



August 2010



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This document should be read with the Disclaimer at the end of the document



Financial Results

- Highlights
- Profit and Loss
- Balance Sheet
- Cash Flow

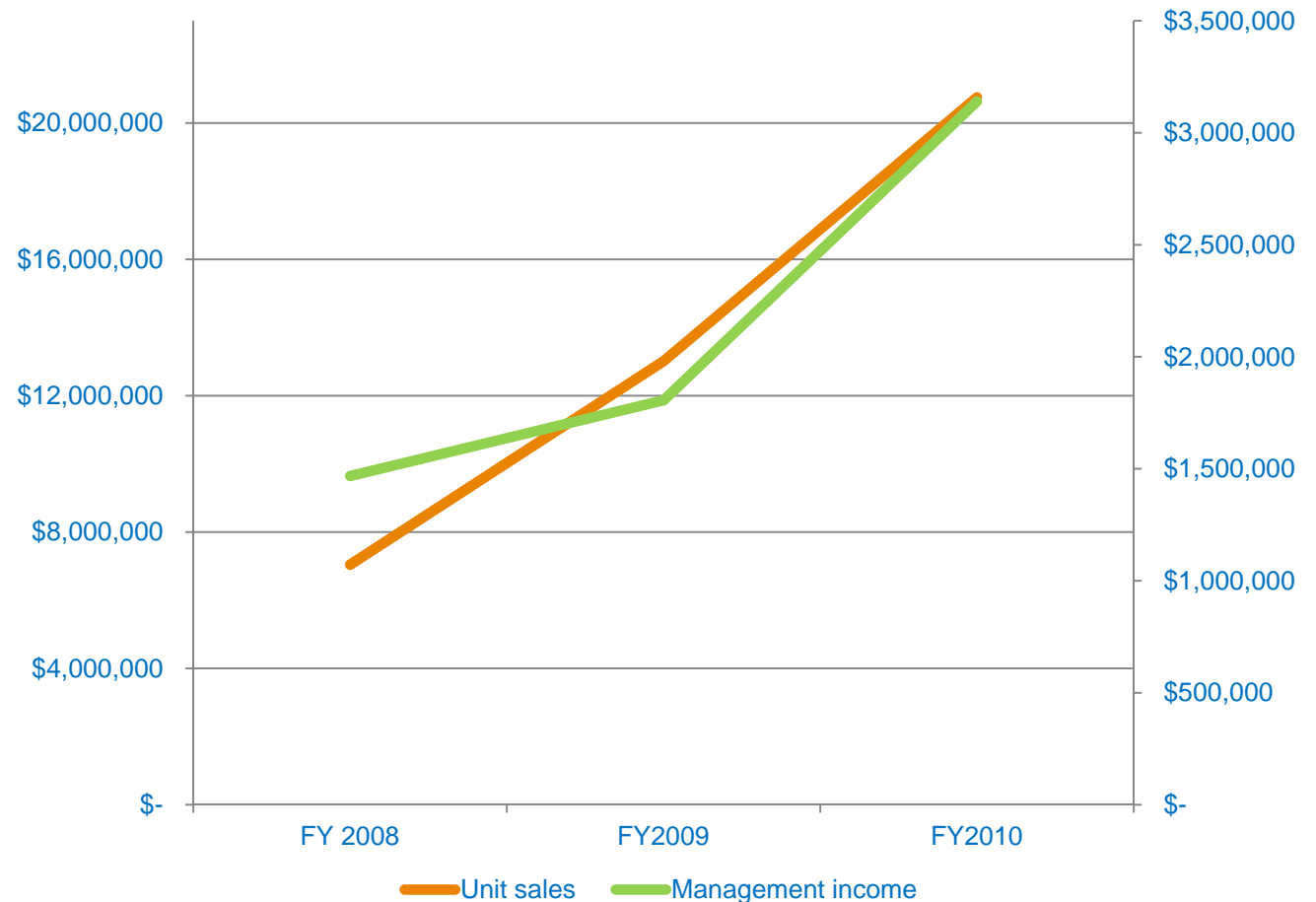




Highlights

- Net profit before tax: \$7.6m
- Net profit after tax: \$5.3m
- Gross revenues: \$23.9m (up from \$14.8m in the previous financial year)
- Gross management revenues: \$3.1m (up from \$1.9m in the previous financial year) incorporating:
 - Site revenues: \$1.9m (up from \$1.2m)
 - DMF revenues: \$1.2m (up from \$0.7m)
- Cash flows from operations: \$2.3m (a turnaround of \$7.7m from the previous financial year)
- Reduction in bank debt from \$24.5m in 2009 to \$22.8m in 2010

