

# LONG-TERM DEBT FACILITY

May 2011

*Lifestyle*   
COMMUNITIES





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# 1. Highlights



- Lifestyle Communities has entered into a \$50m long-term debt agreement with a major institutional investor.
- Replaces short-term debt with long-term debt, providing certainty of funding.
- Enables capital to be recycled from near complete communities to commence new communities.
- Provides ability to commence a new community every 12-18 months.
- Forecast long-term growth in the rental and deferred management fees.

## 2. Long-term debt facility

### Loan note details

<b>Investor</b>	A major institutional investor
<b>Amount</b>	\$50m of loan notes (Notes)
<b>Maturity</b>	Redemption in 10 years, no right of conversion to equity. Both parties have the option for early redemption after 5 years
<b>Draw downs</b>	Facility will be progressively drawn
<b>Initial draw down</b>	\$38.5m in May 2011
<b>Security</b>	Melton, Tarneit and Warragul communities
<b>Coupon</b>	Fixed interest rate until maturity; paid quarterly; will be serviced from the long-term annuity income streams from the Melton, Tarneit and Warragul communities

## 2. Long-term debt facility

### Benefits to Lifestyle Communities

- Long-term financing enables Lifestyle Communities to start new projects with a greater level of certainty.
- Objective is to commence a new project every 12-18 months by recycling capital from completed and near completed communities.
- Materially lower cost alternative to equity.



## 2. Long-term debt facility

### Benefits to Lifestyle Communities

- On maturity Lifestyle Communities will fund the redemption from cash and senior debt due to low LVRs. Lifestyle Communities may also issue additional Notes to meet redemption.
- Ability to redeem after 5 years provides Lifestyle Communities with the option to obtain the lowest cost of capital.
- Enables significant growth in the asset base and the long-term annuity income streams.



## 2. Long-term debt facility







### Use of proceeds

- Notes proceeds will be applied to:
  - > discharge the existing debt facilities and transaction costs associated with the Notes issue
  - > commence development of Lifestyle Shepparton and Lifestyle Bayside communities
  - > acquire additional sites for the development of new communities.
- Lifestyle Communities will maintain its existing long-term relationship with Westpac for project funding, including the existing facility in place for the Cranbourne community.



# 2. Long-term debt facility

## Community status

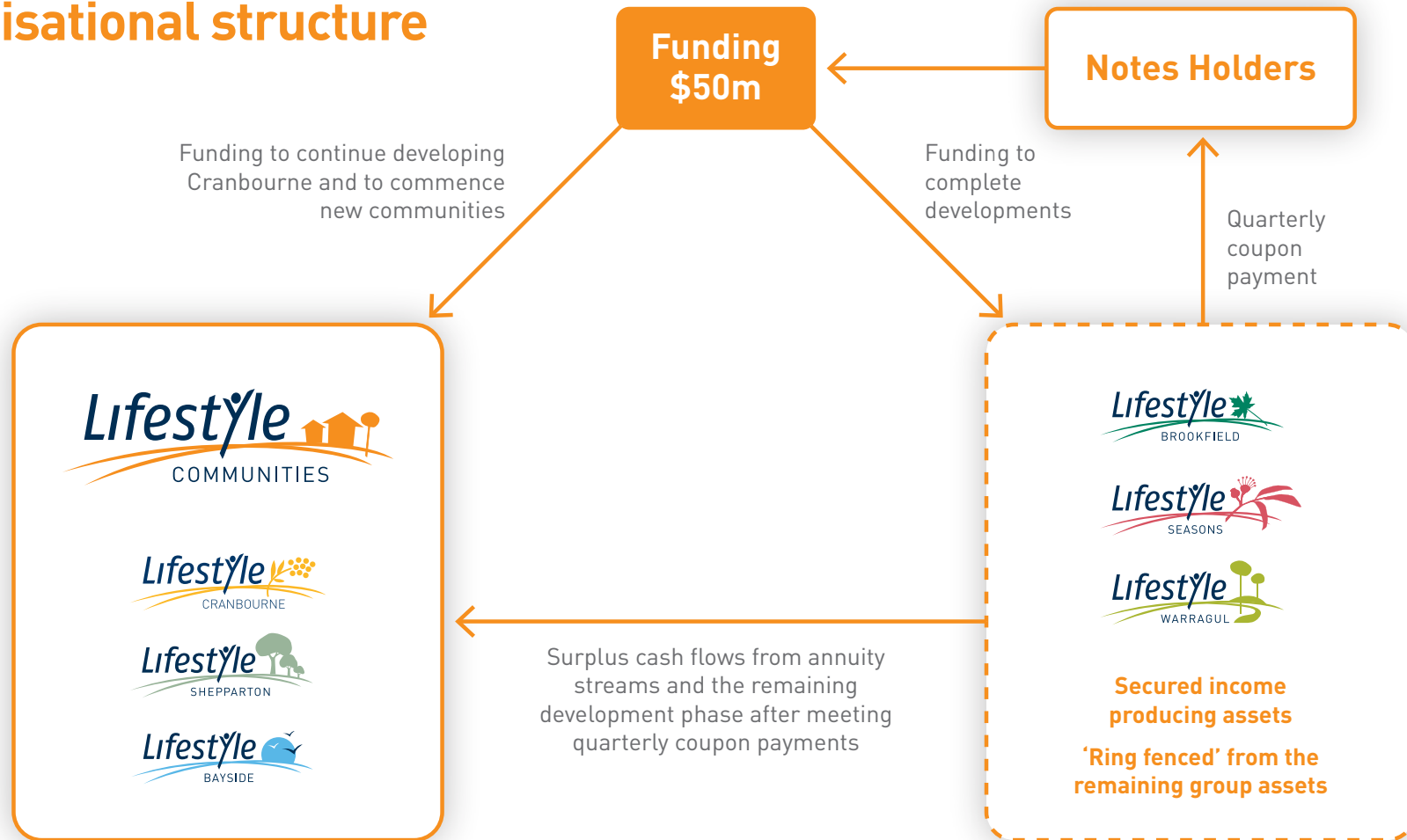
Communities	ASSETS					
	Sites	Sites sold and occupied	Sites sold and being developed	Sites sold, occupied and being developed		Sites unsold
<i>Existing communities</i>				#	%	
<b>Brookfield (Melton)</b> 	228	216	11	227	99	1
<b>Seasons (Tarneit)</b> 	136	94	35	129	95	7
<b>Warragul</b> 	182	76	26	102	56	80
<b>Cranbourne</b> 	218	-	71	71	33	147
	<b>764</b>	<b>386</b>	<b>143</b>	<b>529</b>	<b>69</b>	<b>235</b>
<i>Communities yet to commence</i>						
<b>Shepparton</b> 	320	-	-	-	-	320
<b>Bayside (Chelsea Heights)</b> 	107	-	-	-	-	107
	427	-	-	-	-	427
<b>Total sites</b>	<b>1191</b>	<b>386</b>	<b>143</b>	<b>529</b>	<b>44</b>	<b>662</b>

