5% (50 basis points)	74,711	78,579	-	-

When determining the parameters for a reasonable possible change in interest rate risk, management has taken into consideration the current economic environment at balance sheet date and historical movements.

A proportion of the impact on post tax profit is deferred due to the capitalisation of interest to inventory which is recognised when units are sold.

Notes to the Financial Statements
For the year ended 30 June 2010

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

Risk exposure and responses (continued)

Interest rate risk (continued)

Deferred management fee receivable

At balance date, the Group was exposed to Australian variable interest rate risk in relation to the discount rate applied to the deferred management fee receivable.

	<u>2010</u>	<u>2009</u>
	\$	\$
Deferred management fee		
Current	167,135	133,970
Non current	2,181,917	1,378,910
	<u>2,349,052</u>	<u>1,512,880</u>

As at balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
+1% (100 basis points)	16,443	10,590	-	-
-0.5% (50 basis points)	(8,222)	(5,295)	-	-

Market risk

At balance date, the Group was exposed to market risk in relation to the deferred management fee receivable (fluctuation in property prices) and investment properties (fluctuation in capitalisation rates).

Deferred management fee receivable

As at balance date if property prices had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
+10%	164,434	105,902	-	-
-5%	(82,217)	(52,951)	-	-

When determining the parameters for a reasonable possible change in market risk (property price), management has taken into consideration the current economic environment at balance sheet date and historical movements.

Investment properties

As at balance date if rental capitalisation rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
+0.25%	(340,394)	(283,523)	(340,394)	(283,523)
-0.25%	360,219	301,815	360,219	301,815

When determining the parameters for a reasonable possible change in market risk (capitalisation rates), management has taken into consideration the current economic environment at balance sheet date and historical movements.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

Risk exposure and responses (continued)

Credit risk

There are no significant concentrations of credit risk within the Group.

Credit risk arises from the financial assets for the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy that no customers trade on credit terms.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loan and finance leases.

The Group's debt as at balance date is outlined at note 17.

The table below represents the undiscounted contractual settlement terms for financial instruments and management expectation for settlement of undiscounted maturities.

The remaining contractual maturities of the Group's financial liabilities are:

	2010	2009
	\$	\$
On demand *	22,830,159	24,526,062
6 months or less	14,447	18,115
6-12 months	11,893	18,115
Over 1 year	49,099	224,626
	22,905,598	24,786,918

* The current business finance arrangement with Westpac was entered into in August 2007 and extended on 16 April 2010 for a term expiring on 31 August 2012 but repayable on demand.

The Group has exceeded or met all required covenants since the arrangement commenced and therefore expects the arrangement to continue until 31 August 2012.

At balance date, the Group has available \$1,540,124 of unused credit facility available for its immediate use.

In addition to the contractual obligations pertaining to the debt above, the Group has a contracted commitment to settle land of \$3,285,000 (refer note 15).

Subsequent to balance date, the Group entered into a \$2.5million mezzanine finance facility to assist with short term working capital requirements. The facility is available to be drawn down for a period of up to 12 months from the date of signing the agreement.

The Group is required to give 7 days notice for draw downs. The term of the facility is for 24 months from initial draw down or earlier at the Group's discretion.

Fair value

The fair value of financial assets and liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and Notes to the consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 4: OTHER INCOME		
Fair value adjustment - investment properties (a)	7,222,649	2,990,000
Sundry income	-	13,512
	7,222,649	3,003,512
 (a) Fair value adjustment results from restating Brookfield, Seasons, Warragul and Cranbourne Villages to their fair value at balance date. 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 as well as the fair value of undeveloped land.		
 NOTE 5: PROFIT FROM CONTINUING OPERATIONS		
Profit from continuing operations before income tax has been determined after the following specific expenses:		
(a) Finance costs		
Bank loans and overdrafts	209,522	387,072
Amortisation of loan facility fee	120,366	112,882
	329,888	499,954
 <i>(i) Capitalised interest</i>		
Profit from operations excludes interest capitalised as part of inventory and investment properties:		
	1,184,274	1,026,638
 (b) Depreciation and amortisation		
Depreciation	208,837	145,174
 (c) Employee benefits expense		
Wages and salaries	1,794,595	1,544,889
Commissions	208,890	98,333
Defined contribution superannuation expense	164,331	144,512
Share option expense	51,173	136,885
Other employee benefits	48,279	36,221
	2,267,268	1,960,840
 (d) Impairment losses		
Investment properties	1,152,327	-
 (e) Loss on sale of investments		
Loss on sale of land - Lynbrook	-	2,998,724
Loss on forfeited deposit - Bendigo	-	45,000
Loss on disposal of civils & infrastructure - Bendigo	-	33,385
	-	3,077,109