Income growth





Profit & Loss

Profit and loss highlights		
	<i>FY2010</i>	<i>FY2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>
Revenue		
Unit sales	20,755	13,016
Management income	3,140	1,806
Net profit before tax and significant items	7,641	4,110
Significant items	-	(3,077)
Net profit before tax	7,641	1,032
Net profit after tax	5,297	705
Earnings per share (cents)	1.15	0.18



Balance Sheet

Balance sheet highlights		
	<i>FY2010</i>	<i>FY2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>
Investment properties	37,453	27,019
Total assets	60,332	49,476
Bank borrowings	(22,830)	(24,526)
Loan to value ratio	37.8%	49.6%
Total liabilities	(32,848)	(27,340)
Net assets	27,484	22,136
NTA backing (cents)	5.95	4.79



Cash Flow

Cash flow highlights		
	<i>FY2010</i>	<i>FY2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>
Receipts from customers	25,256	17,659
Payments to suppliers and employees	(22,813)	(22,685)
Net interest payments	(165)	(362)
Income tax paid	-	(47)
Cash flows from operations	2,278	(5,436)



Market Opportunities and Conditions



Affordable Seniors Housing





Key Market Drivers

Housing affordability is a key issue for both the public and private sectors.

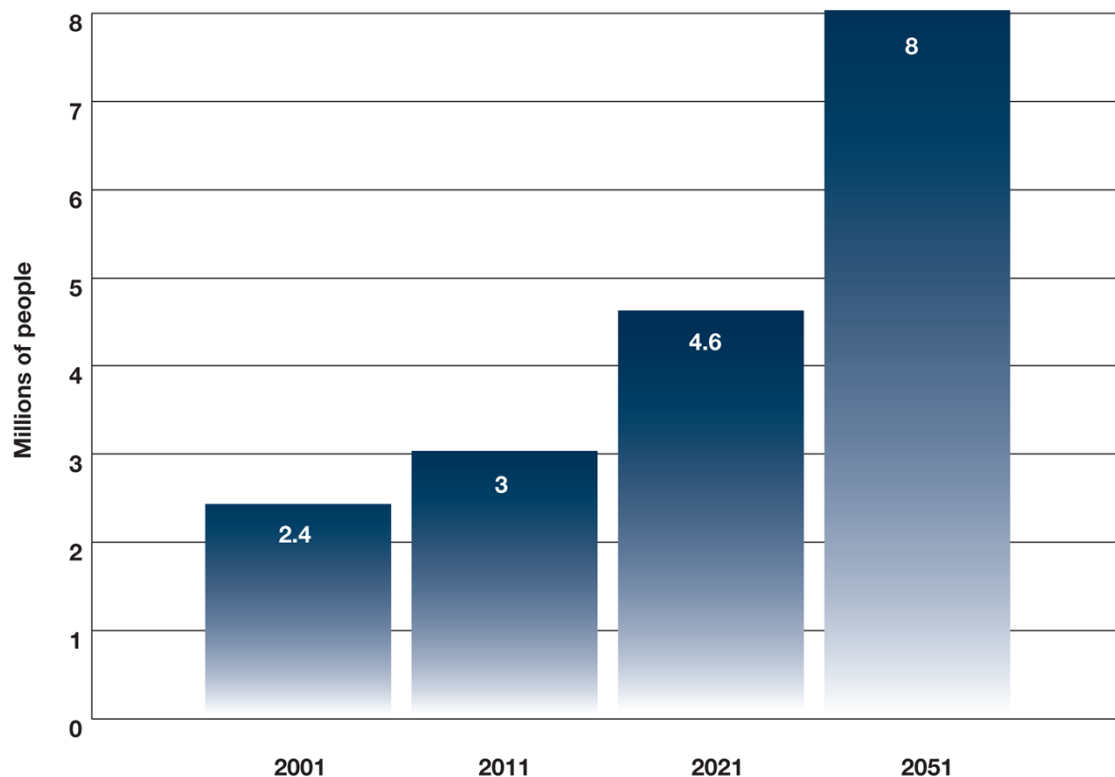
- The median net worth of a single person over 65 years of age is \$334,000 (ABS: 2005-06)
- Percentage of single people that rely on pensions as their primary source of income: 77% (ABS 2005-06)
- Median superannuation savings of a single person over \$65 is \$26,000 (ABS 2005-06)
- The number of people aged over 65 will double by 2021 and then double again by 2051. (ABS)





Population growth 65+

Australian population 65+



ABS projected population growth for people aged 65 and over
2.6M at June 2004, projected 4.6M in 2021 and 7M to 9M in 2051

- **Primary growth:** Impact of an ageing Australian population on housing demand.
- **Secondary growth:** Increased market penetration – more ageing Australians want to live in a community based village.
- Demand for retirement units over the next 10 years
 - 75,000 units in Australia
 - 19,000 units in Victoria

Based on 5% penetration



Key Market Drivers

The big housing market themes are:

