



August 2009

# Overview

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- Lifestyle Warragul Case Study
- Market Opportunity
- Portfolio Status
- Financials
- Operational Outlook
- Management
- Capital Management
- Summary

# Business Strategy....

- To develop and operate villages that provide affordable accommodation for people over the age of 55.
- Create secure, long term annuity income streams for shareholders from village operations.
- Maintain an appropriate balance between business growth and gearing
- Generate sufficient profits to have the capacity to pay shareholder distributions within 3 years.\*

\* Subject to banking covenants that may be in place at the time

# Business Strategy ...

- Price homes to enable recovery of all cash costs of the development including:
  - Land
  - Village infrastructure
  - House construction
  - Indirect costs including administration and interest
- Lifestyle Communities retains land ownership and leases sites to residents

# Warragul Case Study...

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>Outcome</b>	<i>Site acquisition and planning</i> <i>Land cost \$2.2m</i>						
<b>Outcome</b>			<i>Infrastructure, construction and sale of units</i>				
			<i>All infrastructure and construction costs recovered</i> <i>Cash development profit of \$1.4 to \$2m</i>				
<b>Outcome</b>				<i>Operations and village management</i>			
				<i>Annual cash earnings of \$2.0m per annum</i> <i>On completion valuation of approximately \$17.0m</i>			

# Warragul Case Study...

## Valuation

Description and Key Assumptions	2008	2009
Average selling price	\$209,361	\$215,925
Rate of sale (units per month)	4.5	3.0
Capitalisation rate of rental income	8.25%	9.0%
Weekly Site Rental	\$124.55	\$135.04
Costs as a % of rental income	33%	28%
On completion value	\$14.0m	\$17.0m

# Market Opportunity



# Market Opportunity ...

## Key Market Drivers

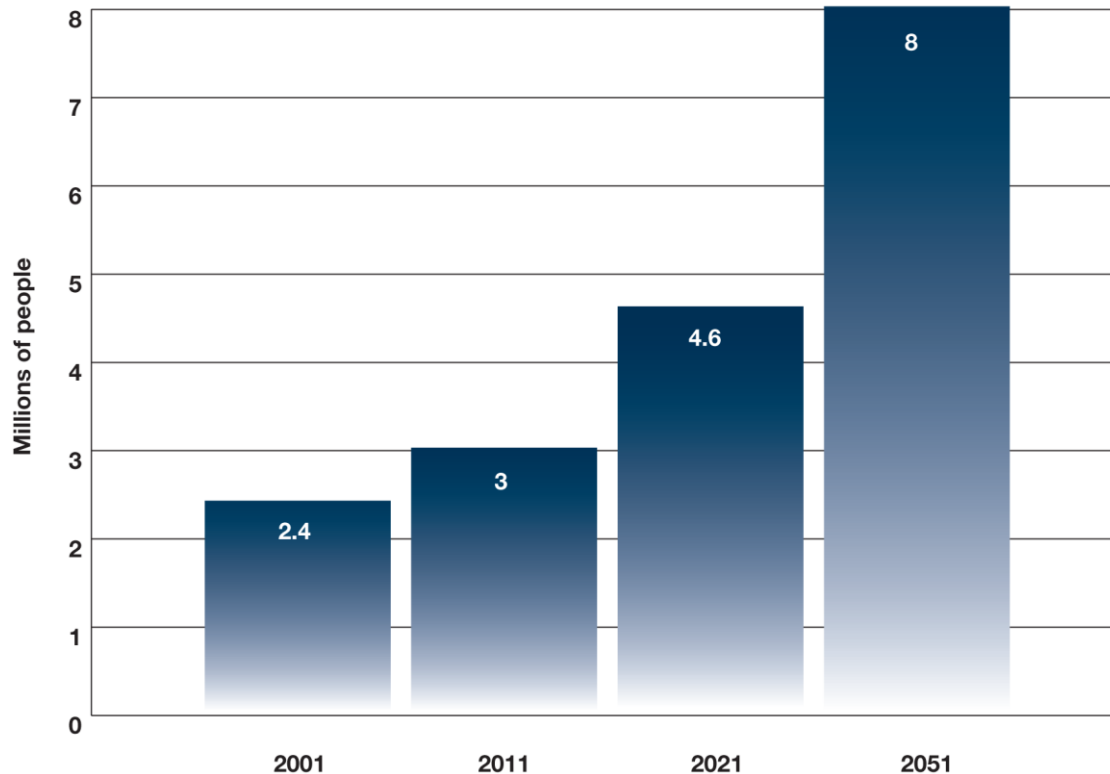
1. ***Changing demographics*** – The number of people over the age of 65 will double by 2021 and then double again by 2051.\*
2. ***Changing sociographics*** - 50% of people over the age of 65 have less than \$300,000 in equity.\*\*
3. ***Changing perceptions*** – Current penetration rate is 4% of people over the age of 65 wanting to live in a village compared to the United States and the UK where it is closer to 12%.

