



Village Clubhouse

2009

ANNUAL REPORT 2009



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Lifestyle Communities Limited
ABN 11 078 675 153
ASX Code: LIC

Chairman's Report

For 2008/09 Financial Year

Dear Shareholder,

Lifestyle Communities Limited is pleased to report a very strong year for the company, despite possibly the most severe financial crisis the world has seen.

As detailed in the 2008/09 Annual Report, your Board is pleased to report some significant milestones during in the last 12 months, which I believe will lay the foundation for continued strong financial performance of the company.

It is particularly pleasing to report a Net Profit After Tax of \$705,000. This result includes a one-off loss on the sale of land at Lynbrook of \$3.0m incurred during the first half of the year. It is important to recognise the second half of the financial year produced a Net Profit After Tax of over \$3.0m, which your Directors believe reflects the current underlying performance of the business.

Throughout the year, the Board has continually reviewed strategy and risk in light of the global financial crisis, resulting in some decisions to financially strengthen the company. In particular, the sale of land for a future village at Lynbrook was a prudent decision and has contributed to significantly reducing company net debt levels from a peak of over \$36m in December 2008 to \$22.7m as at 30 June 2009.

While the improved financial performance is most heartening, the most critical fact for all shareholders is that the fundamentals of our business opportunity continue to be reinforced based on recent statistics:

Up to 2015, more Australians over 60 will be retiring from the workforce than entering it;

- More than 80% of retiring Australians will rely solely on the Federal Government Pension and Rental Assistance as they have insufficient or no retirement savings and
- Research indicates that access to safe, secure and affordable housing in close proximity to family and services will remain a priority for those over 55.

The successful launch of two new Lifestyle Villages at Tarneit and Warragul was an operational highlight of the year and with Lifestyle Village Brookfield at Melton in its final stages, advanced planning for future villages is well under way to ensure the ongoing growth of the company.



Critical to the success of the business have been the efforts of the entire team at Lifestyle Communities, who have the responsibility to develop, build and sell new villages, as well as manage the operations for existing residents and ensure they obtain the full benefits of

living within our villages. On behalf of all shareholders, I would like to thank them for their loyalty and contribution to building a successful company with a great future.

As Chairman, I would also like to take this opportunity to thank my fellow Directors for their contribution, support and energy to grow the financial strength of Lifestyle Communities and secure future value for all shareholders.

I encourage you to read the Annual Report and I look forward to your participation in our forthcoming Annual General Meeting, the details of which are set out elsewhere in this Report.

I look forward to your continued support of the Company.

Yours sincerely

A handwritten signature in black ink that reads "David Paranthoene". The signature is fluid and cursive, with a small blue circular stamp or mark above the end of the name.

David Paranthoene

Chairman

20 August 2009



Managing Director's Report

Dear Shareholder,

The strong growth in the Lifestyle Communities business and operating profit for the year was the result of a single minded focus on delivering affordable accommodation to the over 55's market. The second half of the year was more representative of the business moving forward, benefited from the opening of two additional villages being Lifestyle Seasons in Tarneit and Lifestyle Warragul.

In addition, the business has indirectly benefited from the strength of the sub \$320,000 residential property market as it has assisted our customers in selling their existing homes. This in turn has enabled our customer to complete the settlement with Lifestyle Communities sooner, further contributing to a strong operating performance.

Given the economic conditions that were prevalent during the financial year, the sales rate that was achieved at the three villages under construction was strong, with sales in the second half of the financial year ahead of expectations. At the end of the financial year, Lifestyle Communities had six months of its forecast FY2010 revenue in hand in the form of customer deposits and executed contracts.

Some of the key highlights for the financial year include:

- ✓ Achieved an EBITDA (Earnings before Interest, Tax, Depreciation & Amortisation) of \$1.7m (\$2.1m 2008), however after reversing the \$3.0m Lynbrook loss on the sale of land, the normalised EBITDA for 2008/09 is \$4.3m;
- ✓ Recorded a Net Profit After Tax (NPAT) of \$705,000, with the second half alone delivering a NPAT over \$3.0m;
- ✓ Reduced net debt from a peak of over \$36.0m in December 2008 to \$22.7m at 30 June 2009;
- ✓ Received second half unit settlements income of \$8.3m compared with \$4.7m for first half;
- ✓ Received \$1.2m in site rental income compared with \$761,000 for the previous financial year;
- ✓ Opened the Lifestyle Seasons Village in Tarneit and Lifestyle Warragul; and
- ✓ Successfully raised \$6m through a non renounceable rights issue and share placement.



Lifestyle Communities now has a number of villages in various stages of management, development and planning.