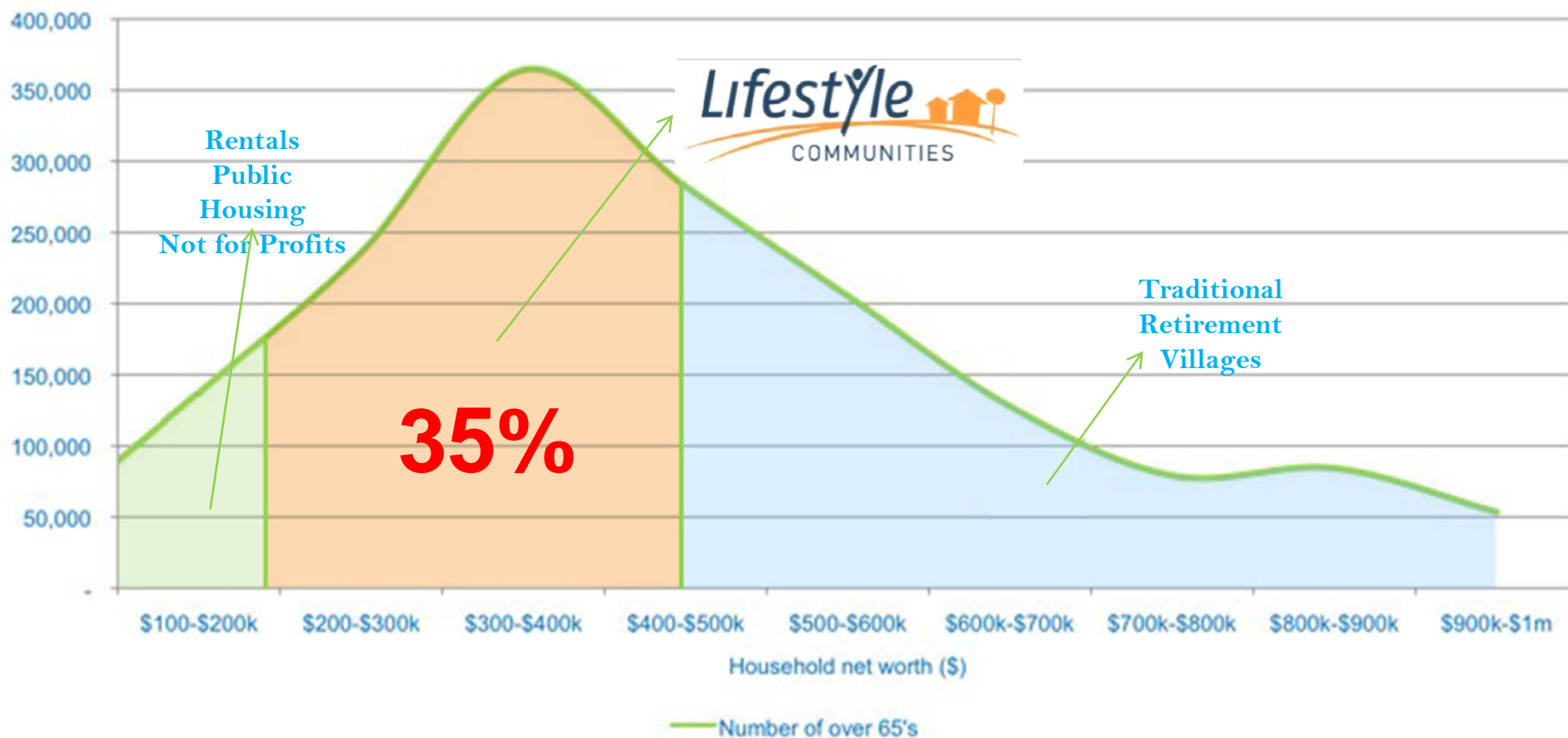
- Affordability
- The ageing population

Lifestyle Communities market offering directly addresses these key market themes.

Lifestyle Communities will continue to build on its established business and to grow the business. Indeed, bigger market players including Stockland and Lend Lease recently said they are repositioning their product focus to better cater for the affordable, ageing market.



