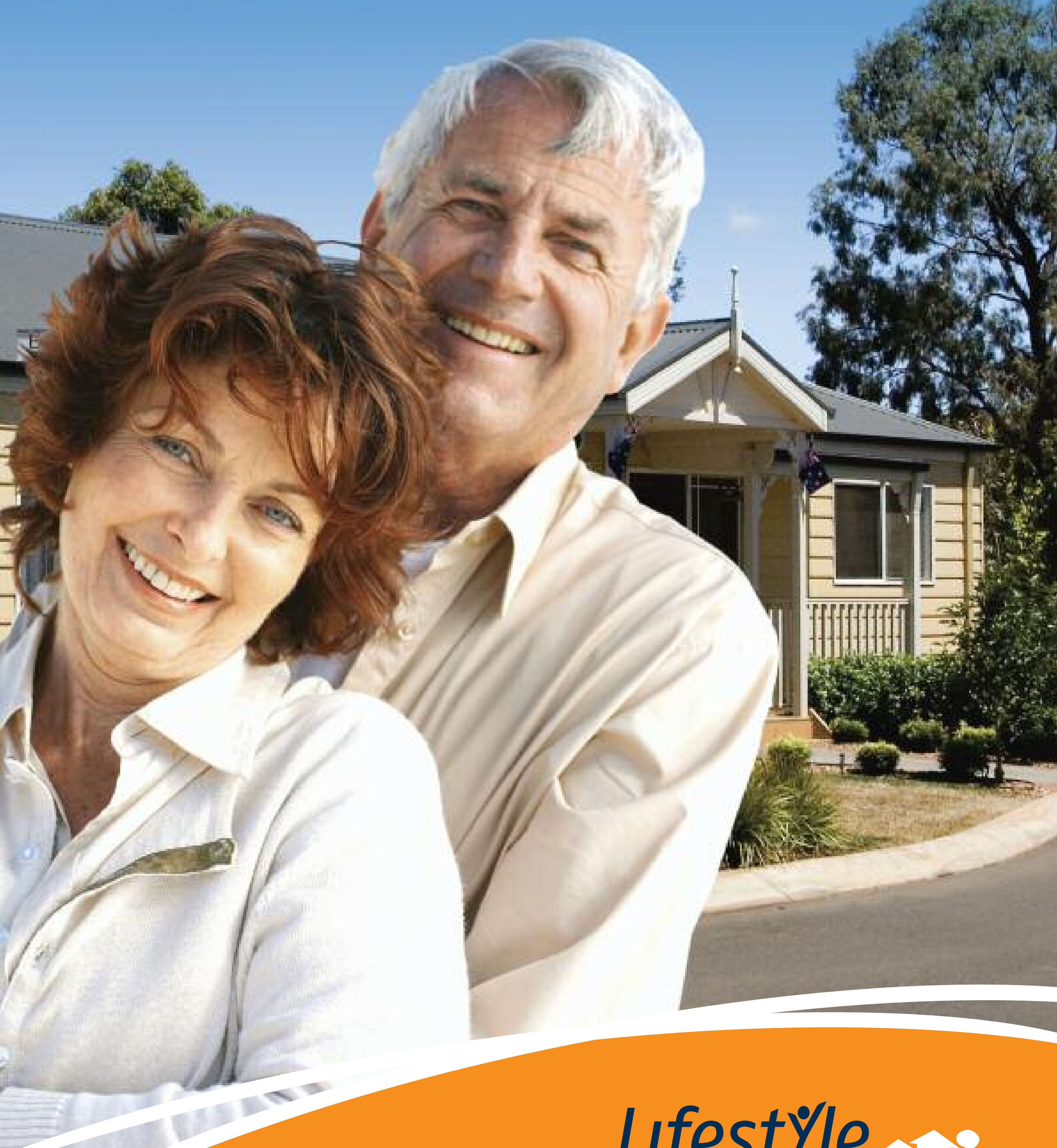
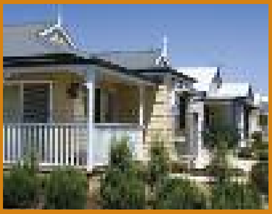
2007 | Annual Report



Lifestyle
COMMUNITIES



Contents

Lifestyle Communities Limited
ABN 11 078 675 153

Lifestyle Communities Limited
Annual General Meeting

Notice is hereby given of the Annual General Meeting of the company to be held at St. Michaels Centre, 120 Collins Street, Melbourne (behind St Michaels Church) on Wednesday 28 November 2007 at 10:30am.

Chairman's report
for 2006/07 financial year

Brendan Redden, Chairman

Dear Shareholder,

On behalf of Lifestyle Communities Limited, it gives me great pleasure to present the 2007 Annual Report. The past twelve months has involved remarkable change for the Company culminating in the current operations and business structure. We now have a vibrant business generating tangible products and services in a market with increasing demand.

The need for affordable independent living for people over 55 is becoming more important in many municipalities, especially in light of increases in the price of land, rising building costs and the resultant increase in the cost of housing. Lifestyle Communities is focused on creating growth in shareholder value through land development, home sales and site operations of affordable independent living communities for the over-55 age bracket.

Our strategy is to provide outstanding resort facilities with stylish new homes in a fully landscaped environment, offering balance between privacy and independence, whilst encouraging a vibrant and rewarding community in which to live, all at affordable prices when compared to surrounding suburbs.

I take this opportunity to thank recently retired Non-Executive Director, Ms Eileen Tay for her contribution to the Company since her appointment in October 2005.

I would also like to express my deep appreciation to Mr David Paranthoiene who recently stepped down from the Managing Director's position to resume a Non-Executive Role on the Board. I believe it is David's tenacity and professionalism over recent years that has enabled the Company to find itself in such a positive position today and for the future.

Mr James Kelly, now Managing Director of the Company, and Mr Dael Perlov, Director of Operations, joined the Board in May 2007 bringing vast knowledge of the industry and intimate knowledge of the Lifestyle Communities business. A warm welcome is extended to both gentlemen.

The next twelve months promises even more activity with the initiation of several key projects across Victoria. Lifestyle Communities has an exciting year ahead and the Directors are of the opinion that the Company's net profit after tax for this current financial year ending 30 June 2008 will be materially greater than the result reported for the financial year ended 30 June 2007. The delivery of these projects and continued identification of further growth opportunities remains the focus of your Directors.

I look forward to your continued support of the Company.

Yours sincerely,

Brendan Redden
Chairman
September 2007

Introduction from the **Managing Director**

James Kelly, Managing Director

Dear Shareholder,

Lifestyle Communities is focused on creating, owning and managing affordable independent living communities for persons aged 55 and above.

Lifestyle Communities undertakes three main business activities:

- Sourcing land for the villages
- Selling homes in our master planned villages (but not the land they occupy)
- Ongoing ownership and management of the villages

The Company creates integrated communities featuring quality new homes, leisure facilities and entertainment facilities at an affordable price for our customers. The key differentiator of the Company is a focus on long-term contracted recurring incomes rather than heightened development margins. This enables the company to reduce the price of our homes thereby making it more attractive to the customer looking at this type of accommodation.

The Company now has five projects located in Victoria which are at various stages of planning and development. The Company's most advanced project is Brookfield Village which is located in Melton.

Brookfield Village is permitted for 229 homes with community facilities and there are already 127 homes sold with 114 occupied.

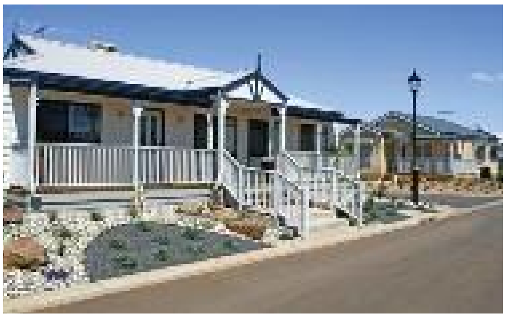
Brookfield Village continued to deliver desired outcomes throughout the year in terms of build-out and sales rates. This success of our unique business model has underpinned the Company's ability to secure a $30 million prime debt facility with Westpac Bank which will both support completion of Brookfield Village and provide funds for additional projects.

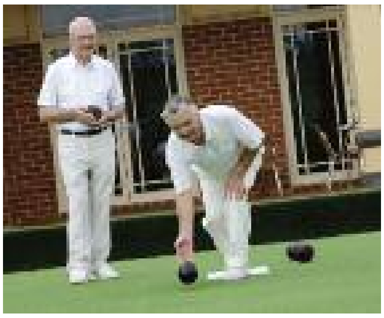
Four additional sites have been secured across Victoria bringing the Company's development pipeline to over 1,200 home sites. We are now working with relevant authorities to ensure development and planning approval requirements are satisfied, with positive results being experienced to date.

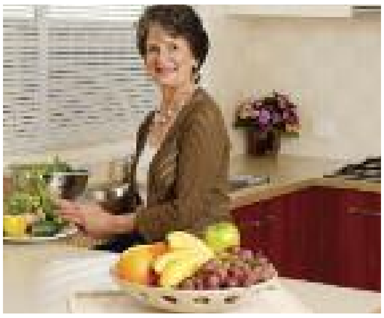
Introduction from the Managing Director (continued)

Lifestyle Village Locations

Site Location	Village Name	Current status	Sites
Melton	Lifestyle BROOKFIELD	55% sold	229
Warragul	Lifestyle WARRAGUL	Engineering design	190
Shepparton	Lifestyle SHEPPARTON	Engineering design	320
Tarneit	Lifestyle SEASONS	Engineering design	137
Cranbourne	Lifestyle LYNBROOK	Pre – Planning	400
TOTAL SITES			**1,276**







At the same time we are focused on building the capabilities of the Lifestyle Communities team to ensure that we have the appropriate personnel to deliver the projects with in the current pipeline.

Growth strategies include continued exploration of suitable project sites along with identification of appropriate expansion opportunities via acquisition, particularly focused on annuity income streams.