\* ABS projected population growth for those aged 65 +

\*\* Melbourne Institute Working Paper No. 12/04 July 2004

# Population growth 65+

*Australian population 65+*



ABS projected population growth for those aged 65 +

- 2.6M at June 2004, projected 4.6M in 2021
- 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

# Not everybody is “wealthy” ...

- 50% of people over the age of 65 have less than \$300,000 in equity \*\*
- 66% of all retirees are seeking housing under \$250,000
- The majority of the population over 65 cannot afford traditional retirement accommodation
- Affordable over 55's housing is outperforming traditional retirement solutions due to current economic conditions

\*\* The Structure and Distribution of Household Wealth in Australia, Melbourne Institute Working Paper No. 12/04 July 2004

# Portfolio Status



# Portfolio Status

Villages		Estimated On Completion Value	Current status	Sites available for development
<b>Brookfield</b>		\$19.2M	85% sold	230
<b>Warragul</b>		\$17M	25% Sold	180
<b>Tarneit</b>		\$12.2M	30% Sold	140
<b>Yet to Commence</b>				
<b>Shepparton</b>		\$28.2M	Dev. Approval	320
<b>Cranbourne *</b>		\$21.1M	Planning	250
<b>TOTAL SITES</b>				<b>1,120</b>

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

# Financials



# Financials

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

# Financials ...

## Highlights

- Second half NPAT of \$3.1M
- Net debt reduced from a peak of over \$36M in Dec 2008 to \$22.7M at 30th June 2009
- Second half unit settlements income of \$8.3m compared with \$4.7 for the first half
- Full year site rental income of \$1,196k compared with \$762k for the previous financial year
- Forecast NPBT range for the FY2009/10 of between \$5.8m and \$7.4m

# Financials ...

## Profit and Loss Summary

Item	Description	FY2009		2nd Half	FY2010 Range	
		Annual	2nd Half	Annualised	Low	High
<b>REVENUE</b>						
<i>Home Sales</i>	Settlement of new homes (excluding land)	\$ 13,016	\$ 8,346	\$ 16,692	\$ 16,276	\$ 19,531
<i>Rental Income</i>	Site fee income from 90 year lease with residents	\$ 1,196	\$ 662	\$ 1,324	\$ 1,604	\$ 1,808
<i>Deferred Management Fee</i>	Resale of homes attract a 15% fee of the gross sale price: this represents a partial accrual of the fees to be received in the future	\$ 609	\$ 256	\$ 512	\$ 740	\$ 888
<i>Other Income</i>	This represents an increase in the fair value of a unit site once it is occupied and is the net present value of the fees to be received in the future	\$ 3,003	\$ 3,002	\$ 6,004	\$ 4,770	\$ 5,724
<i>Finance Revenue</i>		\$ 22	\$ 13	\$ 26	\$ 28	\$ 33
<b>Total</b>		<b>\$ 17,846</b>	<b>\$ 12,279</b>	<b>\$ 24,558</b>	<b>\$ 23,418</b>	<b>\$ 27,985</b>