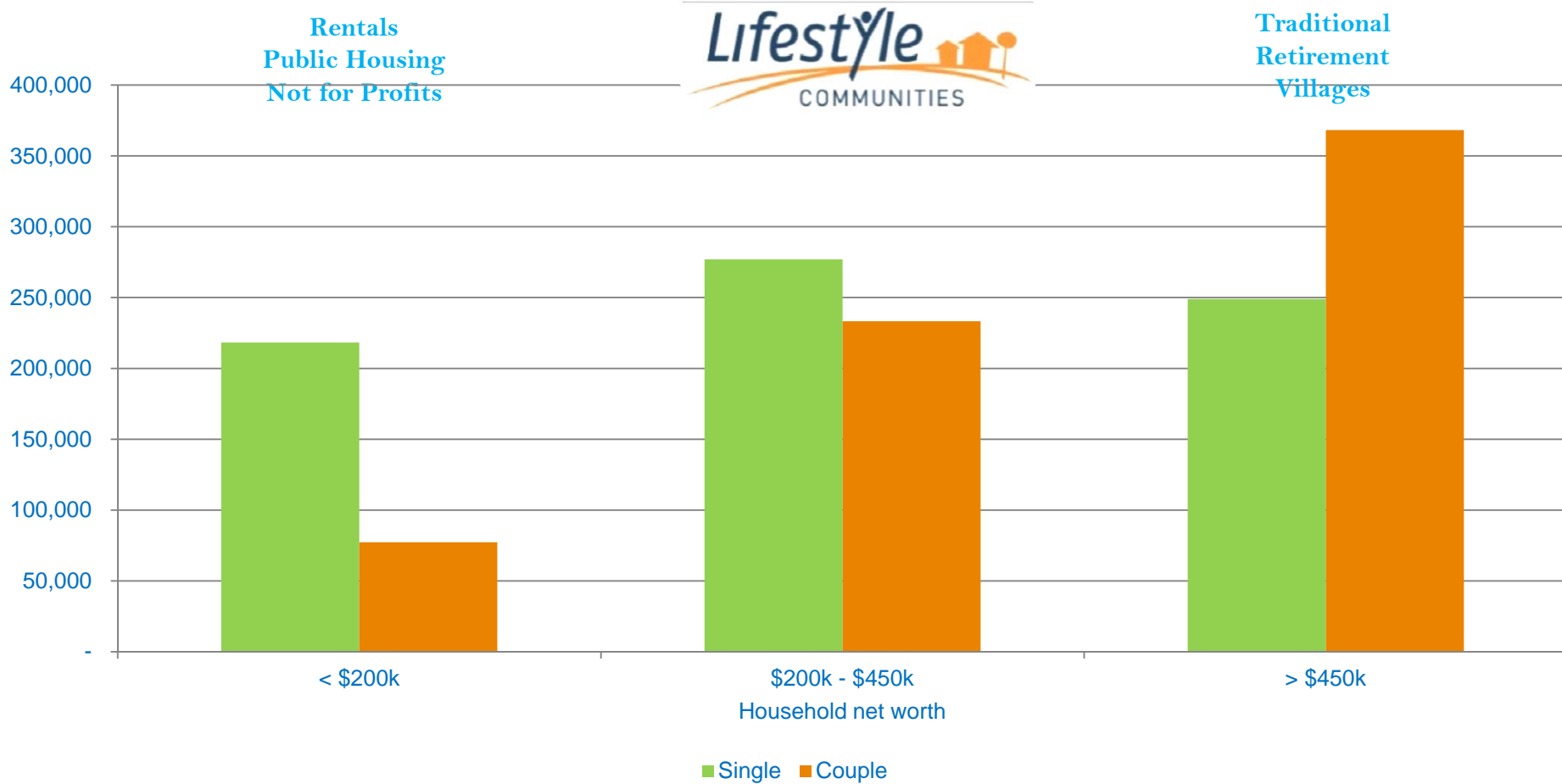
Senior's Housing Market Segmentation



- There are approximately 2.1 million people within households aged over 65 in the population
- Over 35% (more than 700,000 people) are within Lifestyle Communities target market
- Lifestyle's penetration of the market is less than ½ of 1%

Source: based on ABS data

Senior's Housing Market Segmentation



- Lifestyle Communities' target market comprises over 500,000 households (over 700,000 people)

Source: based on ABS data

Affordable Seniors Housing



Differentiation from Traditional Retirement



Indicative Community Timeline				
	Affordable Housing Model (The Lifestyle Model)	Timing	Traditional Retirement Village Model	Timing
Stage 1	Cash cost - Find suitable land - Seek DA approval - Build / Develop	Initial	Cash cost - Find suitable land - Seek DA approval - Build / Develop	Initial
Stage 2	Cash income - Sell apartments to residents - Make development margin (18-22%)	Year 2 onwards	Cash income - Sell apartments to residents; - Make development margin (15-20%).	Years 3-5
<i>Discussion:</i>	The affordable housing model can provide higher development returns due to a different cost structure.			
Stage 3	Neutral - Site rental payments from residents significantly exceed the cash costs of operations	2+ years	Neutral - Cash costs of operations is met by resident payments	3+ years
<i>Discussion:</i>	Due to the affordable housing model incorporating the land lease model, a community is likely to be generating positive operating cash flows from management after 2 years			
Stage 4	Cash income - DMF generated when resident leaves - Surplus from site rental	Up to 10 years+	Cash income - DMF generated when resident leaves	Up to 10 years+
On-completion Valuation	Includes value attributed to DMF and site rental stream		Includes value attributed to DMF	
	Source: Lifestyle Communities		Source: Citi Investment Research and Analysis	