Due to Accounting Standards treatment of the merger during the year, the financial status of the Company is based on the operational business throughout the 2007 year. Highlights include:

- Revenues: $9.2m
- Net Profit After Tax (inclusive of revaluations): $7.3m and
- Net Assets at the end of the period: $18.9m

Full details are provided in the financial accounts section of this report.

An eventful 2007 year could be summarised as follows:

- Successful integration of the operational business into the listed entity;
- Secured $30 million debt facility with Westpac;
- Secured sites in Warragul, Shepparton and Tarneit;
- Continued solid performance of the Brookfield project;
- Delivered a positive financial result for shareholders.

The year ahead promises to be even more exciting as we continue to roll-out the business plan. I look forward to keeping you informed as to our progress throughout the year.

James Kelly
Managing Director
September 2007

Directors Report

Your directors submit their report for the financial year ended 30 June 2007.

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 this entire period unless otherwise stated.

Brendan Redden
Chairman

Brendan was appointed Chairman of Lifestyle Communities in 2007, continuing a long and distinguished career in public and private enterprise. From 1999 to 2001 he was Chairman of Lifestyle Communities Limited, rejoining the board in March 2004. Brendan brings to Lifestyle Communities more than 35 years' experience in mergers and acquisitions, and corporate finance advice in Australia and the UK. He is a member of the Australian Society of Accountants and a Certified Practising Accountant. He holds non-executive positions in several public and private companies.

Dael Perlov
Executive Director – Operations

A founding member of Lifestyle Communities, Dael was appointed as Executive Director, Operations in 2007. Prior to establishing Lifestyle Communities, Dael was the Chief Executive Officer of Kusp Limited, an Australian stock exchange-listed IT company. Dael joined Kusp after being Marketing Director of Total Tel International, a vertically integrated global telecommunications systems engineering and marketing company, focused on pre-paid solutions for carriers and service providers. With more than 18 years sales and marketing experience, Dael has a strong background in business innovation, including introducing pre-paid telephone cards and pre-paid mobile phones to Australia in the 1990s. 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. Dael also brings experience and knowledge in operational management, sales and marketing to complement the team at Lifestyle Communities.

James Kelly
Managing Director

A founding member of Lifestyle Communities, James was appointed Managing Director in 2007. With over 25 years experience in property development and construction, James brings to Lifestyle Communities a wealth of knowledge and experience in the property industry.

Prior to establishing Lifestyle Communities, James held several senior management roles in property and related sectors. From 1999 to 2002 James was CEO of The Dennis Family Corporation, taking the business from a turnover of $120M to over $300M with the housing group becoming the largest home builder in Victoria.

In 1993, James joined the Coles Myer Group and was General Manager of the property area for the Myer Grace Bros Group before taking over as a Business Manager for one of the retail business groups within the department store business. Prior to this he held positions with Lend Lease and Costain Australia Limited.

David Paranthoiene
Non-Executive Director

Formerly Managing Director of Lifestyle Communities Limited, David became a non-executive director of Lifestyle Communities in 2007. David was a founding principal 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 extensive experience in business operations within services enterprises.

Bruce Carter
Executive Director – Finance

A founding member of Lifestyle Communities, Bruce has more than 20 years' experience in financial and business management. He was the co-founder of Australian stock exchange-listed telecommunications company Pracom, serving as Joint Managing Director from 1988 to 2002. Prior to establishing Pracom, Bruce was a consultant with Anderson Consulting (now Accenture) and spent six years in IT-related consulting and development roles. Bruce brings to Lifestyle Communities extensive knowledge and experience of building and operating complex Australian stock exchange-listed companies.

Eileen Tay
Non-Executive Director

Appointed 24 October 2005 –
Resigned 30 June 2007

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 Practicing Accountants. Ray has not held any directorships in any other listed entities during the past 3 years.

Ray is a contractor of the company in his role as a professional Company Secretary and was appointed in September 2004.

Key Management

Jenny Romeo
Chief Financial Officer

Jenny joined Lifestyle Communities in 2007 bringing both practical and technical skills gained by 20 years' financial management experience within a broad range of company structures. With a keen interest in systems development and implementation, Jenny will ensure the Company's financial management and reporting environment keeps pace with the evolution and expansion of operations. Jenny holds a Bachelor of Economics (Monash) and is a member of the Institute of Chartered Accountants.

Michael Imbesi
Development Manager

Michael joined Lifestyle Communities in March 2005 to take on the role as Development Manager for the group's projects. Michael has over 10 years experience in the building industry, having worked predominantly for design and construct building companies involved with the design and construction of individual architectural homes, multi-unit developments and renovations and extensions.

Michael has a Diploma of Building Design and Drafting and a Diploma of Building and brings with him a professional approach to managing the group's projects.

Catherine Lee
Operations Manager

Catherine joined Lifestyle Communities in August 2006 to take up the role as Operations Manager for the group's villages. Catherine was a Director for 12 years of a large Holiday Park on the east coast of England before emigrating to Australia in January 2006. As well as being involved in the day to day running of the business and managing home sales, Catherine held the position of Secretary to the Chairman of the East Anglian Branch of the British Holiday and Home Parks Association.

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:

	Fully Paid Ordinary Shares	Options over Ordinary Shares
CarPar Investments Pty Ltd [1]	7,000,000	Nil
B.S. Carter Superannuation Pty Ltd	1,264,625	1,500,000[8]
Paranthoiene Superannuation Pty Ltd	1,264,625	1,500,000[8]
Mandala Investments Pty Ltd [2]	25,000	1,500,000[8]
Eileen Tay (resigned as a director 30th June 2007)	Nil	1,500,000[8]
Daken Investments Pty Ltd [3]	72,500,000	Nil
B.S. Carter Investments Pty Ltd [4]	72,500,000	Nil
MasonKelly Pty Ltd [5]	72,500,000	Nil
Lifestyle Brookfield Pty Ltd[9]	1,941,250	Nil
Newheart Pty Ltd [6]	134,160	Nil
D.P. Telecommunications Pty Ltd [7]	78,750	Nil
D. Perlov	37,325	Nil

(1) CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and the B.S. Carter Family Trust.
(2) Mandala Investments Pty Ltd is a company associated with B Redden.
(3) Daken Investments Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust
(4) B.S. Carter Investments Pty Ltd is beneficially owned by Mr Carter and held directly through the B.S. Carter Family Trust
(5) MasonKelly Pty Ltd is beneficially owned by Mr Kelly and held directly through the Eliza G Family Trust
(6) Newheart Pty Ltd is beneficially owned by Mr Perlov and held through the Perlov Family Trust
(7) DP Telecommunications Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust
(8) 6,000,000 options were issued and after the share consolidation at 4:1 approved at the EGM on 22 May 2007, the Options were also consolidated at a ratio of 4:1
(9) Lifestyle Brookfield Pty Ltd is beneficially owned by entities associated with Messrs Perlov, Carter and Kelly.

Dividends

For the year ended 30 June 2007 no dividend is payable. Directors have elected to retain cash in the business to ensure sufficient working capital and maintain reasonable levels of debt.

Principal Activities

The principal activities of the business have materially changed during the financial year ended 30 June 2007.

Following the acquisition of the Lifestyle Communities Group of Companies, the principle activities of the business include creating and managing master planned residential villages for active, independent people aged 55 and over.

Prior to the acquisition there were no principal activities of the business.

Operating & Financial Review

Significant Operating Results

- Revenues: $9.2m
- Net Profit After Tax (inclusive of revaluations): $7.3m and
- Net Assets at the end of the period: $18.9m

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

Outlook – Future Activities

The Directors believe that strong growth in the sector is forecast as the population continues to age and the need to provide high quality affordable living solutions is brought more sharply into focus. This year's strong profit performance further reinforces the benefits of our lifestyle options for people over 55 years of age.

The Directors focus over the next 12 months is to begin the process of building and selling at multiple sites at the same time with a focus on development profit and operation profit maximisation as well as ensuring we always look after our customers – the residents of the villages we create.

The Board will keep shareholders fully informed when there are details to disclose and where required, shareholder approval will be sought and ASX Listing Rules will be met in the process of continuing as an Australian publicly listed company.

In statements made earlier this year, the Company indicated an objective to be developing and selling approximately 2,500 homes by 2013. Already the Company has secured land that will enable the development of five villages encompassing 1276 homes.

Risk Management

The Board recognises its responsibility for ensuring there are adequate policies and processes to provide sound risk management. An internal process of identifying risks and subsequently tracking and minimising those risks has been in operation during the year.

The risk profile of the company has changed following the purchase of the Lifestyle Group and the Board is taking a proactive approach to risk management. The Board is responsible for ensuring that risks as well as opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of strategic planning, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- The establishment of committees to report on specific business risks where appropriate, including for example, such matters as environmental issues and concerns; occupational health and safety.

Operating & Financial Review (continued)

Significant Changes in the State of Affairs

During the year ended 30 June 2007, there have been a number of significant changes including:

- The acquisition of Lifestyle Communities
- Details of this transaction were previously provided to and approved by Shareholders
- Results for the year ended 30 June 2007 of $7.47m reflect the reverse consolidation
- The future direction of the Company will continue to focus on creating growth in shareholder value through land development, home sales and site operations of affordable independent living communities for the over-55 age bracket
- Share issues during the year were as follows: (after the share consolidation at 4:1 approved at the EGM 22 May 2007)

1 July 2006

22 May 2007	Daken Investments Pty Ltd	73,147,084
22 May 2007	B.S Carter Investments Pty Ltd	73,147,084
22 May 2007	MasonKelly Pty Ltd	73,147,084

Significant Events after the Balance Date

There were no Significant Events after Balance Date as at the date of this report.

Likely Developments and Expected Results

Directors will continue to focus on opportunities to build shareholder value. Lifestyle Communities has an exciting and demanding year ahead and Directors are of the opinion that Lifestyle Communities Limited's net profit after tax for this current financial year ending 30 June 2008 will be materially greater than the result reported for the financial year ended 30 June 2007. The delivery of projects and continued identification of further growth opportunities remains the focus of your Directors.