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 6: INCOME TAX		
(a) Components of tax expense / (revenue)		
Current tax	-	-
Deferred income tax	2,343,855	326,988
Under / (over) provision in prior years	-	-
	<u>2,343,855</u>	<u>326,988</u>
(b) Deferred income tax expense / (revenue) included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	443,561	(5,038,101)
(Decrease) / increase in deferred tax liabilities	1,900,294	5,333,640
	<u>2,343,855</u>	<u>295,539</u>
(c) Deferred income tax related to items charged or credited directly to equity		
Tax affect of share issue costs	-	41,040
	<u>-</u>	<u>41,040</u>
(d) Reconciliation between tax expense recognised in the income statement and tax expense calculated per the statutory income tax expense		
Accounting profit before tax	7,641,313	1,032,394
At the statutory income tax rate of 30% (2009:30%)	2,292,394	309,718
Add / (less):		
Share based payments	15,352	41,066
Non deductible expense	-	38,989
Investment allowance	-	(62,785)
Other	36,109	-
Income tax expense	<u>2,343,855</u>	<u>326,988</u>
(e) Current tax		
Current tax relates to the following:		
Opening balance	-	-
Income tax	-	-
Tax payments	-	-
Under / (over) provision in prior years	-	-
Other	-	-
Current tax liabilities / (assets)	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the year ended 30 June 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
NOTE 6: INCOME TAX (continued)		
(f) Deferred tax		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Borrowing costs	7,449	11,175
Other	118,397	279,154
Capital losses	899,617	899,617
Tax losses	1,086,129	1,722,846
Provision for employee entitlements	106,324	97,448
Payables	520,449	171,686
Deferred tax assets	<u>2,738,365</u>	<u>3,181,926</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Deferred management fee	704,716	453,864
Temporary differences on investment property	4,255,920	2,364,665
Temporary differences on inventory	282,064	523,877
Deferred tax liabilities	<u>5,242,700</u>	<u>3,342,406</u>
Net deferred tax asset / (liability)	<u>(2,504,335)</u>	<u>(160,479)</u>
NOTE 7: DIVIDENDS PAID AND PROPOSED		
(a) Dividends		
<i>Declared and paid during the year</i>	-	-
(b) Franking credit balance		
Balance of franking account on a tax paid basis at balance date adjusted for franking credits arising from tax payments:	<u>5,045,358</u>	<u>5,045,358</u>

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 8: CASH & CASH EQUIVALENTS		
Cash at bank and on hand	429,315	565,823
Short-term deposits	1,055,872	1,510,139
	<u>1,485,187</u>	<u>2,075,962</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group. The deposits earn interest at the respective short term deposit rates.

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	93,820	67,003
Other related parties (note 22)	59,599	58,712
Deferred management fee	167,135	133,970
Other receivables	67,501	49,483
	<u>388,055</u>	<u>309,168</u>

NON-CURRENT

Deferred management fee	2,181,917	1,378,910
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(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

No impairment loss has been recognised

As at balance date, the ageing analysis of trade receivables is as follows:

	Total	0-30	31-60	61-90	> 90
	\$	days	days	days	days
	\$	\$	\$	\$	\$
Year ended 30 June 2010	93,820	90,606	-	3,214	-
Year ended 30 June 2009	67,003	58,220	4,022	-	4,761

(b) Related party receivables

For terms and conditions of related party receivables, refer to note 22.

(c) Other receivables and land deposits

Other receivables and land deposits are non-interest bearing. Other receivables are generally on 30 to 90 day terms.

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 10: INVENTORIES		
Completed units	8,185,038	6,437,580
Civils & infrastructure	9,192,916	10,680,464
	<u>17,377,954</u>	<u>17,118,044</u>

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2010 totalled \$16,771,489 for the Group (2009: \$9,133,325). The expense has been included in the cost of sales line item as a cost of sales.

(b) Change of sales contract terms

At 1st January 2009 a restructure of sales contracts entered into from that date forward to include civil and infrastructure costs resulted in a change in the classification and treatment of civil and infrastructure costs such that the following civil and infrastructure expenditure was transferred to inventory at cost (refer note 2 (ii)):

\$7,049,311 Transferred from property plant & equipment

\$1,772,333 Transferred from investment property

NOTE 11: OTHER CURRENT ASSETS

Security deposits	19,071	38,801
Prepayments	85,039	28,814
	<u>104,110</u>	<u>67,615</u>