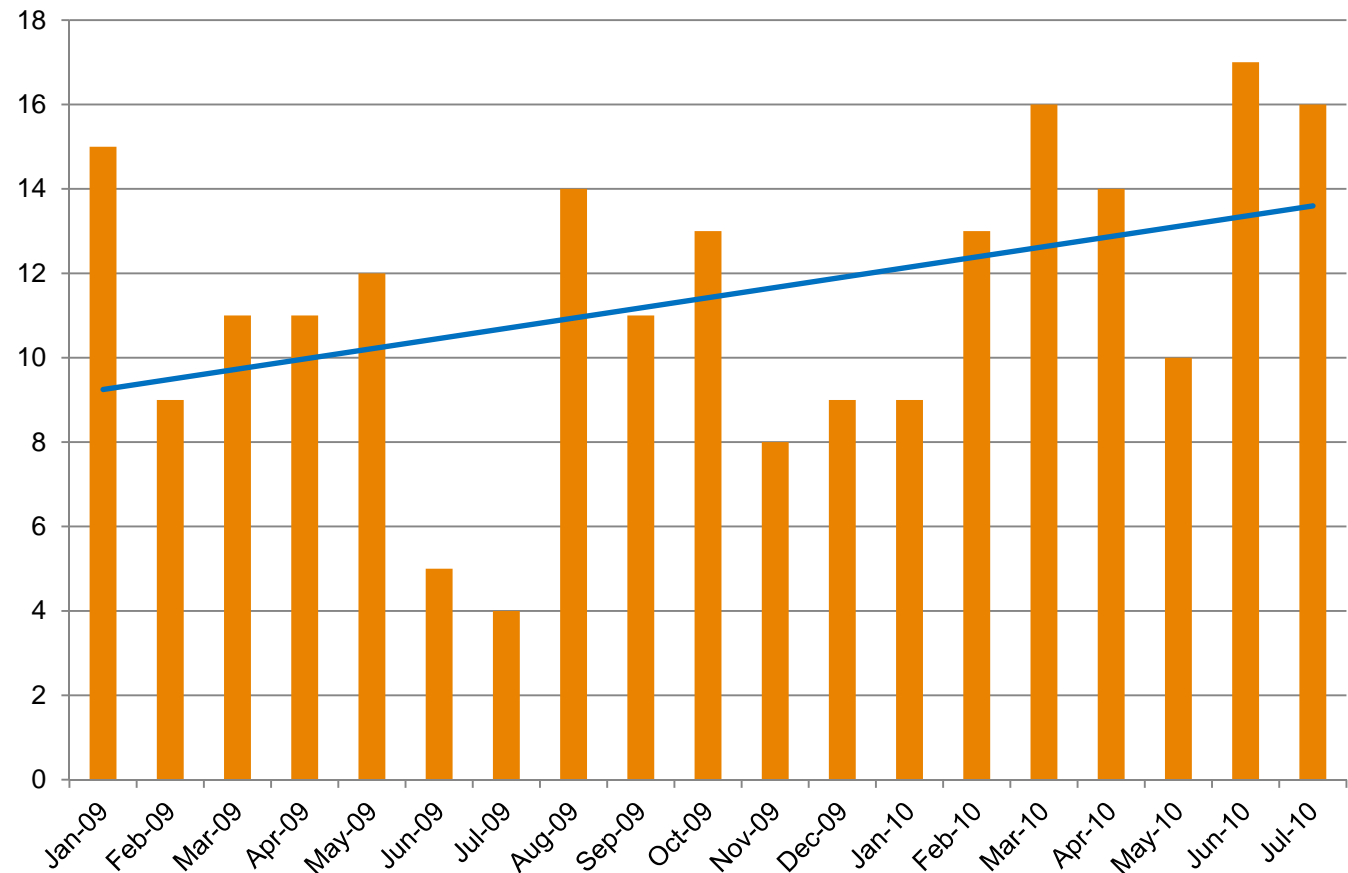


Market Conditions

Key Indicators

- Affordability continues to be a key driver of enquiry
- Customer commitments steadily increasing
- Outer suburban residential property demand still positive