The Board will keep shareholders fully informed when there are details to disclose and where required, shareholder approval will be sought and ASX Listing Rules will be met in the process of continuing as an Australian publicly listed company.

Environmental Regulation and Performance

The Company's Warragul development has required Federal Government Department of Sustainability and Environment (DSE) approval to proceed to ensure the habitat of the Gippsland Giant Earthworm (GGE) is not significantly disrupted. This approval has been granted. The consolidated entity is not required to hold any other Environmental Protection Authority licenses or receive any other approvals.

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.

The Company did not indemnify or otherwise insure any Director or Officer other than as indicated above.

Remuneration Report

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

Since the consolidation of the Lifestyle Group the Company has retained key senior executive roles being the three principals of Lifestyle Communities (James Kelly, Dael Perlov and Bruce Carter) and appointed a Chief Financial Officer (Jenny Romeo).

The Company has established a Remuneration Committee and utilises the remuneration philosophy and policies listed below. At present, no amount of Director Remuneration is contingent upon the Company's performance.

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 Directors of Lifestyle Communities Limited is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board of Directors 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 including cash and fringe benefits. 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 Manager remuneration is separate and distinct.

(i) Non-Executive Director remuneration

Objective

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

Structure

The 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 1998 when shareholders approved an aggregate remuneration of $500,000 per year. This amount has been reviewed and a resolution to increase the amount to $1m will be put before shareholders at the next AGM. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each Director normally receives a fee for being a director of the company. The remuneration of non-executive directors for the period ending 30th June 2007 is detailed in the Remuneration Table in this Report.

(ii) Senior Manager and Executive Director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as 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.

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

All Executives

All Executives are employed under a 3 year contract. The current employment contracts commenced on 22 May 2007.

Under the terms of the present contract executives may resign from their positions and thus terminate there contracts by giving 3 months written notice to the Company.

The Company may terminate any of these employment agreements by providing 3 months written notice of 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 Key Management Personnel (Consolidated) for the year-ended 30 June 2007

	Short-Term				Post Employment		Long-Term	Share-based Payment	Total
30 June 2007	Salary & Fees $	Cash Bonus $	Non Monetary $	Other $	Super-annuation $	Retirement benefits benefits $	Incentive Plans $	Options $	$
Directors									
B Redden	61,818							30,000	91,818
D Paranthoiene	89,091							30,000	119,091
B Carter	97,359				860			30,000	128,219
J Kelly	111,979				10,078				122,057
D Perlov	103,204				9,288				112,492
E Tay [1]	40,000	–	–	–	–	–	–	30,000	70,000
Executives									
J Romeo	20,446				1,840				22,286
	503,451	**–**	**–**	**–**	**20,226**	**–**	**–**	**120,000**	**643,677**

	Short-Term				Post Employment		Long-Term	Share-based Payment	Total
30 June 2006	Salary & Fees $	Cash Bonus $	Non Monetary $	Other $	Super-annuation $	Retirement benefits benefits $	Incentive Plans $	Options $	$
Directors									
B Redden	60,000	–	–	–	–	–	–	–	60,000
B Carter	40,000	–	–	–	–	–	–	–	40,000
D Paranthoiene	40,000	–	–	–	–	–	–	–	40,000
E Tay	–	–	–	–	–	–	–	–	–
	140,000	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**140,000**

(1) Mrs Tay resigned as a Director on 30 June 2007

Options granted as part of remuneration for the year ended 30 June 2007

Messrs Redden, Paranthoiene, Carter and Mrs Tay were each issued with 6m options on 20 September 2006 in line with the terms approved by shareholders on 13 July 2006. The options, which are over ordinary shares, were issued at $0.001, vested on 31 May 2007 and expire on 31 May 2011. These options were consolidated down to 1.5m options during the capital reconstruction of the company that occurred when the company acquired Lifestyle Communities on the same basis as the consolidation of ordinary shares. The fair value of per option after the consolidation is $0.024 as at balance sheet date.

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 2007	
	Held	Attended
B. Carter	7	6
D. Paranthoiene	7	7
B Redden	7	7
E. Tay [1]	7	3
D. Perlov [2]	7	1
J. Kelly [2]	7	2

Audit Committee Meetings	No. of Meetings in year ending 30th June 2007	
	Held	Attended
D. Paranthoiene [3]	3	1
B Redden	3	3
B Carter [3]	3	2

Remuneration Committee Meetings	No. of Meetings in year ending 30th June 2007	
	Held	Attended
B Redden	3	3
D. Paranthoiene	3	3

(1) Mrs Tay resigned as a Director on 30 June 2007
(2) Mr Perlov and Mr Kelly were appointed as Directors on 22nd May 2007. The first meeting they attended was in June 2007.
(3) B Carter resigned from the Audit Committee in December 2006 and was replaced by D. Paranthoiene on the same date.

Committee Membership

As at the date of this report, the Company had an Audit Committee. Members acting on the audit committee of the board during the year were B Carter and B Redden. During the year, Bruce Carter resigned from this committee and was replaced by D. Paranthoiene.

Remuneration Committee Membership

As at the date of this report, the Company had a Remuneration Committee meeting. Members acting on the Remuneration Committee of the board during the year were D. Paranthoiene and B Redden.

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 in the Corporate Governance information section of this report.

Auditor Independence and non-audit Services

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

Directors' Meetings (continued)

Non-audit Services

The Company's auditor, Ernst & Young, provided the following non-audit services. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

- Tax Compliance Services $40,000

Signed in accordance with a resolution of the Directors.

Brendan Redden
Chairman
September 2007

James Kelly
Managing Director
September 2007

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Auditor's Independence Declaration to the Directors of Lifestyle Communities Limited

In relation to our audit of the financial report of Lifestyle Communities Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Don Brumley
Partner
27 September 2007

Corporate Governance Statement

The Board continued to operate under the following policies during the year.

- 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

The policies are consistent with the ASX recommendations on Corporate Governance and the policies reflect the ongoing focus by the Board on improving shareholder value and confidence in the Company. These policies and related governance issues are available upon request from the Company Secretary.

Directors

The Board comprises of five Directors, Mr Brendan Redden (Non-Executive Chairman), Mr David Paranthoiene (Non-executive Director), Mr James Kelly (Managing Director), Mr Bruce Carter (Executive Director Finance) and Mr Dael Perlov (Executive Director Operations).

There as been a material change in the business over the past 12 months and as such the makeup of the Board has changed. The principles of good governance are still being observed as described below.

As noted above, the Board's activities are governed by the Board Charter and the Board Code of Conduct governs the Board's activities. All Board members are entitled to obtain independent professional advice after advising the other Directors of the intention to do so.

Brendan Redden is an independent Director. David Paranthoiene is an independent Director. Messieurs Perlov, Kelly & Carter are all significant shareholders, they are executive directors and involved in the day-to-day operations of the Company.

In recognition of the Company's obligations to have a majority of independent Directors, the addition of further independent directors will be considered at the appropriate time. Details of the Directors are set out in the Directors' Report, above.

Audit Committee

Due to the size of the Board, there are currently only two members of the Audit committee: D Paranthoiene and B Redden. Given his change of status from Non-Executive to Executive Director in 2007, Bruce Carter resigned from the Audit Committee to maintain its independence for management of the Company. The committee has met on three occasions during the year with the following attendances:

Bruce Carter	2 out of 3
D Paranthoiene	1 out of 3
B Redden	3 out of 3

The Audit Committee Charter 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 to attend the Annual General Meeting by the Audit Committee.

Remuneration & Nomination Committee

Due to the changing nature and increasing size of the Board, there are currently only two members of the remuneration committee; D. Paranthoiene and B. Redden. The committee has met on three occasions during the year with the following attendances:

D Paranthoiene	3 out of 3
B Redden	3 out of 3

It is the policy of the Board that as long as it is appropriate, membership of this committee should coincide with that of the Board.

The procedure for nomination of new Directors is skills based. The Board determines the skills required to complement existing members and seeks new Board Members on the basis of strengthening those areas of expertise which are deemed to be less than the level required.

Non-Executive Directors are paid an annual fee of $40,000 for their services with the Chairman receiving an annual fee of $60,000. There are no contracted retirement benefits payable. The maximum amount of Directors Fees that may be paid to all Directors was fixed by the Company in November 1998 as $500,000 and has not been changed since that date.

This amount has been reviewed and a resolution to increase the amount to $1m will be put before shareholders at the next AGM. Due to the material change in the nature of the Company, the current policy of the Company is to remunerate Directors at a base level with performance rewards. For the year ended 30 June 2007 no performance rewards were awarded to Directors.

An employee option plan was in place until 2001. Messrs Redden, Paranthoiene, Carter and Mrs Tay were each issued with 6m options on 20 September 2006 in line with the terms approved by shareholders on 13 July 2006. The options, which are over ordinary shares, were issued at $0.001 and expire on 31 May 2011. These options were consolidated down to 1.5m options during the capital reconstruction of the company that occurred when the company acquired Lifestyle Communities on the same basis as the consolidation of ordinary shares.

Disclosure and Communication with Shareholders

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 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' website for those unable to attend. 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.
- Lifestyle Communities website. 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.

Code of Conduct

The Company has developed a Code of Conduct, which has been adopted by the Board and is applicable to all Board members and all employees (as applicable). The Board will review the Code of Conduct on a regular basis to ensure that the required standards of behaviour are understood by all employees and that the Company maintains its historically high level of integrity. The Code of Conduct covers:

- Corporate ethics
- Conflict of interest
- Company representation
- Use of company information – confidentiality
- Use of company assets
- Board operations
- Equal employment and non-discrimination
- Compliance with laws
- Compliance with employee policies

The policies are consistent with the ASX recommendations on Corporate Governance and the revised papers reflect the ongoing focus by the Board on improving shareholder value and confidence in the Company. These policies and related governance issues are available on request from the Company Secretary.

Financial Statements

The Managing Director has stated to the Board that the Company's financial reports in all material aspects represent a true and fair view and are in accordance with relevant accounting standards.