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

Year end 30 June 2010	Buildings	Plant and equipment	Computer equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
At 1 July 2009 net of accumulated depreciation	153,169	480,933	171,301	115,777	921,180
Additions	-	4,261	9,865	12,412	26,538
Write-off	-	-	(11,071)	-	(11,071)
Depreciation charge for the year	(3,857)	(118,919)	(61,621)	(24,440)	(208,837)
At 30 June 2010 net of accumulated depreciation	<u>149,312</u>	<u>366,275</u>	<u>108,474</u>	<u>103,749</u>	<u>727,810</u>
At 30 June 2010					
Cost	161,121	624,838	231,554	163,739	1,181,252
Accumulated depreciation	(11,809)	(258,563)	(123,080)	(59,990)	(453,442)
Net carrying amount	<u>149,312</u>	<u>366,275</u>	<u>108,474</u>	<u>103,749</u>	<u>727,810</u>

Notes to the Financial Statements
For the year ended 30 June 2010

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts at the beginning and end of the period (continued)

Year end 30 June 2009	<i>Buildings</i>	<i>Plant and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Property under development</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
At 1 July 2008 net of accumulated depreciation	157,096	164,726	14,566	32,356	1,814,669	2,183,413
Additions	-	399,027	202,944	95,639	5,234,642	5,932,252
Transfer (i)	-	-	-	-	(7,049,311)	(7,049,311)
Depreciation charge for the year	(3,927)	(82,820)	(46,209)	(12,218)	-	(145,174)
At 30 June 2009 net of accumulated depreciation	153,169	480,933	171,301	115,777	-	921,180
At 30 June 2009						
Cost	161,121	620,578	232,759	151,329	-	1,165,787
Accumulated depreciation	(7,952)	(139,645)	(61,458)	(35,552)	-	(244,607)
Net carrying amount	153,169	480,933	171,301	115,777	-	921,180

(i) Details of transfers are as follows:

\$7,049,311 was transferred from infrastructure to inventory to reflect the change in sale agreements to include infrastructure as part of the property sale.

(b) Property plant and equipment pledged as security for liabilities

Leased motor vehicles are pledged as security for the related finance lease liabilities.

NOTE 13: LAND HELD FOR SALE	2010	2009
	\$	\$
CURRENT		
Land held for sale at cost	614,202	-
NON-CURRENT		
Land held for sale at cost	-	585,729

Land held for sale relates to the planned sub-division of 3.1ha of land at the site in Warragul. The sub-division and subsequent sale of the land is expected to be completed within the next 12 months.

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 14: INVESTMENT PROPERTIES		
Investment properties at fair value	37,452,776	27,019,412
(a) Reconciliation of carrying amounts at the beginning and end of the period		
Opening balance as at 1 July	27,019,412	38,383,149
Additions	4,363,042	-
Transfers to inventory (i)	-	(1,772,333)
Disposals (ii)	-	(12,581,404)
Impairment expenses (iii)	(1,152,327)	-
Net gain from fair value adjustments	7,222,649	2,990,000
Closing balance as at 30 June	37,452,776	27,019,412

Investment properties are carried at fair value, which has been determined by obtaining independent valuations provided by property valuers who are industry specialists in valuing these types of investment properties.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of the valuation, in accordance with Australian Accounting Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

All rental income disclosed on the face of the income statement was generated from investment properties. All property management expense relates to investment properties that generated rental income.

Investment properties are subject to a first charge, forming, in part, the security of the Group's bank loans as disclosed in note 17.

The investment properties are at various stages of development and are subject to further expected development until fully completed.

(i) \$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. Refer notes 2 (ii) and 10.

(ii) Details of disposals are as follows:

- \$11,863,591 disposal of land at Lynbrook
- \$717,813 write off of civils & infrastructure on disposal of land at Lynbrook

(iii) As at balance date the combined value of the land and capitalised development costs of the Shepparton property under development was impaired based on the independent valuation obtained.

NOTE 15: TRADE AND OTHER PAYABLES

Trade payables (b)	923,500	929,294
Deferred revenue	69,831	52,584
Accrued future project expense	1,663,648	526,507
Other payables and accruals (c)	1,131,413	707,808
Contracted land (e)	3,285,000	-
	<u>7,073,392</u>	<u>2,216,193</u>

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Trade payables

Trade payables are non-interest bearing and are normally settled on 60-day terms.

(c) Other payables

Other payables are non-traded payables, are non-interest bearing and have an average term of 30 days.

(d) Interest rate and liquidity risk

Information regarding the interest rate risk and liquidity risk exposure is set out in note 3.

(e) Contracted land

Represents amount payable by Lifestyle Investments Cranbourne Pty Ltd upon settlement of land contract. This is expected to settle within the next 12 months.