Monthly customer commitments (sales) - last 18 months

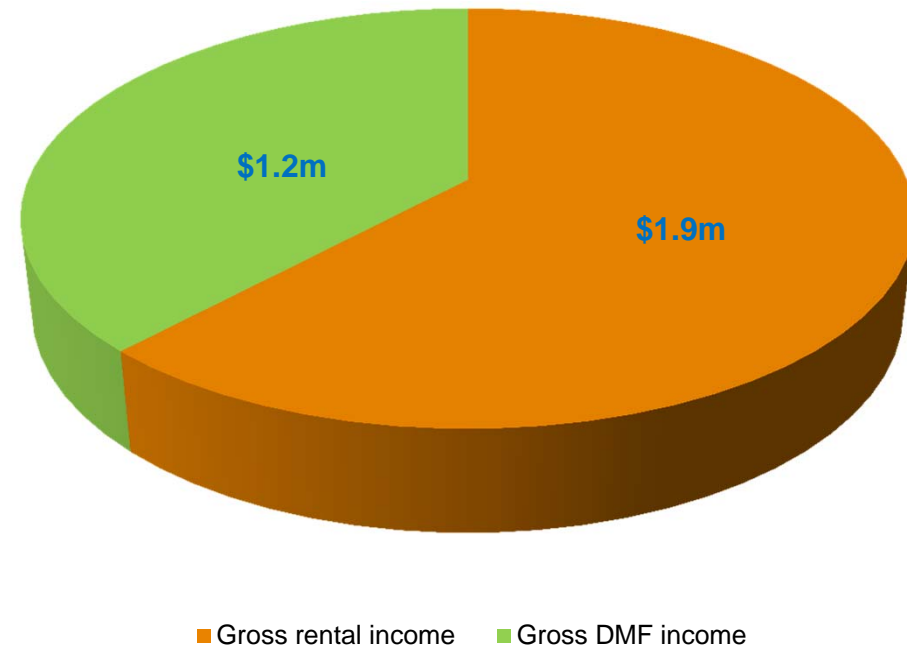




Business Model

- Lifestyle is a developer, owner and manager of affordable senior housing communities
- Lifestyle operates as a “land lease” model and is NOT a retirement village
- Residents lease the sites, where their home is situated at a market rental, of which a proportion is rebated by Federal Government Rental Assistance for eligible residents
- Over 50% of net operational income is derived from site leases
- Additional operational income generated from Deferred Management Fees (DMF)

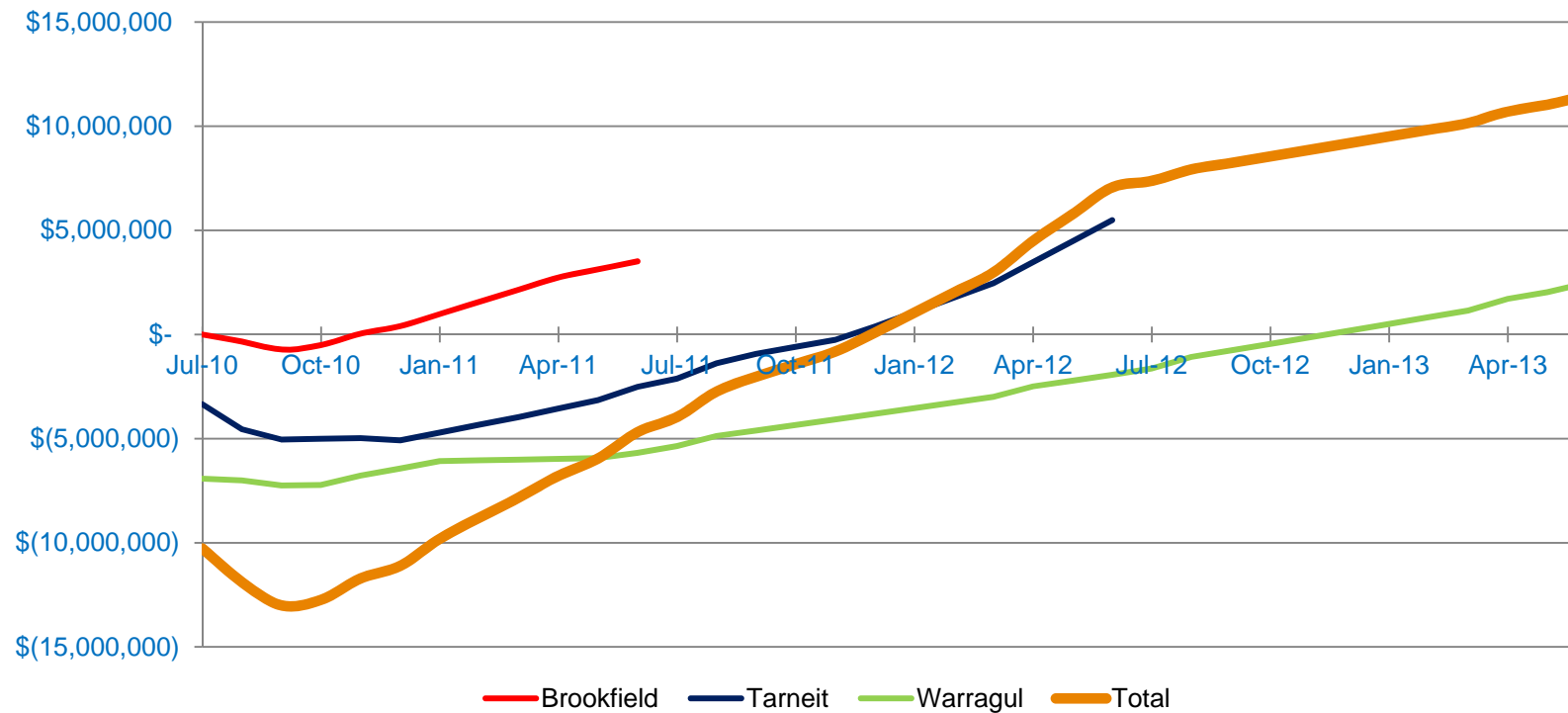
2010 Gross Management Income (\$3.1m)