Income statement
for the year ended 30 June 2007

	Note	Consolidated A$ 2007	Consolidated A$ 2006	Parent A$ 2007	Parent A$ 2006
Sale of goods		8,535,825	5,698,575	–	–
Rental revenue		518,624	120,001	–	–
Finance revenue		143,060	128,388	60,583	134,594
Sundry revenue		47,596	49	–	93,669
Revenue		**9,245,105**	**5,947,013**	**60,583**	**228,263**
Cost of Sales		**(7,742,123)**	**(5,197,505)**	**–**	**–**
Gross profit		1,502,982	749,508	60,583	228,263
Other Income	6	7,186,853	–	–	9,176,326
Administrative expenses		(660,334)	(358,831)	(1,177,554)	(629,898)
Occupancy expenses		–	–	(16,040)	(18,668)
Property management expenses		(289,135)	(174,753)	–	–
Other expenses		–	–	(6,710)	(44,912)
Finance cost	7	(467,186)	(326,287)	–	–
Impairment of investment in subsidiaries	14	–	–	(30,218,545)	(1,145,080)
Profit / (loss) before income tax		**7,273,180**	**(110,363)**	**(31,358,266)**	**7,566,031**
Income tax (expense) / benefit	8	1,196	108,555	129,759	–
Profit / (loss) after income tax		**7,274,376**	**(1,808)**	**(31,228,507)**	**7,566,031**
Earnings per share	10	cent	cent		
Basic earnings / (loss) per share		9.87	(0.004)		
Dilutive earnings / (loss) per share		9.28	(0.004)		

Balance sheet
for the year ended 30 June 2007

	Note	Consolidated A$ 2007	Consolidated A$ 2006	Parent A$ 2007	Parent A$ 2006
ASSETS					
Current Assets					
Cash and cash equivalents	11	768,915	207,526	–	1,062,993
Trade and Other Receivables	12	1,570,042	1,430,632	771,090	82,071
Inventories	13	7,384,864	7,148,658	–	–
Other current assets		90,576	70,903	93,437	10,397
Total current assets		**9,814,397**	**8,857,719**	**864,527**	**1,155,461**
Non-current Assets					
Investments in subsidiaries	14	–	–	16,916,755	–
Property, plant and equipment	15	258,812	70,910	2,950	3,441
Investment properties	16	8,646,887	–	–	–
Intangible assets and goodwill	17	10,206,357	24,507	–	–
Deferred tax asset	8	413,790	108,555	248,583	–
Total non-current assets		**19,525,846**	**203,972**	**17,168,288**	**3,441**
TOTAL ASSETS		**29,340,243**	**9,061,691**	**18,032,815**	**1,158,902**
LIABILITIES					
Current liabilities					
Trade and other payables	18	2,152,650	1,750,997	198,905	75,995
Interest-bearing loans and borrowings	20	4,860,059	481,565	143,159	–
Provisions	19	37,834	7,558	–	–
Income tax payable	8	15,577	–	15,577	–
Total current liabilities		**7,066,120**	**2,240,120**	**357,641**	**75,995**
Non-current Liabilities					
Interest bearing loans	20	1,003,922	3,875,832	155,300	–
Deferred tax	8	84,964	–	–	–
Unit holders	21	2,200,003	3,200,300	–	–
Total Non-current Liabilities		3,288,889	7,076,132	155,300	–
TOTAL LIABILITIES		**10,355,009**	**9,316,252**	**512,941**	**75,995**
NET ASSETS		**18,985,233**	**(254,561)**	**17,519,874**	**1,082,907**
Equity					
Contributed equity	21	11,897,888	–	117,556,148	99,614,674
Reserves	22	67,530	–	44,623,859	14,899,859
Retained profits/ (Accumulated losses)	22	7,019,815	(254,561)	(144,660,133)	(113,431,626)
TOTAL EQUITY		**18,985,233**	**(254,561)**	**17,519,874**	**1,082,907**

Statement of changes in equity
for the year ended 30 June 2007

CONSOLIDATED	Issued Capital $A	Retained Earnings $A	Other Reserves $A	Total $A
At 1 July 2005	–	(252,753)	–	(252,753)
Loss for the period	–	(1,808)	–	(1,808)
At 30 June 2006	**–**	**(254,561)**	**–**	**(254,561)**

LIFESTYLE COMMUNITIES LIMITED	Issued Capital $A	Retained Earnings $A	Other Reserves $A	Total $A
At 1 July 2005	99,279,121	(116,419,773)	14,899,859	(2,240,793)
Profit for the period	–	7,566,031	–	7,566,031
Issue of shares	343,335	–	–	343,335
Costs associated with issue of shares	(7,782)	–	–	(7,782)
Dividend paid (3 cents per share)	–	(4,577,884)	–	(4,577,884)
At 30 June 2006	**99,614,674**	**(113,431,626)**	**14,899,859**	**1,082,907**

CONSOLIDATED	Issued Capital	Retained Earnings	Other Reserves	Total
At 1 July 2006	–	(254,561)	–	(254,561)
Profit for the period	–	7,274,376	–	7,274,376
Issue of Shares	11,897,888			11,897,888
Share Buy Back	–	–	67,530	67,530
At 30 June 2007	**11,897,888**	**7,019,815**	**67,530**	**18,985,233**

LIFESTYLE COMMUNITIES LIMITED	Issued Capital	Retained Earnings	Other Reserves	Total
At 1 July 2006	99,614,674	(113,431,626)	14,899,859	1,082,907
Issue of shares	541,474	–	–	541,474
Issue of shares for restructure	17,400,000	–	–	17,400,000
Share premium	–	–	29,580,000	29,580,000
Option issued	–	–	144,000	144,000
Loss for the period	–	(31,228,507)	–	(31,228,507)
At 30 June 2007	**117,556,148**	**(144,660,133)**	**44,623,859**	**17,519,874**

Cash flow statement

for the year ended 30 June 2007

	Note	Consolidated $A 2007	Consolidated $A 2006	Parent $A 2007	Parent $A 2006
Cash flows from operating activities					
Receipts from customers		10,514,172	7,118,108	–	105,014
Payments to suppliers and employees		(10,302,516)	(9,611,371)	(1,288,178)	(569,852)
Interest received		23,552	9,105	59.950	134,594
Interest paid		(467,186)	–	–	–
Customer deposits received		–	50,111	–	–
Customer deposits refunded		(19,860)	–	–	–
GST received		(184,069)	399,276	–	–
Net cash flows from/(used in) operating activities	22	**(435,907)**	**(2,034,770)**	**(1,228,178))**	**(330,244)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(202,235)	(86,155)	(1,898)	(2,213)
Cash from subsidiaries		671,298	–	–	–
Loans from/(payments to) related parties		–	–	–	–
Net cash flows from/(used in) investing activities		**469,063**	**(86,155)**	**(1,898)**	**(2,213)**
Cash flows from financing activities					
Proceeds from issue of shares		–	–	559,474	335,552
Proceeds from external borrowings		720,829	2,198,968	–	–
Proceeds from hire purchase		–	56,864	–	–
Payment of finance lease liabilities		(13,253)	–	–	–
Repayment of directors loans		(179,523)	–	–	–
Dividend Paid		–	–	–	(4,577,884)
Loans from/(payments to) related parties		–	–	(535,500)	–
Net cash flows from/(used in) financing activities		**528,053**	**2,255,832**	**23,974**	**(4,242,332)**
Net increase/(decrease) in cash held		561,389	134,906	(1,206,152)	(4,574,789)
Cash at the beginning of the financial year		**207,526**	**72,620**	**1,062,993**	**5,637,782**
Cash at the end of the financial year	11	**768,915**	**207,526**	**(143,159)**	**1,062,993**

Notes to the financial statements
for the year ended 30 June 2007

1 Corporate Information

The financial report of Lifestyle Communities Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 27 September 2007.

Lifestyle Communities Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. At the 2007 General Meeting of the Company shareholders resolved to change the name of the company to "Lifestyle Communities Limited" from "Namberry Limited".

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for investment properties which have been measured at fair value. The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Lifestyle Communities Limited and its subsidiaries as at 30 June 2007 each year (the Group). Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

The investments in subsidiaries are carried at the lower of cost and recoverable amount in the parent company's financial statements.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned to inventories based on specific identification.

(i) Investments and other financial assets

Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(j) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Plant and equipment – over 5 to 15 years
Leased equipment – over 8 to 10 years
Motor vehicles – over 4 years

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

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds AASB and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(k) 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 stated 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.

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.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(m) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114

Segment Reporting

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing loans and borrowings

All 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 a least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset. In this case they are capitalised as part of the cost of the asset.

(p) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) 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 Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Rental revenue

Rental income from investment properties is accounted for on a straight-line basis over the lease term.
Contingent AASB 117.50 rental income is recognised as income in the periods in which it is earned.
Lease incentives granted are recognised as an integral part of the total rental income.

(s) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 Financial Risk Management Objectives and Policies

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 4 to the financial statements.

Cashflow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Liquidity risk

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

4 Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and has thus classified the leases as operating leases.

Recovery of deferred tax assets

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.

Classification of and valuation of investments

The Group had classified land held for capital appreciation and rental income as investment properties and has made the decision to measure investment properties at fair value.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 17.

Long service leave provision

As discussed in note 2(p), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 15.

5 Segment Information

The consolidated entity operates within one business segment, being the property development industry.
As a result disclosures in the consolidated financial statements and notes are representative of this segment.

Geographic Segment

The entity operates in one geographical area, Australia.