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009	
	\$	\$	
NOTE 16: PROVISIONS			
CURRENT			
Provision for annual leave	241,946	235,020	
NON-CURRENT			
Provision for long service leave	112,467	89,808	
(a) Total employees at balance date	25	26	
(b) Movements in provision			
	Annual Leave	Long service leave	Total
	A\$	A\$	A\$
At 1 July 2009	235,020	89,908	324,928
Arising during the period	180,616	22,559	203,175
Utilised	(173,690)	-	(173,690)
At 30 June 2010	241,946	112,467	354,413
	Annual Leave	Long service leave	Total
	A\$	A\$	A\$
At 1 July 2008	232,229	56,378	288,607
Arising during the period	128,753	33,530	162,283
Utilised	(125,962)	-	(125,962)
At 30 June 2009	235,020	89,908	324,928

NOTE 17: INTEREST-BEARING LOANS AND BORROWINGS

CURRENT	Maturity		
Hire purchase (note 24)		21,358	29,147
Loans from related parties (note 22)	On demand	9,885	8,114
Secured loans	Aug 2012	22,830,159	-
		<u>22,861,402</u>	<u>37,261</u>
NON-CURRENT	Maturity		
Hire purchase (note 24)		54,081	75,440
Secured loans		-	24,526,062
		<u>54,081</u>	<u>24,601,502</u>

For terms and conditions attached to each type of borrowing, refer to section (b)

(a) Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated at amortised cost.

(b) Terms and conditions

(i) Current interest-bearing loans and borrowings

The current business finance arrangement with Westpac was entered into in August 2007 and extended on 16 April 2010 for a term expiring on 31 August 2012 but repayable on demand.

The Group has exceeded or met all required covenants since the arrangement commenced and therefore expects the arrangement to continue until 31 August 2012.

The commercial bill facility is secured by a fixed and floating charge over all assets of the consolidated entity.

(ii) Loans from related parties

For terms and conditions on loans from related parties refer to note 22.

NOTE 17: INTEREST -BEARING LOANS AND BORROWINGS (continued)

(c) Assets pledged as security

All assets being \$60.3m of the consolidated entity are pledged as security for the facility and are subject to the terms and conditions as set out in the 16 September 2009 Business Finance Agreement with Westpac (which was subsequently varied on 16 April 2010). Please refer to Balance Sheet for detail of assets pledged.

As at 16 April 2010 Lifestyle Communities varied its Commercial Bill Facility. The facility is secured by the following:

Guarantee for all liabilities from Lifestyle Communities Investments Pty Ltd supported by a Fixed and Floating Charge over all assets of Lifestyle Communities Investments Pty Ltd.

Guarantee for all liabilities from Lifestyle Communities Developments Pty Ltd supported by Fixed and Floating Charge over all assets.

Guarantee for all liabilities from Lifestyle Brookfield Pty Ltd supported by Fixed and floating Charge by Lifestyle Brookfield Pty Ltd in its own right and as trustee for the Brookfield Land Trust over all assets.

Guarantee for all liabilities from Brookfield Village Management Pty Ltd as trustee for the Brookfield Village Management Trust supported by a Fixed and Floating charge by Brookfield Village Management Pty Ltd in its own right and as trustee for the Brookfield Village Management Trust over all assets.

Guarantee for all liabilities from Brookfield Village Development Pty Ltd as trustee for the Brookfield Village Development Trust supported by a Fixed and Floating charge by Brookfield Village Development Pty Ltd in its own right and as trustee for the Brookfield Village Development Trust over all assets.

Mortgage by Lifestyle Communities Investments Pty Ltd over Melton, Shepparton, Warragul and Tarneit properties.

(d) Defaults and breaches

During the current or prior year there have been no defaults or breaches of any banking covenants as set out in the 16 April 2010 Business Finance Agreement with Westpac (and earlier applicable versions of this varied agreement).

NOTE 18: CONTRIBUTED EQUITY

462,073,090 Ordinary shares

2009

Movement in ordinary shares on issue

As at 1 July 2008

15 October 2008 share placement

Costs attributed to share placement (post tax)

18 December 2008 rights issue

Costs attributed to rights issue (post tax)

Balance as at 30 June 2009

2010

Movement in ordinary shares on issue

Balance as at 30 June 2010

	2010	2009
	\$	\$
	24,214,692	24,214,692
	Number	\$
As at 1 July 2008	310,373,211	18,141,367
15 October 2008 share placement	1,838,000	174,610
Costs attributed to share placement (post tax)	-	(71,285)
18 December 2008 rights issue	149,861,879	5,994,476
Costs attributed to rights issue (post tax)	-	(24,476)
Balance as at 30 June 2009	462,073,090	24,214,692
	-	-
Balance as at 30 June 2010	462,073,090	24,214,692

(a) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity by assessing the cost of equity (share issue), cost of debt (borrowings) or a combination of both.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements.