Active Projects






Projected development debt run-off - next 3 years



Please Note : The projected debt run-off represented above will only eventuate should settlements and costing's continue based on current trends. The information above should not be relied upon to provide any indication of the future financial performance of Lifestyle Communities Limited.



Current Status

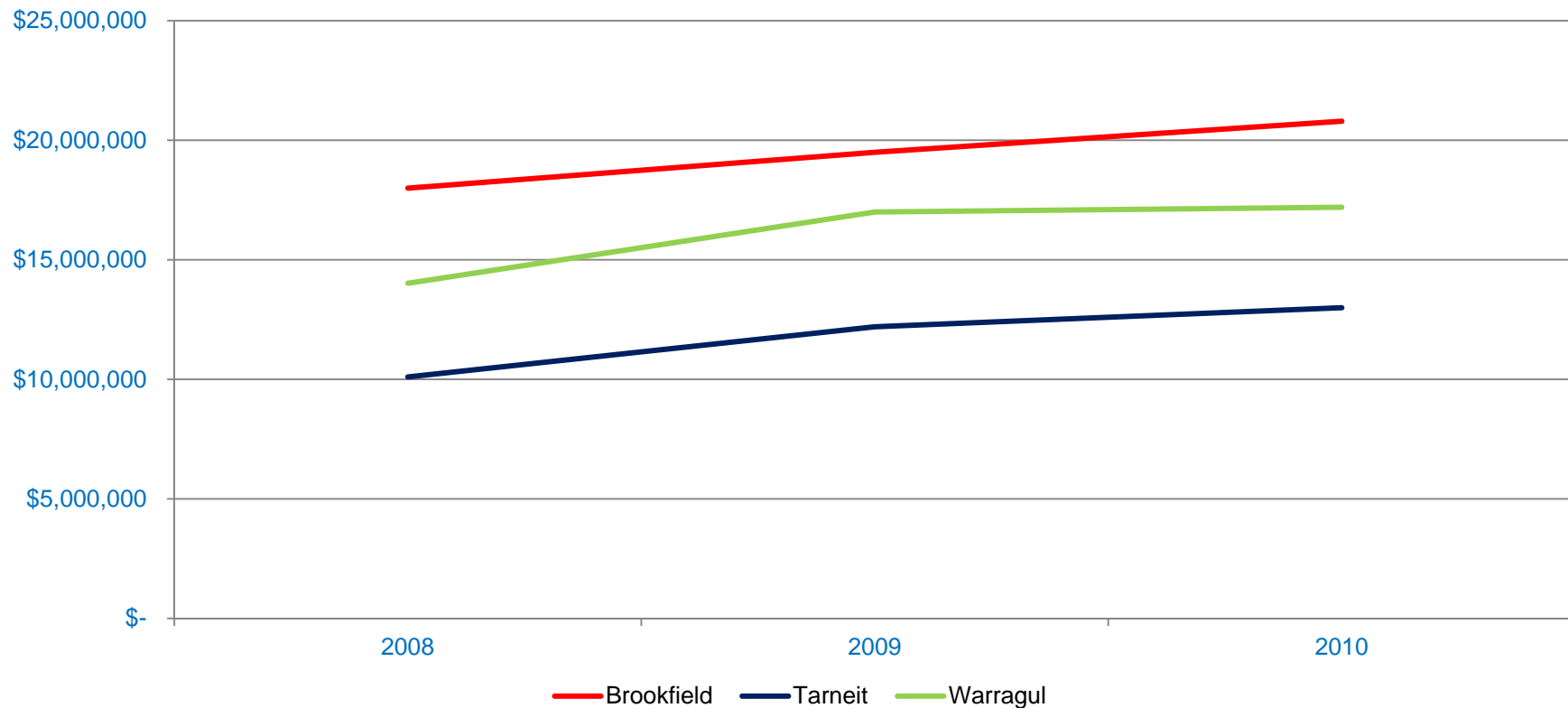
ASSETS						
Communities	Sites	Sites sold and occupied	Sites sold and being developed	Sites sold, occupied and being developed		Sites unsold
<i>Existing communities</i>				#	%	
Melton 	229	197	18	215	94	14
Tarneit 	137	64	25	89	65	48
Warragul 	183	57	22	79	43	104
	549	318	65	383	70	166
<i>Communities yet to commence</i>						
Shepparton 	320	-	-	-	-	320
Cranbourne* 	218	-	24	24	11	194
	538	-	24	24	4	514
Total sites	1087	318	89	407	37	680

*Data correct as at 18 August 2010



Current Status

Current Communities - projected on-completion valuations



The on-completion values represented above are based on external valuation provided by M3 Property Consultants. The most recent valuations for each community were performed in March 2010.