6 Other Income

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Fair value gains on investment property	7,166,887	–	–	–
Debt forgiveness	–	–	–	9,176,326
Sundry income	19,966	–	–	–
	7,186,853	**–**	**–**	**9,176,326**

7 Expenses

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
(a) Finance cost				
Bank loans and overdrafts	467,186	326,287	–	–
(b) Depreciation and amortisation				
Depreciation	22,210	19,209	2,389	2,310
Amortisation	24,507	12,145	–	–
(c) Employee benefits expense				
Wages and salaries	245,084	222,335	4,539	12,521
Defined contribution superannuation expense	25,287	19,886	–	–
Share based payments expense	43,528	–	120,000	–
Other employee benefits	36,413	13,529	–	–
	350,312	**255,750**	**124,539**	**12,521**

8 Income Tax

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
(a) Income tax expense				
The major components of income tax expense are				
Income statement				
Current Income tax				
Current income tax charge	(15,689)	–	–	(143,153)
Deferred income tax				
Total income tax expense	14,493	(33,059)	(58,876)	66,342
Prior year adjustment	–	(75,496)	–	–
De-recognition of income tax benefit	–	–	–	76,811
Recognition of prior year deferred tax balances	–	–	(70,883)	–
Income tax expense reported in income statement	**(1,196)**	**(108,555)**	**(129,759)**	**–**

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
Accounting profit/(loss) from continuing operations	**7,273,180**	**(110,362)**	**(31,358,266)**	**7,566,031**
At the Group's statutory income tax rate of 30% (2006:30%)	2,181,954	(33,059)	(9,407,481)	2,269,809
Non-tax deductible entertainment	–	–	–	134
Non-tax assessable income	–	–	–	(2,752,897)
Non-tax deductible expense	448	–	–	343,524
Unrecognised tax losses	–	–	106,998	146,206
Other minor adjustments	–	–	26,015	–
Adjustment for prior years overstatement	–	–	(70,883)	(6,776)
AIFRS adjustment	–	–	9,065,564	–
Capital expenses	–	–	114,028	–
Share option expense	13,058	–	36,000	–
Fair value gain on investment property	(2,196,656)	–	–	–
Income Tax Expense	**(1,196)**	**(33,059)**	**(129,759)**	**146,206**

	Balance Sheet 2007 $A	Balance Sheet 2006 $A	Income Statement 2007 $A	Income Statement 2006 $A
Deferred Income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Accrued interest	–	–	–	6,119
Trading stock adjustment	70,685	–	70,685	–
Accrued revenue	14,279	–	14,279	–
Total deferred tax liabilities	**84,964**	**–**	**84,964**	**6,119**
Deferred tax assets				
Superannuation payable	552	–	(2,825)	–
Unrealised foreign exchange loss	–	–	(8,620)	–
Provisions	37,302	5,567	–	(51,603)
Div 40/880 adjustments	83,928	–	–	–
Amortisation of borrowing costs	26,112	–	–	–
Prepaid insurance				
Recognised current year loss	61,280	31,436	–	–
Recognised prior year loss	204,616	71,552	–	–
Total deferred tax assets	**413,790**	**108,555**	**(2,825)**	**(60,223)**
Deferred income tax charge			**87,789**	**66,342**

Notes to the financial statements

for the year ended 30 June 2007

	Balance Sheet 2007 $A	Balance Sheet 2006 $A	Income Statement 2007 $A	Income Statement 2006 $A
PARENT				
Deferred tax liabilities				
Accrued interest	–	–	–	6,119
	–	–		
Total deferred tax liabilities	**–**	**–**	**–**	**6,119**
Deferred tax assets				
Unrealised foreign exchange loss	–	–	–	(8,620)
Provisions and accruals	23,701	–	23,701	(51,603)
Division 40/880 adjustments	83,928	–	83,928	–
Amortisation of borrowing costs	22,130	–	22,130	–
Tax losses carried forward – derived post acquisition (note 1)	118,824	–	–	–
Total deferred tax assets	248,583	–	129,759	(60,223)
Deferred income tax charge	**–**	**–**	**(129,759)**	**66,342**

Note (1) Post lifestyle acquisition transfer of tax losses from joining entities (tax consolidated group) as at 30 June 2007. Booked to intercompany loan account rather than deferred income tax expense.

(g) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Lifestyle Communities Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 23 May 2007. Lifestyle Communities Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the group is based on accounting profit, which is not an acceptable method of allocation under UIG 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under UIG 1052, the head entity accounts for these as equity transactions.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments.

9 Dividends Paid and Proposed

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
(a) Recognised amounts				
Declared and paid during the year	–	–	–	4,577,884
A dividend of 3c per share was paid On 3 October 2005. The dividend was fully franked.				

	Parent 2007 $A	Parent 2006 $A
(b) Franking credit balance		
The amount of franking credits available for the Subsequent financial year are:		
• franking account balance as at the end of the financial year at 30%(2006:30%)	5,045,358	5,045,358
• franking credits that will arise from the payment of income tax payable at the end of the financial year	–	–
• franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	–	–
The amount of franking credits available for Future reporting periods	**5,045,358**	**5,045,358**

10 Earnings Per Share

(a) Earnings used in calculating earnings per share

The following reflects the income used in the basic and diluted earnings per share computation.

	Consolidated 2007 $A	Consolidated 2006 $A
For basic and diluted earnings per share:		
Net profit / (loss)	**7,274,376**	**(1,808)**
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	**294,766,041**	163,946,573
Effect of dilution		
Share options	**18,673,973**	–
Weighted average number of ordinary shares adjusted for dilution prior to consolidation	**313,440,014**	**–**
Weighted average number of ordinary shares adjusted for dilution post consolidation of shares on a 4:1 basis	**78,360,003**	**–**

There are no instruments (e g share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti dilutive for either of the periods presented.

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.

11 Current Assets – Cash and Cash Equivalents

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Cash at bank and in hand	754,210	197,212	–	1,062,993
Short-term deposits	14,705	10,314	–	–
	768,915	**207,526**	**–**	**1,062,993**

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.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Cash at bank and in hand	754,210	197,212	–	1,062,993
Short-term deposits	14,705	10,314	–	–
	768,915	207,526	–	1,062,993
Bank overdrafts (note 20)	–	–	(143,159)	–
	768,915	**207,526**	**(143,159)**	**1,062,993**

12 Current Assets – Trade and other Receivables

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Trade receivables	38,353	2,302	771,090	–
Land deposits	1,287,860	–	–	–
Prepayments	77,000	–	–	82,071
Other related parties	55,470	1,422,471	–	–
Other receivables	111,358	5,859	–	–
Carrying amount of trade and other receivables	**1,570,041**	**1,430,632**	**771,090**	**82,071**

(a) Related party receivables

Services provided to related parties are made in arm's length transactions at normal market prices and on normal commercial terms.

(b) Other receivables and land deposits

Other receivables and land deposits are non interest bearing. Other receivables are generally on 30 to 90 day terms. Land deposits are repayable on expiry of nomination term.

(c) Credit risk and effective interest rate risk

Details regarding the credit risk and effective interest rate of current receivables are disclosed in note 3 and note 27 respectively.

Notes to the financial statements
for the year ended 30 June 2007

13 Current Assets – Inventories

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Finished goods (at cost)	7,384,864	7,148,658	–	–
	7,384,864	**7,148,658**	**–**	**–**

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2007 totalled $7,742,123 for the Group (2006: $5,197,505). The expense has been included in the cost of sales line item as a cost of inventories.

14 Non-Current Asset – Investments in Subsidiaries

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Investments in subsidiaries (refer note 24)	–	–	47,135,300	1,145,080
Provision for diminution			(30,218,545)	(1,145,080)
	–	**–**	**16,916,755**	**–**

An allowance has been recognised as an expense for the current year against the investment in wholly owned subsidiaries. The amount of the impairment loss has been measured as the difference between the carrying amount of the investment and the future cash flows expected to be received from the subsidiaries.

15 Non-Current Assets – Property, Plant and Equipment

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

CONSOLIDATED

	Land and Buildings	Office Equipment	Software	Motor Vehicles (leased)	Plant and Equipment	Computer Hardware	Total
Year end 30 June 2007							
At 1 July 2006 net of accumulated depreciation	–	16,968	4,715	47,668	1,559	–	70,910
Additions	161,121	34,014	2,109	–	9,917	2,951	210,112
Depreciation charge for the year	–	(10,003)	(2,129)	(9,536)	(542)	–	(22,210)
At 30 June 2007 net of accumulated depreciation	**161,121**	**40,979**	**4,695**	**38,132**	**10,934**	**2,951**	**258,812**
At 30 June 2007							
Cost	161,121	71,082	9,591	55,873	11,807	2,951	312,425
Accumulated depreciation	–	(30,103)	(4,896)	(17,741)	(873)	–	(53,613)
Net carrying amount	**161,121**	**40,979**	**4,695**	**38,132**	**10,934**	**2,951**	**258,812**

	Land and Buildings	Office Equipment	Software	Motor Vehicles (leased)	Plant and Equipment	Computer Hardware	Total
Year end 30 June 2006							
At 1 July 2005 net of accumulated depreciation	–	11,077	718	–	–	–	11,795
Additions	–	14,312	6,250	55,872	1,890	–	78,324
Depreciation charge for the year	–	(8,421)	(2,253)	(8,204)	(331)	–	(19,209)
At 30 June 2006 net of accumulated depreciation	**–**	**16,968**	**4,715**	**47,668**	**1,559**	**–**	**70,910**
At 30 June 2006 at cost	–	29,251	7,482	55,872	1,890	–	94,495
Accumulated depreciation	–	(12,283)	(2,767)	(8,204)	(331)	–	(23,585)
Net carrying amount	**–**	**16,968**	**4,715**	**47,668**	**1,559**	**–**	**70,910**

PARENT	2007 $A Computer Hardware	2006 $A Computer Hardware
At 1 July net of accumulated depreciation	3,441	3,538
Additions	1,898	2,213
Depreciation charge for the year	(2,389)	(2,310)
At 30 June net of accumulated depreciation	**2,950**	**3,441**
At 30 June at cost	8,830	6,930
Accumulated depreciation	(5,880)	(3,489)
Net carrying amount	**2,950**	**3,441**

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

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

16 Non-Current Assets – Investment Properties

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Opening balance as at 1 July	–	–	–	–
Additions	1,480,000	–	–	–
Net gain from fair value adjustments	7,166,887	–	–	–
Closing balance as at 30 June 2007	**8,646,887**	**–**	**–**	**–**

Investment properties are carried at fair value, which has been determined based on valuations performed by M3 Property Valuers who are industry specialist 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 Valuation 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 to secure certain of the group's bank loans as disclosed in note 20.