NOTE 19: RETAINED EARNINGS AND RESERVES

(a) Nature and purpose of reserves

(i) Option reserve

The reserve is used to recognise the value of options issued as share based payments.

(b) Movements in retained earnings were as follows:

	2010	2009
	\$	\$
Balance 1 July	(2,382,286)	(3,087,692)
Net profit/(loss)	5,297,458	705,406
	<u>2,915,172</u>	<u>(2,382,286)</u>

(c) Reserves

	Option reserve	Total
	\$	\$
2009		
At 1 July 2008	166,466	166,466
Option expense	136,885	136,885
At 30 June 2009	<u>303,351</u>	<u>303,351</u>
2010		
At 1 July 2009	303,351	303,351
Option expense	51,173	51,173
At 30 June 2010	<u>354,524</u>	<u>354,524</u>

The option reserve is used to record the fair value of options issued to employees and directors as part of their remuneration.

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 20: CASH FLOW STATEMENT RECONCILIATION		
a) Reconciliation of net cash flows from operating activities to operating profit		
Operating profit after income tax	5,297,458	705,406
<u>Adjustment for non-cash items:</u>		
Loss on disposal of asset	-	2,998,724
Depreciation	208,837	145,174
Write-off of plant and equipment	11,071	-
Amortisation	120,366	112,882
Impairment	1,152,327	-
Transfer to inventory	-	8,821,644
Share option expense	51,173	136,885
Fair value adjustment	(7,222,649)	(2,990,000)
Interest expense classified as financing cash flow	-	4,124
<u>Add back/(subtract) changes in operating assets and liabilities:</u>		
Increase in trade and other receivables	(862,989)	(9,487)
Increase/(decrease) in other current assets	(174,879)	236,210
Increase in inventories	(259,910)	(13,875,389)
Increase/(decrease) in trade and other payables	1,583,557	(2,038,063)
Increase in provisions	29,585	36,220
Decrease in provision for income tax	-	(15,577)
Increase in deferred tax balances	2,343,855	295,538
Net cash flow from operating activities	2,277,802	(5,435,709)

(b) Disclosure of financing facilities

Refer to interest bearing loan and borrowings note 17.

NOTE 21: EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

For basic and diluted earnings per share:

Net profit	5,297,458	705,406
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(b) Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share	462,073,090	392,481,223
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Effect of dilution:

Share options	-	100,000
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Weighted average number of ordinary shares adjusted for dilution	462,073,090	392,581,223
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There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements
For the year ended 30 June 2010

NOTE 22: RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Lifestyle Communities Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	% Equity interest		Value of parent entity's interest	
		2010	2009	2010	2009
				\$	\$
Namberry (SA) Pty Ltd	Australia	100%	100%	-	-
Lifestyle Communities Investments Pty Ltd	Australia	100%	100%	155,300	155,300
Lifestyle Communities Development Pty Ltd	Australia	100%	100%	3,968,804	3,968,804
Lifestyle Communities Management Pty Ltd	Australia	100%	100%	4,627,447	4,627,447
Lifestyle Seasons Pty Ltd	Australia	100%	100%	-	-
Lifestyle Lynbrook Pty Ltd	Australia	100%	100%	-	-
Brookfield Management Trust (Trustee: Brookfield Village Management Pty Ltd)	Australia	100%	100%	-	-
Brookfield Development Trust (Trustee: Brookfield Village Development Pty Ltd)	Australia	100%	100%	-	-
Lifestyle Communities Investments Cranbourne Pty Ltd (i)	Australia	100%	0%	-	-
Cameron Street Developments Pty Ltd (ii)	Australia	50%	0%	-	-
				<u>8,751,551</u>	<u>8,751,551</u>

(i) Lifestyle Investments Cranbourne was incorporated on 13 August 2009.

(ii) Cameron Street Developments Pty Ltd was incorporated on 13 August 2009, Lifestyle Communities Limited owns a 50% non-controlling interest.