- Brookfield Village, with 229 sites available continues to perform well with the village having less than 40 of its remaining sites to sell and over 245 residents living in the village.
- Lifestyle Seasons village in Tarneit and Lifestyle Warragul villages were opened in December 2008 with residents moving in the same month. More than 30% of the Lifestyle Seasons village is committed or sold and more than 25% of the Lifestyle Warragul village is committed or sold.
- The Lifestyle Shepparton village is currently scheduled to commence mid 2011.
- The land set aside for the development of the Lifestyle Communities village in Lynbrook was sold during the financial year and no longer forms part of the forward development program, which resulted in a one off loss on disposal of \$3.0m.
- The option to purchase land in Bendigo to lapse as the proposed rezoning of the site to suit a Lifestyle Communities development was not successful.
- A 50/50 joint venture agreement on a site in Cameron Street, Cranbourne has been entered into. The joint venture is conditional on achieving a planning permit and suitable finance. Subject to this we expect the project to commence in the last quarter of the financial year.
- Negotiations are underway to secure additional sites for Lifestyle Villages and the company may continue to pursue joint venture opportunities to lower future capital requirements.

Outlook

The Lifestyle Communities business performed well during the financial year. Enquiries for all villages remains strong with sales rates at Brookfield Village the same or better than last year and sales at Warragul and Tarneit on target. With revenues now flowing through from the 3 villages we are selling at Brookfield, Tarneit and Warragul, we believe the company will deliver further growth in earnings during 2010.

The Global Financial Crisis has meant the State and Federal Governments have supported first home buyers with cash grants. In addition to the ongoing shortage of homes in the outer suburbs, these grants have had a positive impact on residential real estate and assisted Lifestyle Communities customers who are selling homes prior to moving into a Lifestyle Communities' village.

Lifestyle Communities is on track to complete and settle approximately 100 homes in FY2010 financial year with the company planning to commence the development on a new village every 12 to 18 months to ensure that this sales rate is maintained into future periods. The company maintains a conservative view on debt and will manage the roll out of new villages in line with this view.



Conclusion

Lifestyle Communities remains on track to continue to deliver affordable housing to people over the age of 55 and is pleased with the operating performance of the business. General economic conditions remain challenging; however our experience is that the more affordable end of the retirement and general housing market remains stable.

The year ahead promises to be challenging and bar anything unforeseen arising, Lifestyle Communities will meet its sales and settlement budgets and expectations. I look forward to keeping you informed on our progress throughout the year.

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

James Kelly
Managing Director
20 August 2009



Directors' Report

Your directors submit their report for the financial year ended 30 June 2009.

Directors

The names of the company's Directors in office during the year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

David Paranthoene, Chairman

Formerly Managing Director of Namberry Limited, David became a Non-Executive Director of Lifestyle Communities Limited in 2007 and chairman in February 2008. David was a founding principal of the Australian Stock Exchange listed telecommunications company Pracom Limited, spending more than 21 years in senior leadership roles including that of Managing Director. He brings to Lifestyle Communities Limited extensive experience in business operations within services enterprises.

James Kelly, Managing Director

James was appointed Managing Director in 2007. With over 27 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.

Bruce Carter, Executive Director Finance

A founding member of Lifestyle Communities Limited, Bruce has more than 22 years experience in financial and business management. He was the co-founder of Australian Stock Exchange listed telecommunications company Pracom Limited, serving as Joint Managing Director from 1988 to 2002. Bruce brings to Lifestyle Communities Limited extensive knowledge and experience of building and operating complex Australian Stock Exchange listed companies.

Dael Perlov, Executive Director Operations

A founding member of Lifestyle Communities Limited, Dael was appointed as Executive Director, Operations in 2007. With more than 20 years sales and marketing experience, Dael has a strong background in business innovation; his experience in service delivery to both consumer and corporate markets is invaluable in establishing the robust systems and procedures needed to operate Lifestyle Communities Limited.



Tim Poole, Non-Executive Director

Tim was appointed to the board of Lifestyle Communities Limited, as a Non-Executive Director in November 2007. He has a Bachelor of Commerce from University of Melbourne and is a Chartered Accountant. Tim is Chairman of Asciano Group, Non-Executive Director of Newcrest Mining Limited and a Director of Victorian Racing Club Limited. He is also a Member of the Investment Committee of the industry superannuation fund AustralianSuper and a Member of the LEK Consulting Advisory Board. Formerly, he was the Managing Director of Hastings Funds Management.