17 Non-Current Assets – Intangible Assets and Goodwill

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

CONSOLIDATED

	Goodwill	Trademarks	Formation Costs	Total
Year end 30 June 2007				
At 1 July 2006 net of accumulated depreciation	–	–	24,507	24,507
Additions	–	9,653	–	9,653
Acquisition of subsidiaries	10,196,704	–	–	10,196,704
Amortisation charge for the year	–	–	(24,507)	(24,507)
	10,196,704	**9,653**	**–**	**10,206,357**
At 30 June 2007				
Cost (gross carrying amount)	10,196,704	9,653	24,507	10,230,864
Amortisation	–	–	(24,507)	(24,507)
Net carrying amount	**10,196,704**	**9,653**	**–**	**10,206,357**
Year end 30 June 2006				
At 1 July 2005 net of accumulated depreciation	–	–	36,652	36,652
Amortisation charge for the year	–	–	(12,145)	(12,145)
	–	**–**	**24,507**	**24,507**
At 30 June 2006				
Cost (gross carrying amount)	–	–	60,772	60,772
Amortisation	–	–	(36,265)	(36,265)
	–	**–**	**24,507**	**24,507**

(b) Description of the Group's intangible assets and goodwill

(i) Trademarks

Trademarks relate to intellectual property associated with the individual development projects. Trademarks have been determined to have an indefinite useful life. These assets were tested for impairment as at 30 June 2007 (see section iv of this note)

(ii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(iii) Formation Costs

Formation costs previously capitalised have now been expenses due to the formation of the consolidated group.

(iv) Impairment tests for goodwill and intangibles with indefinite useful lives

Description of the cash generating units and other relevant information

Goodwill acquired through the reverse acquisition and trademarks have been allocated to one individual cash generating unit – Lifestyle Communities – for impairment testing.

The recoverable amount of the unit has been determined based on a value in use calculation produced by M3 property valuers recognised industry experts.

The pre-tax discount rate applied to cash flow projections is 7.5% akin to an investment property type return exhibited by an office building with a long term secure government tenant. Cash flows from rental income are extrapolated using a 3.5% growth rate. Which is in line with the long term average growth rate from the retirement industry generally.

Carrying amount of goodwill and trademarks are all allocated to the cash generating unit.

18 Current Liabilities – Trade and Other Payables

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Trade payables (a)	183,307	123,472	198,905	75,995
Deferred revenue	1,009,814	660,476	–	–
Other payables and accruals (b)	959,529	967,049	–	–
Carrying amount of trade and other payables	**2,152,650**	**1,750,997**	**198,905**	**75,995**

(a) Trade payables

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

(b) Other payables

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

(c) Effective interest rate risk

Information regarding the effective interest rate risk of current payables is set out in note 27.

19 Current Liabilities – Provisions

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Provision for annual leave	26,237	7,558	–	–
Provision for long service leave	11,597	–	–	–
	37,834	**7,558**	**–**	**–**

CONSOLIDATED

	Annual Leave	Long service leave	Total
At 1 July 2006	7,558	–	7,558
Arising during the year	30,640	11,598	42,238
Utilised	(11,962)	–	(11,962)
At 30 June 2007	**26,236**	**11,598**	**37,834**

	Annual Leave	Long service leave	Total
Year end 30 June 2006			
At 1 July 2005	5,147	–	5,147
Arising during the year	12,503	–	12,503
Utilised	(10,092)	–	(10,092)
At 30 June 2006	**7,558**	**–**	**7,558**

20 Interest-Bearing Loans and Borrowings

	Maturity	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Current					
Secured loans	2008	4,841,133	278,426	–	–
Hire purchase (note 28)	2008	6,447	19,027	–	–
Loans from related parties (note 24)	On demand	12,479	184,112	–	–
Bank overdrafts	On demand	–	–	143,159	–
		4,860,059	**481,565**	**143,159**	**–**
Non-current					
Secured loans	2008	–	3,842,662	–	–
Hire purchase	2008	–	28,170	–	–
Loans from related parties (note 24)	On demand	1,003,922	5,000	155,300	–
		1,003,922	**3,875,832**	**155,300**	**–**

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

(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 by discounting the expected future cash flows at prevailing market interest rates.

(b) Terms and conditions

(i) Current interest-bearing loans and borrowings

The bank loan and revolving credit fund is secured by a fixed and floating charge over the assets of the Brookfield Development Trust. An entity related to the directors, Lifestyle Brookfield Pty Ltd in its own right and as trustee of the Lifestyle Brookfield Land Trust has provided standard guarantees and indemnities by depositing a mortgage on the property located on the corner of Western Highway and Coburns Road, Brookfield Victoria and a fixed and floating charge over their assets to secure the borrowings. An entity related to the directors, Brookfield Management Pty Ltd in its own right and as trustee of the Brookfield Village Management Trust has provided standard guarantees and indemnities by providing a fixed and floating charge over there assets to secure the trusts borrowings.

To further secure the borrowings, the borrower has signed a tripartite agreement pursuant to which the builder or project manager agrees that the building contract/project management will not be varied, rescinded or terminated without the lenders consent. For interest rate on secured loans refer to note 27. Subsequent to year end the facility has been replaced by a $30 Million facility with Westpac Bank.

(ii) Loans from related parties

For terms and conditions on loans from related parties refer to note 24.

(c) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Total facilities:				
Investec	**5,000,000**	4,500,000	–	–
Facilities used at reporting date	**4,841,133**	3,842,662	–	–
Facilities unused at reporting date	**158,867**	657,338	–	–

At balance date the group was negotiating a finance facility with Westpac Bank. This facility totalling $30 Million was approved by Westpac and accepted by the group in August 2007.

21 Contributed Equity

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Ordinary shares	11,897,888	–	117,556,148	99,614,674

No equity exists as at June 2006 year end as unit holders are regarded as a liability. The terms of the trust deed lead to this treatment. During the 2007 year reverse consolidation has resulted in the equity reflecting the value contributed by the acquiring group rather than the number of shares issued in the parent company.

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Unit holders	2,200,003	3,200,300	–	–

(a) Ordinary shares

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

		Number	$A
Movement in ordinary shares on issue		**175,485,137**	99,614,674
At 1 July 2006 Issue of small parcels	(i)	**26,322,000**	541,474
23 May 2007 BS Carter Investments Pty Ltd	(ii)	**292,588,333**	5,800,000
23 May 2007 Daken Investments Pty Ltd	(ii)	**292,588,333**	5,800,000
23 May 2007 MasonKelly Pty Ltd	(ii)	**292,588,333**	5,800,000
Total on Issue prior to share consolidation		**1,079,572,136**	117,556,148
23 May 2007 shares consolidation @ 4:1		**269,893,034**	
Round-up of share fractions		**177**	
At 30 June 2007		**269,893,211**	117,556,148

(i) Shares issued in small parcels to many holders.

(ii) Pursuant to the explanatory memorandum the shares were issued as part of the rollover agreement which valued Lifestyle Communities Holdings Pty Ltd at $A 13,280,000 and Lifestyle Communities Pty Ltd at $A 4,120,000.

22 Retained Earnings and Reserves

(a) Movements in retained earnings were as follows:

	Consolidated 2007 A$	Consolidated 2006 A$	Parent 2007 A$	Parent 2006 A$
Balance 1 July	**(254,561)**	(252,753)	(113,431,626)	(116,419,773)
Net Profit/(loss)	**7,274,376**	(1,808)	(31,228,507)	7,566,031
Dividend paid	**–**	–	–	(4,577,884)
	7,019,815	(254,561)	(144,660,133)	(113,431,626)

(b) Other Reserves

	Option and Share Premium Reserve	Total	Share Premium Reserve	Capital Profits Reserve	Total
At 1 July 2005	–	–	–	14,899,859	14,899,859
At 30 June 2006	**–**	**–**	**–**	**14,899,859**	**14,899,859**
Transfer to balance					
Issue of options	67,530	67,530	144,000	–	144,000
Share premium on acquisition of subsidiary			29,580,000	–	29,580,000
Year end 30 June 2007	**67,530**	**67,530**	**29,724,000**	**14,899,859**	**44,623,859**

(c) Nature and purpose of reserves

(i) Capital profits reserve

The capital profits reserve is used to accumulate realised capital profits, and can be used to pay dividends or issue bonus shares

(ii) Option and share premium reserve

The reserve is used to accumulate the premium over cost of shares issued by the company.

In the current year the premium arose because of the reverse acquisition, valuing the shares at the market price on the day of the transaction versus the cost of the shares as agreed per the rollover agreement.

The reserve is also being used to recognise the value of options issued to directors.