(b) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(c) Loans from related parties

	<u>Maturity</u>	<u>2010</u>	<u>2009</u>
		\$	\$
CURRENT			
Interest bearing loans and borrowings			
Lifestyle Brookfield Land Trust ⁽¹⁾	On demand	8,835	8,835
Brookfield Development Trust		-	(1,771)
Masonkelly Pty Ltd ⁽²⁾	On demand	350	350
B.S. Carter Investments Pty Ltd ⁽³⁾	On demand	350	350
Daken Investments Pty Ltd ⁽⁴⁾	On demand	350	350
		<u>9,885</u>	<u>8,114</u>
Trade and other receivables			
Lifestyle Brookfield Land Trust ⁽¹⁾	On demand	59,577	60,461
Brookfield Development Trust		-	(1,771)
Lifestyle Communities Management Pty Ltd		11	11
Lifestyle Investments Pty Ltd		11	11
		<u>59,599</u>	<u>58,712</u>

⁽¹⁾ James Kelly, Bruce Carter and Dael Perlov are the directors of the Trustee company for Lifestyle Brookfield Land Trust

⁽²⁾ James Kelly is the sole director of Mason Kelly Pty Ltd

⁽³⁾ Bruce Carter is the sole director of B.S. Carter Investments Pty Ltd

⁽⁴⁾ Dael Perlov is the sole director of Daken Investments Pty Ltd

NOTE 22: RELATED PARTY DISCLOSURES (continued)

(d) Repayment terms

The current loans from related parties are repayable on demand loans have no interest payable. Other receivables are on demand and have no interest payable.

(e) Transactions with related parties

There were no transactions that were entered into with related parties for the current or prior year apart from minor non-cash transactions.

NOTE 23: SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	<u>2010</u>	<u>2009</u>
	\$	\$
Expense arising from equity-settled share-based payment transactions	51,173	136,885

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the current or prior year.

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. When a participant ceases employment prior to the vesting of their share options, the share options are forfeited.

(c) Summaries of options granted under ESOP

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	No.	WAEP	No.	WAEP
		A\$		A\$
Outstanding at the beginning of the year	10,250,000	0.151	10,250,000	0.151
Outstanding at the end of the year	10,250,000	0.151	10,250,000	0.151
Exercisable at the end of the year	10,250,000	0.151	6,100,000	0.157

The outstanding balance as at 30 June 2010 is represented by:

- 6,000,000 options over ordinary shares with an exercise price of \$0.16, Vested from 1 July 2006 with an expiry date of 1 July 2011. The options were issued to directors and have no other conditions attached.
- 100,000 options over ordinary shares with an exercise price of \$0 each, exercisable upon completion of continuous service. Vesting date is the 1 October 2008 and expiry date is 1 October 2012.
- 4,000,000 options over ordinary shares with an exercise price of \$0.14 each, Issued on the 14 November 2007, vesting on the 14 November 2009 providing the holder has completed continuous service with the company from the dates of issue. The expiry date is 14 November 2012.
- 150,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon completion of a continuous two years of service. Vesting date 7 January 2010, the expiry date is 7 January 2013.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.57 years (2009: 2.57).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$0.20 (2009: \$0.00 to \$0.20).

NOTE 23: SHARE-BASED PAYMENT PLANS (continued)

(f) Weighted average fair value of options granted during the year

No options were granted during the year.

(g) Option pricing model: ESOP

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Binomial Model taking into account the terms and conditions upon which the options were granted.

	ESOP 2010
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk-free interest rate (%)	6.35% to 6.67%
Expected life of option (years)	1.57
Option exercise price (\$)	\$0.151
Weighted average share price at measurement date (\$)	\$0.170
Model used	Binomial

	ESOP 2009
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk-free interest rate (%)	6.35% to 6.67%
Expected life of option (years)	2.57
Option exercise price (\$)	\$0.151
Weighted average share price at measurement date (\$)	\$0.170
Model used	Binomial

The expected volatility was determined by reference to historical volatility of other listed entities within the same industry sector, and the Group's individual historical volatility.

Notes to the Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$

NOTE 24: COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating lease commitments receivable – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's land.

These non-cancellable leases have remaining terms of between 89 and 90 years and are transferable. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at balance date were as follows:

Within one year	2,363,884	1,401,867
After one year but not more than five years	9,455,538	5,607,466
After more than five years	199,390,162	119,158,654
Total minimum lease payments	211,209,583	126,167,987

Minimum lease payments were determined by measuring the current years rentals and measuring this over the standard 90 year lease agreement.

Hire purchase commitments – Group as lessee

The Group has entered into a hire purchase on three motor vehicles with a carrying value of \$88,997. Two contracts expire within the next 12 months and the other contract expires within 4 years.

Future minimum lease payments under hire purchase contracts are as follows:

Within one year	26,340	36,230
After one year but not more than five years	59,660	89,391
Total minimum lease payments	86,000	125,621
Less amounts representing finance charges	(10,561)	(21,034)
Present value of minimum lease payments	75,439	104,587

NOTE 25: SEGMENT INFORMATION

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 Financial Statements
For the year ended 30 June 2010

	2010	2009
	\$	\$
NOTE 26: KEY MANAGEMENT PERSONNEL		
(a) Compensation of Key Management Personnel		
Short-term employee benefits	704,494	684,494
Post-employment benefits	58,006	56,206
Share-based payment	48,623	128,604
	<u>811,123</u>	<u>869,304</u>

(b) Option granted to Key Management Personnel
No options were granted to Key Management Personnel in the year.