# Financials ...

## Profit and Loss Summary

Item	Description	FY2009		2nd Half		FY2010 Range		
		Annual	2nd Half	Annualised	Low	High		
<b>COSTS</b>								
<b>Cost Of Sales</b>	This is the costs associated with the development of the villages, including village infrastructure, facilities and soft costs allocated on a standard cost basis to each unit sold.	\$ 9,133	\$ 6,364	\$ 12,728	\$ 13,067	\$ 15,681		
<b>Development Expenses</b>		\$ 999	\$ 426	\$ 852	\$ 908	\$ 1,089		
<b>Village Management</b>	This is the costs associated with the operational management of the villages, which is forecast to be less than 30% of the rental income on a full occupied village.	\$ 640	\$ 411	\$ 822	\$ 932	\$ 1,118		
<b>Corporate Overheads</b>	These are corporate costs including administration staff, compliance costs and other costs not directly allocated to a village.	\$ 2,578	\$ 1,516	\$ 2,578	\$ 2,528	\$ 2,528		
<b>Finance Costs</b>	Finance costs that are not directly allocated to a village	\$ 387	\$ 208	\$ 416	\$ 130	\$ 156		
<b>Total</b>		<b>\$ 13,737</b>	<b>\$ 8,925</b>	<b>\$ 17,396</b>	<b>\$ 17,564</b>	<b>\$ 20,571</b>		
<b>Net Profit Before Tax And Significant Items</b>		<b>\$ 4,109</b>	<b>\$ 3,354</b>	<b>\$ 7,162</b>	<b>\$ 5,854</b>	<b>\$ 7,413</b>		

# Financials...

## Balance Sheet 30th June 2009

<i>Item</i>	<i>Description</i>	<i>FY2009</i>
<b>Current Assets</b>		
<i>Cash</i>	Cash on hand	\$ 2,076
<i>Receivables</i>		\$ 309
<i>Inventories</i>	Includes village infrastructure and houses that have been constructed but not yet sold. Released progressively as each unit is sold	\$ 17,118
<i>Other Current</i>		\$ 68
<b>Total Current Assets</b>		\$ 19,571
<b>Non-Current Assets</b>		
<i>Deferred Management Fees</i>	This represents a partial accrual of the deferred management fees to be received in the future	\$ 1,379
<i>Property and Equipment</i>	Includes land at cost that has been purchased but not yet ready for occupation and village equipment	\$ 5,640
<i>Investment Properties</i>	Includes land at fair value that has been developed and is occupied by residents	\$ 22,886
<i>Deferred Tax Asset</i>		\$ -
<b>Total Non-Current Assets</b>		\$ 29,905
<b>TOTAL ASSETS</b>		\$ 49,476

# Financials...

## Balance Sheet 30th June 2009

<i>Item</i>	<i>Description</i>	<i>FY2009</i>
<b>Current Liabilities</b>		
<i>Payables</i>		\$ 2,216
<i>Loans</i>		\$ 113
<i>Provisions</i>		\$ 235
<i>Tax Payable</i>		\$ -
<b>Total Current Liabilities</b>		\$ 2,564
<b>Non-Current Liabilities</b>		
<i>Loans and Borrowings</i>	Westpac debt	\$ 24,526
<i>Provisions</i>		\$ 90
<i>Deferred Tax Liability</i>		\$ 160
<b>Total Non-Current Liabilities</b>		\$ 24,776
<b>Total Liabilities</b>		\$ 27,340
<b>TOTAL NET ASSETS</b>		\$ 22,136