- Existing communities selling well with Melton (99% sold), Tarneit (94% sold, expected to be sold out by end of FY2011), and Warragul (54% sold, expected to be sold out by FY2013).
- Expect demand in the affordable senior housing market to remain robust.

Data correct as at 29 April 2011

# 2. Long-term debt facility

## Organisational structure



## 2. Long-term debt facility

### Statement of financial position

Pro-forma Statement of Financial Position (extracts)			
	31-Dec-10 (\$'000)	Impact (\$'000)	Pro-forma (\$'000)
Cash and equivalents	417	12,759	13,176
<b>Total assets</b>	<b>65,539</b>	<b>12,759</b>	<b>78,298</b>
<i>Current liabilities</i>			
Interest bearing loans	26,933	(25,703)	1,230
<i>Non-current liabilities</i>			
Interest bearing loans	–	38,462	38,462
<b>Total liabilities</b>	<b>34,900</b>	<b>12,759</b>	<b>47,659</b>
<b>Net assets</b>	<b>30,639</b>	<b>–</b>	<b>30,639</b>

The new financing arrangement ensures all debt is now non-current rather than at call as per our old facility.

# 3. Operational outlook

## Financial performance FY 2011

- The FY2011 result is expected to exceed the result achieved in FY2010.
- Expect slower short-term growth of net profit before tax while funds are employed to grow the asset base and long-term annuity income streams.
- The new funding and additional secured cash flows provide the ability to achieve sustainable growth in the longer term.



# 3. Operational outlook

## Development forecast\*

Community	FY11				FY12				FY13				FY14				FY15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brookfield (Melton)	█	█	█	█	█															
Seasons (Tarneit)	█	█	█	█	█	█	█													
Warragul	█	█	█	█	█	█	█	█	█	█	█	█	█	█						
Cranbourne				█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Shepparton							█	█	█	█	█	█	█	█	█	█	█	█	█	█
Bayside (Chelsea Heights)							█	█	█	█	█	█	█	█	█	█				
New Greenfield Project 1											█	█	█	█	█	█	█	█	█	█
New Greenfield Project 2															█	█	█	█	█	█
New Greenfield Project 3																			█	█

\* Based on estimate of commencing a new development every 12 months. This is subject to successful land acquisition, planning and development approvals.

\* The above timescale reflects current forecasts of the settlement period relating to the developments.

# 4. Summary

## The new funding facility:

- Swaps short-term debt with long-term debt providing certainty of funding.
- Facilitates the recycling of capital from maturing developments into new projects.
- Accelerates the growth in the number of units under management.
- Accelerates the growth in the group's annual annuity income from site rental and deferred management fees.



# 5. Disclaimer

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