(c) Shareholdings of Key Management Personnel
Shareholding of Key Management Personnel for the year ended 30 June 2010:

Ordinary shares held in Lifestyle Communities Limited	Balance at 1 July 2009	Granted as remuneration	Exercise of option	Net change other	Balance at 30 June 2010
Directors					
Bruce Carter	106,559,042	-	-	-	106,559,042
Dael Perlov	89,366,652	-	-	-	89,366,652
James Kelly	101,716,417	-	-	-	101,716,417
David Paranthoiene	6,370,646	-	-	-	6,370,646
Tim Poole	6,845,334	-	-	-	6,845,334

Shareholding of Key Management Personnel for the year ended 30 June 2009:

Ordinary shares held in Lifestyle Communities Limited	Balance at 1 July 2008	Granted as remuneration	Exercise of option	Net change other	Balance at 30 June 2009
Directors					
Bruce Carter	68,911,708	-	-	37,647,334	106,559,042
Dael Perlov	64,397,318	-	-	24,969,334	89,366,652
James Kelly	64,147,083	-	-	37,569,334	101,716,417
David Paranthoiene	4,764,625	-	-	1,606,021	6,370,646
Tim Poole	3,000,000	-	-	3,845,334	6,845,334

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Loans to Key Management Personnel
Refer to note 22(c) for details regarding loans to Key Management Personnel.

(e) Other transactions and balances with Key Management Personnel and their related parties
There are no other transactions or balances with Key Management Personnel.

Notes to the Financial Statements
For the year ended 30 June 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
NOTE 27: AUDITORS REMUNERATION		
The auditor of Lifestyle Communities Limited is Pitcher Partners.		
<i>Amounts received or due and receivable for prior auditors:</i>		
● An audit review of the financial report of the entity and any other entity in the consolidated group.	-	30,000
● Other services in relation to the entity and any other entity in the consolidated group - tax compliance.	-	27,800
	<u>-</u>	<u>57,800</u>
<i>Amounts received or due and receivable for current auditors:</i>		
● An audit review of the financial report of the entity and any other entity in the consolidated group.	125,249	118,951
● Other services in relation to the entity and any other entity in the consolidated group - tax compliance, general tax advice, structuring advice.	59,870	3,150
	<u>185,119</u>	<u>122,101</u>
NOTE 28: PARENT ENTITY DISCLOSURES		
Required disclosures relating to Lifestyle Communities Limited as a parent entity:		
Current assets	41,646,723	43,554,887
Total assets	<u>51,800,322</u>	<u>53,636,206</u>
Current liabilities	10,848,616	9,019,299
Total liabilities	<u>33,807,773</u>	<u>33,706,994</u>
Net assets	<u>17,992,549</u>	<u>19,929,212</u>
Equity:		
Contributed equity	129,872,951	129,872,951
Reserves:		
Option and share premium reserve	30,010,994	29,959,821
Capital profits reserve	14,899,859	14,899,859
	<u>44,910,853</u>	<u>44,859,680</u>
Retained earnings / (accumulated losses)	(156,791,255)	(154,803,419)
Total equity	<u>17,992,549</u>	<u>19,929,212</u>
Net loss	<u>(1,987,836)</u>	<u>(1,501,139)</u>
Other comprehensive income:		
Share based payments	51,173	136,885
Total comprehensive income	<u>(1,936,663)</u>	<u>(1,364,254)</u>

NOTE 29: SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

There are no matter or affairs that have arisen since balance date which significantly affect or may significantly affect the operations of the consolidated entity.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 27 to 56 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and its performance for the year ended on that date; and
- (c) As stated in Note 1, the consolidated financial statements also comply with *International Financial Reporting Standards*.

In the directors' opinion 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 by the chief executive officer and the executive director finance to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

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



David Parantohiene
Chairman



James Kelly
Managing Director

Melbourne, 25 August 2010



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

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

We have audited the accompanying financial report of Lifestyle Communities Limited and controlled entities. The financial report comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 REPORT
TO THE MEMBERS OF
LIFESTYLE COMMUNITIES LIMITED

Auditor's Opinion

In our opinion:

- (a) the financial report of Lifestyle Communities Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 16 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Lifestyle Communities Limited and controlled entities for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



S D WHITCHURCH

Partner

25 August 2010



PITCHER PARTNERS

Melbourne

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 24 August 2010.