23 Cash Flow Statement Reconciliation

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Reconciliation of net cash flows from operating activities to operating profit/(loss)				
Operating profit/(loss) before income tax	7,273,180	(110,363)	(31,358,266)	7,566,031
Add back non-cash expenses:				
Net(gain)/loss on fair value of investment property	(7,166,887)	–	–	–
Depreciation	20,210	19,209	2,388	2,310
Amortisation	24,507	12,145	–	–
Transfer to stock	(289,607)	–	–	–
Share option expense	43,528	–	120,000	–
Formation cost	190	–	–	–
Write-off investment in subsidiaries	–	–	30,218,454	1,145,080
Intercompany debt forgiveness	–	–	–	(9,176,326)
Provision for doubtful debts	–	–	–	(55,034)
Interest on hire purchase	3,498	3,063	–	–
Intercompany interest	(119,508)	–	–	–
Prepayment released	16,546	–	–	–
Deferred revenue adjustment	349,156	–	–	–
Add back/(subtract) changes in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(51,756)	173,928	–	–
(Increase)/decrease in prepayments and deposits	(69,965)	–	(9,475)	
(Increase)/decrease in inventories	(236,206)	(3,520,190)	–	–
(Increase)/decrease in deferred revenue	–	660,476	–	–
Increase/(decrease) in customer deposits	(19,860)	40,714	–	–
(Increase)/decrease in other assets	–	–	(145,882)	16,555
Increase/(decrease) in trade creditors and payables	(214,933)	528,716	(127,754)	251,287
Increase/(decrease) in related party loans	–	155,112	–	–
Increase/(decrease) in other creditors	–	–	101,707	–
Increase/(decrease) in provisions	–	2,411	(29,400)	(80,147)
Net cash provided by operating activities	**(435,907)**	**(2,034,770)**	**(1,228,228)**	**(330,244)**

(b) Disclosure of financing facilities

Refer to note 20

(c) Non-cash financing and investing activities

Share based payments Note 25

24 Related Party Disclosure

(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 2007	% Equity Interest 2006	Value of parent entity's interest 2007	Value of parent entity's interest 2006
Namberry Retail Pty Ltd	Australia	100%	100%	–	–
Namberry(SA)Pty Ltd	Australia	100%	100%	–	–
Lifestyle Investments Pty Ltd	Australia	100%	100%	155,300	–
Namberry Technical Services Pty Ltd	Australia	100%	100%	–	–
Namberry Holdings Pty Ltd	Australia	100%	100%	–	–
Namberry Prepaid Mobile Pty Ltd	Australia	100%	100%	–	–
Namberry Prepaid Communications Pty Ltd	Australia	100%	100%	–	-
Lifestyle Communities Pty Ltd	Australia	100%	–	3,968,804	–
Lifestyle Communities Holdings Pty Ltd	Australia	100%	–	12,792,651	–
				16,916,755	**–**

(b) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity

(c) Loans from related parties

	Maturity	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Non-current					
MasonKelly Pty Ltd [1]	On demand	334,640	1,667	–	–
B.S. Carter Investments Pty Ltd [2]	On demand	334,641	1,667	–	–
Daken Investments Pty Ltd [3]	On demand	334,641	1,666	–	–
Lifestyle Investments Pty Ltd	On demand	–	–	155,300	–
		1,003,922	**5,000**	**155,300**	**–**
Current					
Lifestyle Brookfield Land Trust [4]	On demand	**12,479**	**184,112**	**–**	**–**

[1] James Kelly is the sole director of MasonKelly Pty Ltd

[2] Bruce Carter is the sole director of B.S. Carter Investments Pty Ltd

[3] Dael Perlov is the sole director of Daken Investments Pty Ltd

[4] James Kelly, Bruce Carter and Dael Perlov are the directors of the Trustee company for Lifestyle Brookfield Land Trust

(d) Repayment terms

Loans are payable on demand and interest is accrued at a rate of 6.82% per annum

(e) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Interest paid				
MasonKelly Pty Ltd	35,158			
B.S. Carter Investments Pty Ltd	35,158			
Daken Investments Pty Ltd	35,158			
Lifestyle Brookfield Land Trust	14,034			
Equity funding				
Lifestyle Investments Pty Ltd			155,300	
	119,508		**155,300**	

24 Related Party Disclosure

(f) Details of Key Management Personnel

(i) Directors

Brendan Redden	Chairman
James Kelly	Managing Director
Bruce Carter	Executive Director-Finance
Dael Perlov	Executive Director-Operations
David Paranthoiene	Non Executive Director
Eileen Tay	Non Executive Director (Appointed 24 October 2005 - Resigned 30 June 2007)

(ii) Executives

Jenny Romeo	Chief Financial Officer

(g) Compensation of Key Management Personnel

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Short-term employee benefits	**503,451**	**–**	**182,645**	140,000
Post-employment benefits	**20,226**	**–**	**–**	
Share-based payment	**120,000**	**–**	**–**	–
	643,677	**–**	**182,645**	140,000

(h) Option holdings of Key Management Personnel (Consolidated)

During the financial year options were granted to director related entities as follows:

B.S. Carter Superannuation Pty Ltd [2]	1,500,000
Paranthoiene Superannuation Pty Ltd [3]	1,500,000
Mandala Investments Pty Ltd [1]	1,500,000
Eileen Tay	1,500,000
	6,000,000

All options vested on 31 May 2007. No options were granted or vested in the prior financial year to any directors or executives.

[1] Mandala Investments Pty Ltd is a company associated with B Redden.

[2] B.S. Carter Superannuation Pty Ltd is beneficially owned by Bruce Carter

[3] Paranthoiene Superannuation Pty Ltd is beneficially owned by David Paranthoiene

Refer to note 25 for valuation details on these options.

(i) Shareholdings of Key Management Personnel

(1) Shareholding of Key Management Personnel for the year ended 30 June 2007

Ordinary shares held In Lifestyle Communities Limited	Balance at 1 July 2006	Granted as Remuneration	Exercise of Option	Net Change Other	Balance
Directors					
Carpar Investments [1]	7,000,000	–	–	–	7,000,000
B.S Carter Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Paranthoiene Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Mandala Investments [2]	25,000	–	–	–	25,000
Daken Investments Pty Ltd [3]	–	–	–	72,500,000	72,500,000
B.S Carter Investments Pty Ltd [4]	–	–	–	72,500,000	72,500,000
MasonKelly Pty Ltd [5]	–	–	–	72,500,000	72,500,000
Newheart Pty Ltd [6]	–	–	–	134,160	134,160
D.P Telecommunications Pty Ltd [7]	–	–	–	78,750	78,750
D. Perlov	–	–	–	37,325	37,325
Lifestyle Brookfield Pty Ltd [8]	–	–	–	1,941,250	1,941,250

(ii) Shareholding of key management personnel for year ended June 2006.

Ordinary shares held In Lifestyle Communities Limited	Balance at 1 July 2006	Granted as Remuneration	Exercise of Option	Net Change Other	Balance
Directors					
Carpar Investments [1]	7,000,000	–	–	–	7,000,000
B.S Carter Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Paranthoiene Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Mandala Investments [2]	25,000	–	–	–	25,000

(1) CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and the B.S. Carter Family Trust.
(2) Mandala Investments Pty Ltd is a company associated with B Redden.
(3) Daken Investments Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust
(4) B.S. Carter Investments Pty Ltd is beneficially owned by Mr Carter and held directly through the B.S. Carter Family Trust
(5) MasonKelly Pty Ltd is beneficially owned by Mr Kelly and held directly through the Eliza G Family Trust
(6) Newheart Pty Ltd is beneficially owned by Mr Perlov and held through the Perlov Family Trust
(7) DP Telecommunications Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust
(8) Lifestyle Brookfield Pty Ltd is beneficially owned by entities associated with Messr Perlov, Cartel and Kelly

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.

(j) Loans to Key Management Personnel

There are no loans to key management personnel(2006: nil).

(k) Other transactions and balances with Key Management Personnel and their related parties

- David Paranthoiene provided service to the Company over and above his role as non-executive director during the year for fees of $49,091(2006: $40,000)

25 Share-Based Payment Plans

On 13 July 2006 Lifestyle Communities Limited granted 1.5 million options to each of the then 4 directors.

The following tables illustrate the number and weighted average exercise prices of and movements in share options during the year.

	2007 Number of Options	2007 Weighted Average Exercise Price	2006 Number of Options	2006 Weighted Average Exercise Price
Balance at beginning of year	1,450,000	0.326	1,750,000	0.326
– expired	750,000	0.30		
	400,000	0.338		
	300,000	0.400		
	–		1,750,000	
– granted	6,000,000 [1]	0.160	–	–
– exercised			(300,000)	0.300
Balance at end of year	6,000,000	0.160	1,450,000	0.331
Exercisable at end of year	6,000,000	0.160	1,450,000	0.331

[1] 24,000,000 options granted post share conversion of 4:1

Share-based payment expense – refer to note 7.

(a) Options held at the beginning of the reporting period:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
750,000	31.08.01	31.08.01	31.08.06	0.30
400,000	10.10.01	10.10.01	31.08.06	0.338
300,000	14.11.01	14.11.01	14.11.06	0.400
1,450,000				0.326

(b) Options granted or exercised during the reporting period:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
6,000,000*	20.08.06	31.05.07	31.05.07	0.16

*Consolidated on the same basis as ordinary shares when Lifestyle Communities Group was acquired.

(c) Options expired during the reporting period

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
750,000	31.08.01	31.08.01	31.08.06	0.30
400,000	10.10.01	10.10.01	31.08.06	0.338
300,000	14.11.01	14.11.01	14.11.06	0.400
1,450,000				0.326

(d) Option pricing model

Valuation Methodology

Black Scholes model has been used as the probability that the options will be exercised before expiry is low.

Assumptions

Variable	Details / Justification by DMR	Amount used by DMR
Current share price	Volume weighted average share price for 90 days to 26/5/06 was $0.022 Volume weighted average share price for 30 days to 26/5/06 was $0.020 Placement to CFF was at $0.020	$0.020
Exercise price	Per terms and conditions	$0.040
Volatility	Based on Australian Graduate School of Management – Centre for Research in Finance; 31 December 2005 Risk Measurement Service Statistics (based on observations over 4 years) the volatility for Namberry (now Lifestyle Communities) is 85%. However, as the business of Namberry has been sold and they are now seeking to acquire a new business, the past volatility is not relevant. DMR have used their experience to come up with 40% and 50%	40% and 50% (2 calculations performed)
Time to Maturity	Per terms and conditions	31/5/11 is the expiry date
Risk free rate	5 year treasury bond at 28 April 2006	5.67%
Expected Dividend Yield	Dividend in October was once off, therefore expect not dividends over life of options	0

Valuation

- based on 40% volatility value is $0.0054
- based on 50% volatility value is $0.0074
- fair value is assessed at $0.0060 ($0.024 after share consolidation)
- per director this is $36,000 (6,000,000 x $0.006). After taking into account the issue price of $0.001, the value of the financial benefit is $30,000
- discount for dilution not applied

26 Business Combination

Lifestyle Communities Limited acquired 100% of Lifestyle Communities Holdings Pty Ltd by the issue of 664,000,000 shares to the shareholders of Lifestyle Community Holdings Pty Ltd. The company also acquired 100% of Lifestyle Communities Pty Ltd by the issue of 206,000,000 to the shareholders of Lifestyle Communities Pty Ltd.