Funding

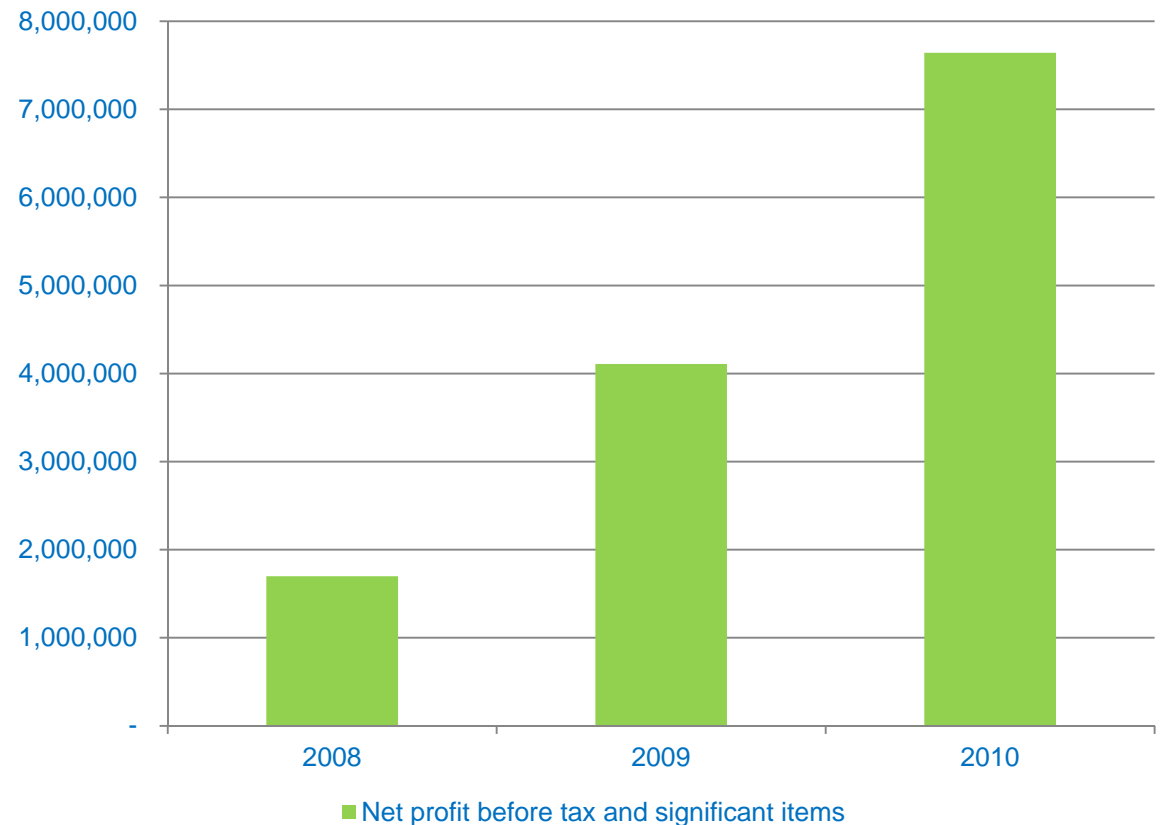
- Westpac facility successfully extended to August 2012
- Fully compliant with all bank covenants
- Bank facility classified as current due to highly technical accounting standards interpretation
- Gearing materially reduced in line with strategic objective
- Options to settle Cranbourne land include bank facilities or short-term mezzanine facility



Outlook

- Debt and equity markets remain tight
- Land availability limited
- Joint ventures is one method to secure land
- Aging population and housing affordability will continue to be the main themes driving the business
- Over 50% of the budgeted sales for the current financial year have been committed
- Forecasting increase in revenue compared to last financial year

Net profit before tax and significant items





Summary

- FY2010 key financial highlights:
 - Net profit before tax \$7.6m (FY2009: \$1.0m)
 - Net tangible assets \$27.5m (FY2009: \$22.1m)
 - Net operating cash flows \$2.3m (FY2009: deficit of \$5.4m)
- Status of existing communities (correct at 18 August 2010):
 - Brookfield: 94% of sites sold
 - Tarneit: 65% of sites sold
 - Warragul: 43% of sites sold
 - Cranbourne: 63% of stage 1 sold (Construction commences September 2010)



Disclaimer

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