(a) Distribution of equity securities

(i) Ordinary share capital

462,073,090 fully paid ordinary shares are held by 2,706 individual shareholders

(ii) Options

10,250,000 options are held by 7 individual option holders.
Options do not carry a right to vote

The number of shareholders, by size of holding, in each class is:

	Fully paid ordinary shares	Options
1 – 1,000	524,177	-
1,001 – 5,000	1,423,006	-
5,001 – 10,000	1,145,695	-
10,001 – 100,000	14,771,625	-
100,001 and over	444,208,587	10,250,000
	462,073,090	10,250,000
Holding less than a marketable parcel		2,054

(b) Substantial Shareholders

Fully Paid		
Ordinary Shareholders	Number	Percentage
Daken Investments Pty Ltd	83,602,235	18.09%
B.S Carter Investments Pty Ltd	81,052,000	17.54%
MasonKelly Pty Ltd	80,952,000	17.52%
Sandhurst Trustees Ltd	33,369,980	7.22%
	278,976,215	60.37%

(c) Twenty largest holders of quoted equity securities

LIFESTYLE COMMUNITIES LIMITED

Top 20 Holders

Rank	Name	Address	Units	% of Units
1.	DAKEN INVESTMENTS PTY LTD		83,602,235	18.09
2.	B S CARTER INVESTMENTS PTY LTD <THE BS CARTER FAMILY A/C>		81,052,000	17.54
3.	MASONKELLY PTY LTD		80,952,000	17.52
4.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>		33,369,980	7.22
5.	BS CARTER SUPERANNUATION PTY LTD <CARTER SUPER FUND A/C>		21,833,625	4.73
6.	KELLY SUPERANNUATION FUND PTY LTD		20,100,000	4.35
7.	MAXIMA ETHAN PTY LTD <MAXI FOGELGARN SUPERFUND A/C>		12,600,000	2.73
8.	ANZ NOMINEES LIMITED <CASH INCOME A/C>		8,023,205	1.74
9.	BERWICK VIEW ESTATE PTY LTD <BERWICK VIEW SUPER FUND A/C>		7,735,783	1.67
10.	CARPAR INVESTMENTS PTY LTD		6,018,000	1.30
11.	MS JANE CAROLINE POOLE		5,595,334	1.21
12.	DALEFORD WAY PTY LTD		5,555,557	1.20
13.	PERLOV SUPERANNUATION PTY LTD		5,100,000	1.10
14.	MR TERENCE JOHN JASPER + MRS JESSICA ANNE JASPER <JASPER SUPER FUND A/C>		4,647,973	1.01
15.	THIRTY-FIFTH CELEBRATIONS P/L <J C MCBAIN SUPER FUND A/C>		4,107,834	0.89
16.	SANDHURST TRUSTEES LTD <JM MPS A/C>		3,699,071	0.80
17.	PARANTHOIENE SUPERANNUATION PTY LTD <PARANTHOIENE SUPER FUND A/C>		3,361,646	0.73
18.	WALKER CUSTODIANS PTY LTD <A & J WALKER SUPER FUND A/C>		3,319,516	0.72
19.	EQUITY TRUSTEES LIMITED <SGH MICRO CAP FUND A/C>		3,125,000	0.68
20.	GIOVANNI NOMINEES PTY LTD		3,125,000	0.68
Totals: Top 20 holders of ISSUED CAPITAL			396,923,759	85.90

Additional information required by the Australian Stock Exchange Ltd. not shown elsewhere in this report is as follows. The information is as at 31 July 2010 (as the most practicable date close to the date of this report).

LIFESTYLE COMMUNITIES LIMITED

ISSUED CAPITAL As of 31 Jul 2010

Range of Units Snapshot

Composition : ORD

Range	Total holders	Units	% of Issued Capital
1 - 1,000	1,385	525,177	0.11
1,001 - 5,000	592	1,423,006	0.31
5,001 - 10,000	147	1,145,695	0.25
10,001 - 100,000	451	14,794,125	3.20
100,001 - 9,999,999,999	134	444,185,087	96.13
Rounding			0.00
Total	2,709	462,073,090	100.00

Unmarketable Parcels

Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.065 per unit	7692	2055
		2461030

Voting Rights

All ordinary shares carry one vote per share without restriction.

Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Directors	D. Paranthoienne – Non-executive chairman J. Kelly – Managing Director B. Carter – Director of Finance D. Perlov – Director of Operations T. Poole – Non-executive Director
Company Secretary	R. South
Principal Place of Business	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 Fax 61 3 9473 2500. Investor queries (within Australia) 1300 850 505
Solicitors	Maddocks Lawyers 140 William Street Melbourne VIC 3000 Australia
Bankers	Westpac Banking Corporation Limited 360 Collins Street Melbourne Vic 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 19, 15 William Street Melbourne VIC 3000 Australia