The deemed cost of the investment made by Lifestyle Communities Limited was $46,980,000. This represented the shares issued multiplied by the current market price at the date of the transaction. The recoverable amount of the investment was determined to be $16,761,455 resulting in an impairment loss of $30,218,545

The deemed cost of the business combination as a result of the reverse acquisition accounting on consolidation was $ This was comprised of the value of the units acquired and the value of Lifestyle Communities Limited shares prior to the acquisition.

	Shares on issue prior to combination	Share Price 23/05/2007	
Cost	201,807,137.00	0.054	10,897,585
Value of Net Assets Prior to consolidation			700,881
Goodwill			**10,196,704**

27 Fair Value and Interest Rate Risk

(a) Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair value unless otherwise stated in the applicable notes

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk

CONSOLIDATED		Fixed interest rate				Weighted average
2007		Maturing on				Effective interest rate
	Floating Interest Rate $	1 year or Less $	Over 1 to 5 Years $	Non-Interest $	Total $	Floating %
Financial assets						
Cash	768,915	–	–	–	768,915	3.65
Financial liabilities						
Interest bearing loans and borrowings	4,860,059	–	–	–	–	8.93
2006						
	Floating Interest Rate $	1 year or Less $	Over 1 to 5 Years $	Non-Interest $	Total $	Floating %
Financial assets						
Cash	207,526	–	–	–	207,526	3.65
Financial liabilities						
Interest bearing loans and borrowings	4,357,397	–	–	–	3,842,662	7.51

PARENT		Fixed interest rate				Weighted average
2007		Maturing on				Effective interest rate
	Floating Interest Rate $	1 year or Less $	Over 1 to 5 Years $	Non-Interest $	Total $	Floating %
Financial liabilities	–	–	–	–	–	–
Interest bearing loans and borrowings	143,159	–	–	–	143,159	3.65
2006						
	Floating Interest Rate $	1 year or Less $	Over 1 to 5 Years $	Non-Interest $	Total $	Floating %
Financial assets						
Cash	1,062,993	–	–	–	1,062,993	3.65

28 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 Groups land.

These non-cancellable leases have remaining terms of between 89 and 90 years. 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 30 June 2007 are as follows

	Consolidated		Parent	
	2007 $A	2006 $A	2007 $A	2006 $A
Within one year	584,882	584,882	–	–
After one year but not more than five years	2,331,499	2,331,499	–	–
After more than five years	48,959,472	49,544,354	–	–
Total minimum lease payments	**51,875,853**	**52,460,735**	**–**	**–**

Hire purchase commitments – Group as lessee

The Group has entered into a hire purchase on a Toyota Bus with a carrying value of $40,599 and a Toro with a carrying value of,7455. The Hire purchase contracts expire within 4 years.

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

	Consolidated		Parent	
	2007 A$	2006 A$	2007 A$	2006 A$
Within one year	6,447	19,027	–	–
After one year but not more than five years	–	28,170	–	–
After more than five years	–	–	–	–
Total minimum lease payments	**6,447**	**47,197**	**–**	**–**

29 Events after the Balance Sheet Date

There were no adjusting or non-adjusting events to report at the date of report.

30 Auditors' Remuneration

The auditor of Lifestyle Communities Limited is Ernst & Young.

Amounts received or due and receivable for:

	Consolidated		Parent	
	2007 A$	2006 A$	2007 A$	2006 A$
• An audit review of the financial report of the entity and any other entity in the consolidated group.				
• paid	54,810	11,000	34,810	25,094
• payable	–	–	–	–
• Other services in relation to the entity and any other entity in the consolidated group.	35,930	–	28,830	18,200
Tax compliance				
• paid	25,650	2,382	23,150	–
• payable				
Special audits required by regulators				
	116,390	**13,382**	**86,790**	**43,294**

Directors' declaration

In accordance with a resolution of the directors of Lifestyle Communities Limited, I state that:

1 In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards 3 and Corporations Regulations 2001;and

(b) 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 to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2007.

On behalf of the Board

James Kelly

James Kelly
Director
Melbourne, 28 September 2007

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Independent auditor's report to the members of Lifestyle Communities Limited

We have audited the accompanying financial report of Lifestyle Communities Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 9 to 10 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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 [and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion
In our opinion:

1. 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 financial position of Lifestyle Communities Limited and the consolidated entity at 30 June 2007 and of their 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*.

2. the remuneration disclosures that are contained on pages 9 to 10 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Don Brumley
Partner
Melbourne
27 September 2007

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 30 August 2007

(a) Distribution of equity securities

(i) Ordinary share capital
- 269,893,211 fully paid ordinary shares are held by 2,924 individual shareholders.

(ii) Options
- 6,000,000 options are held by 15 individual option holders. ASX 4.10.16

Options do not carry a right to vote

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

	Fully paid Ordinary Shares	Options
1-1,000	1,490	–
1,001-5,000	696	–
5,001-10,000	155	–
10,001-100,000	511	–
100,001 and over	72	–
	2,924	**–**
Holding less than a marketable parcel	1,991	–

(b) Substantial shareholders

Ordinary Shareholders	Fully Paid Number	Percentage
BS Carter Investments Pty Ltd	72,500,000	26.66
Daken Investments Pty Ltd	72,500,000	26.66
MasonKelly Pty Ltd	72,500,000	26.66
	217,500,000	**79.98%**

ASX additional information

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid Number	Percentage
BS Carter Investments Pty Ltd	72,500,000	26.86
Daken Investments Pty Ltd	72,500,000	26.86
Masonkelly Pty Ltd	72,500,000	26.86
Carpar Investments Pty Ltd	7,000,000	2.59
Asia Pacific Links	5,922,250	2.19
Lifestyle Brookfield Pty Ltd`	1,941,250	0.72
Mahsor Holdings Pty Ltd	1,391,000	0.52
BS Carter Superannuation Pty Ltd	1,264,625	0.47
Paranthoiene Superannuation Pty Ltd	1,264,625	0.47
ANZ Nominees Limited	1,212,250	0.45
Stratpro Pty Ltd	1,006,000	0.37
Monessa Gulf Pty Ltd	1,000,067	0.37
Invia Custodian Pty Limited	766,955	0.28
Mr John Haddon Mitchell	750,000	0.28
Ms Nada Saade	468,500	0.17
LA Design Pty Ltd	375,000	0.14
Marshall-Roth Investments Pty Ltd	350,000	0.13
Mr WN Milner & Mrs MJ Milner	350,000	0.13
The Big Deal Company Two Pty Ltd	305,707	0.11
Photorange Pty Ltd	275,000	0.10
	243,143,229	**90.07**

ASX additional information

Additional information required by the Australian Stock Exchange Ltd. not shown elsewhere in this report is as follows. The information is as at 13 September 2007 (as the most practicable date close to the date of this report).

Shareholder Register

Rank	Name	Units	% of Issued Capital
1	B S CARTER INVESTMENTS PTY LTD	72,500,000	26.86
2	DAKEN INVESTMENTS PTY LTD	72,500,000	26.86
3	MASONKELLY PTY LTD	72,500,000	26.86
4	CARPAR INVESTMENTS PTY LTD	7,000,000	2.59
5	ASIA PACIFIC LINKS LTD	5,922,250	2.19
6	LIFESTYLE BROOKFIELD PTY LTD <LIFESTYLE BROOKFIELD LAND AC>	1,941,250	0.72
7	MAHSOR HOLDINGS PTY LTD <ROSHAM FAMILY SUPER A/C>	1,391,000	0.52
8	B S CARTER SUPERANNUATION PTY LTD <CARTER SUPER FUND A/C>	1,264,625	0.47
9	PARANTHOIENE SUPERANNUATION PTY LTD <PARANTHOIENE SUPER FUND A/C>	1,264,625	0.47
10	ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,212,250	0.45
11	STRATPRO PTY LTD <CRAIG DAWSON FAMILY NO 2 A/C>	1,006,000	0.37
12	MONESSA GULF PTY LTD	1,000,067	0.37
13	INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	766,955	0.28
14	MR JOHN HADDON MITCHELL	750,000	0.28
15	MS NADA SAADE	468,500	0.17
16	L A DESIGN PTY LTD	375,000	0.14
17	MARSHALL-ROTH INVESTMENTS PTY LTD	350,000	0.13
18	MR WAYNE NORMAN MILNER + MRS MICHELLE JOSEPHINE MILNER <MILNER SUPER FUND A/C>	350,000	0.13
19	THE BIG DEAL COMPANY TWO PTY LTD <DIMITROPOULOS FAMILY A/C>	305,707	0.11
20	PHOTORANGE PTY LTD <PHOTOFIT P/L S/FUND A/C>	275,000	0.10
	Top 20 holders	**243,143,229**	**90.07**
	Others (2,895 shareholders)	**26,749,982**	**9.93**
	Total Shares on Issue	**269,893,211**	**100%**

As at 31 August 2007 (as the most practicable date close to the date of this report).

ASX additional information

Range of Shares

***G1 / Ordinary, Employee**

	Range	Total Holders	Units	% Issued Capital
	1-1,000	1,490	565,207	0.21
	1,001-5,000	696	1,685,483	0.62
	5,001-10,000	155	1,202,858	0.45
	10,001-100,000	511	14,799,019	5.48
	100,001-9,999,999,999	72	251,640,644	93.24
Rounding				**0.00**
Total		**2,924**	**269,893,211**	**100.00**

Voting Rights

All ordinary shares carry one vote per share without restriction.

Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	104 Tope Street South Melbourne VIC 3205 Australia
Directors	B. Redden – Non-executive Chairman J. Kelly – Managing Director B. Carter – Director of Finance D. Perlov – Director of Operations D. Paranthoiene – Non-executive Director
Company Secretary	R. South
Principal Place of Business	104 Tope Street South Melbourne VIC 3205 Australia Phone 61 3 9682 2249 Web: www.lifestylecommunities.com.au
Share Register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 Facsimile 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 360 Collins Street Melbourne VIC 3000
Auditors	Ernst & Young Australia