# Financials...

*Summary Operating Cash Flow  
For the year ended 30 June 2009*

		<i>FY 09 Full Year A\$</i>
<i>Operating profit/(loss) after income tax</i>	\$	<i>705,406</i>
<i>Add back loss on sale of land</i>	\$	<i>2,998,724</i>
<hr/>		
<i>Operating profit/(loss) after income tax adjusted for loss on sale of land</i>	\$	<i>3,704,130</i>
<i>Non-cash items</i>		
<i>Depreciation</i>	\$	<i>145,175</i>
<i>Amortisation</i>	\$	<i>112,882</i>
<i>Tax</i>	\$	<i>326,988</i>
<i>Share option expense</i>	\$	<i>136,885</i>
<i>Interest on hire purchase</i>	\$	<i>4,124</i>
<i>Fair Value Adjustment</i>	-\$	<i>2,990,000</i>
<i>Deferred revenue</i>	-\$	<i>522,239</i>
<i>Total non-cash items</i>	-\$	<i>2,786,185</i>
<i>Operating cash flow after income tax adjusted for loss on sale of land</i>	\$	<i>917,945</i>

# Operational Outlook



# Operational Outlook .....

- Demand for affordable retirement solutions remains strong with sales currently outperforming traditional retirement villages
- Three villages now generating development and operational revenue
- Targeting ongoing new home sales rate of approximately 100 units per annum.
- Currently holding 58 deposits across the 3 villages.
- Strategy is to commence a new project every 12 to 18 months
- Annuity income streams building at the rate of approximately \$1m per annum
- DMF increasing from 15% to a maximum of 20% on new contracts from the 1<sup>st</sup> July 09 with no qualifying period

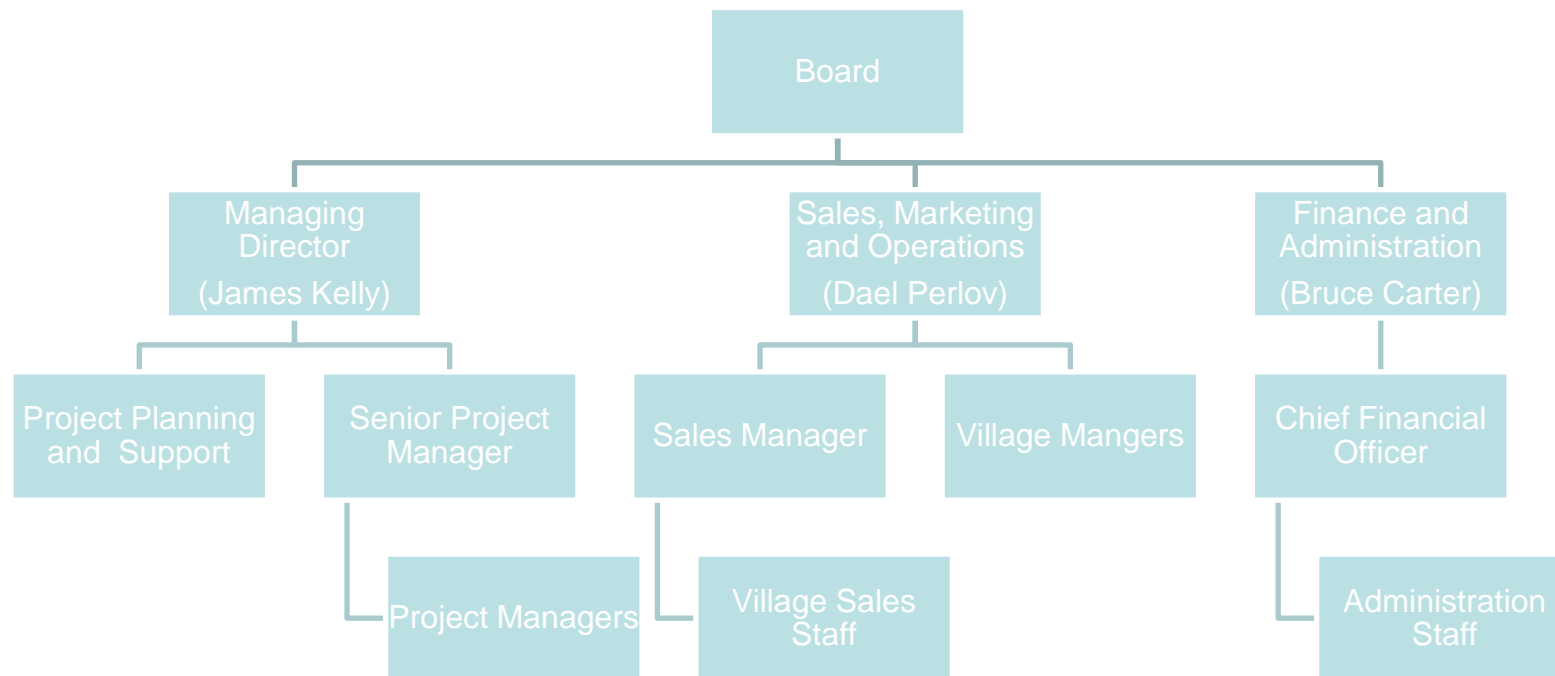
# Operational Outlook .....

## Unit settlement forecast \*

Village	FY10				FY11				FY12				FY13			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Brookfield	[Redacted]								[Redacted]							
Tarneit	[Redacted]								[Redacted]							
Warragul	[Redacted]								[Redacted]							
Cranbourne	[Redacted]								[Redacted]							
Shepparton	[Redacted]								[Redacted]							
<b>Total Settlements</b>	27	27	27	27	27	27	23	24	24	24	24	24	24	29	24	24
<b>Cumulative Units Under Management</b>	213	240	267	294	321	348	371	395	419	443	467	491	515	544	568	592

\* Based on current estimate of selling approximately 100 homes per annum and subject to planning and development approvals

# Management



# Management...

- **David Paranthoene, Chairman**

- David was co founder of the Australian Stock Exchange listed telecommunications company Pracom Limited, spending 14 years in senior leadership roles including that of Managing Director. He brings to Lifestyle Communities Limited extensive experience in business operations within services enterprises.

- **James Kelly, Managing Director**

- A founding member of Lifestyle Communities, James has in excess of 26 years experience in property development and construction. From 1999 to 2002 James was CEO of The Dennis Family Corporation.

- **Dael Perlov, Executive Director**

- A founding member of Lifestyle Communities Limited, prior to establishing Lifestyle Communities Limited, Dael was the Chief Executive Officer of Kusp Limited, an Australian Stock Exchange listed company. With more than 19 years sales and marketing experience, Dael also has a strong background in business innovation.

- **Bruce Carter, Executive Director**

- A founding member of Lifestyle Communities Limited, Bruce has more than 21 years experience in financial and business management. He was the co-founder of Australian Stock Exchange listed telecommunications services company Pracom Limited, serving as Joint Managing Director from 1988 to 2002.

- **Tim Poole, Non-Executive Director**

- Appointed on 22 November 2007, Tim is Chairman of Asciano Group, Non-Executive Director of Newcrest Mining Limited and a Director of Victorian Racing Club. He is also a member of the Investment Committee of the industry superannuation fund AustralianSuper and a member of the LEK Consulting Advisory Board. Formerly, he was the Managing Director of Hastings Funds Management.

# Capital Management...

## Debt

Description	
Total borrowings	\$24m
Facility Limit	\$30m
Gross Assets	\$49.4m
Debt to gross asset ratio	48%
Target debt to gross asset ratio	35%
Current debt facility expiry date	Aug 2010

# Capital Management...

## Equity

<b>Total Shares on Issue</b>	<b>462 million</b>
Total Shareholders	2,818
No. Shareholders that represent 95%	142
Percentage of shares held by top 40	90.7%
Percentage of shares held by directors	70%
Market capitalisation	\$27.7m *

\* Based on closing price of 6c per share on 17<sup>th</sup> Aug 2009

# Summary

- **Market opportunity**
  - Strong growth with the ageing population in Australia
  - Affordability is key driver for housing demand in the future
  - The majority of retirees don't have \$300k+ to spend on housing
  - Current economic conditions has increased interest in affordable housing alternatives
- **Lifestyle Communities**
  - Services the affordable, age qualified housing market
  - Three villages under construction with one site ready to commence and another in planning
  - Sustainable, long-term annuity income stream
  - Business performing well with robust and proven business and financial model