Ray South, Company Secretary

Ray is a Chartered Accountant, Fellow of the Institute of Chartered Accountants, Fellow of the Chartered Institute of Secretaries and Fellow of the Australian Society of Certified Practising Accountants. Ray has not held any directorships in any other listed entities during the past three 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 Limited in 2007 bringing both practical and technical skills gained by 22 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.



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

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

Director	Fully Paid Ordinary Shares	Options over Ordinary Shares
Bruce Cater	106,559,042	1,500,000
Dael Perlov	84,266,652	Nil
James Kelly	101,716,417	Nil
David Paranthoiene	6,370,646	1,500,000
Tim Poole	6,845,334	4,000,000

Dividends

The Lifestyle Communities directors have resolved not to pay a dividend in respect of the 2009 financial year. Directors believe it is prudent to retain cash in the business for the ongoing ability to pay down debt and to continue to develop the company.

Principal Activities

The principal activities of the business have not changed during the financial year ended 30 June 2009 and the company remains focused on creating and managing master planned residential villages for active, independent people aged 55 and over.

Operating & Financial Review

Significant Operating Results

- Revenues: \$14.8m (\$8.8m 2008)
- Earnings before Interest Tax Depreciation Amortisation and loss on sale \$4.7m (\$2.1m 2008)
- Net profit after tax for the year: \$705,000 (loss \$2.9m 2008)
- Net Assets at the end of the year: \$22.1m (\$15.2m 2008)
- Closing Debt \$24.6m (\$27.1m 2008)

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



Outlook – Future Activities

The financial results for the full year of operations are pleasing and complementary to the medium term plan of developing a consistent annuity income stream from occupied sites across multiple villages.

Our focus has been and continues to be on delivering affordable villages for over 55's that offer:

- Community links to allow people to stay engaged with friends, neighbours and family;
- Affordability and the ability to live well;
- Designs that are appropriate to the needs of our customers as they get older;
- A safe and secure environment;
- A sense of neighbourhood that encourages social interaction; and
- Easy access to public transport, doctors, and shops.

These factors are some of the key drivers behind the Lifestyle Communities business plan to build and operate independent living communities targeting those people who are over 55 years of age.

Your Directors therefore believe that the business will continue to grow at a managed and sustainable level, in line with the availability of sites and the needs of the population as it continues to age.

This year's profit performance highlights the progress of the business. The Directors' focus over the next 12 months is to continue to concurrently build and sell at multiple sites to generate a substantial ongoing rental income stream with a focus on profit maximisation as well as ensuring that the business always delivers a high level of service to Lifestyle Communities residents.

The Board has a strong belief in the future demand for the lifestyle that is delivered within our residential villages and with recent increases in the price of land and rising building costs, Lifestyle's affordable independent living will become increasingly attractive to many prospective customers.

Significant Changes in the State of Affairs

During the year ended 30 June 2009, there have been not significant changes to the business.

Significant Events after the Balance Date

On the 17th August 2009, the company announced that it had entered into a conditional joint venture agreement to develop an over 55's residential village in Cameron Street, Cranbourne, Victoria.



As part of the arrangement, Lifestyle Communities will acquire a 50% interest in the Cameron Street site for approximately \$3.65 million and enter into additional agreements for Lifestyle Communities to develop, manage and operate the village on the completion of the development.

The purchase of the 50% interest in the land and the joint venture agreement is conditional on a planning permit for an over 55's residential village being issued and the joint venture being able to secure appropriate finance.

Likely Developments and Expected Results

Directors will continue to focus on opportunities to build shareholder value.

Lifestyle Communities has an exciting year ahead. Brookfield Village is in its last stage of new home sales. Both the Tarneit and Warragul villages are expected to complete their second stages of sales and welcome many more new residents into the villages. All three villages are already generating recurring revenue and we expect this to result in the company delivering revenue and earnings (EBITDA) growth in the 2010 year.

Environmental Regulation and Performance

No significant Environmental Regulations or Performance Targets have been encountered during the reporting period.

Indemnification and Insurance of Directors and Officers

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

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



Directors' Meetings

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

Directors' Meetings

	No. of Meetings in year ended 30 June 2009	
	Held	Attended
D. Paranthoiene	13	13
B. Carter	13	13
D. Perlov	13	13
J. Kelly	13	13
T. Poole	13	13

Audit Committee Meetings

	No. of Meetings in year ended 30 June 2009	
	Held	Attended
D. Paranthoiene	2	2
T. Poole	2	2

Remuneration Committee Meetings

	No. of Meetings in year ended 30 June 2009	
	Held	Attended
D. Paranthoiene	1	1
T. Poole	1	1



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 D. Paranthoienne and T. Poole.

Remuneration Committee Membership

As at the date of this report, the Company had a Remuneration Committee. Members acting on the Remuneration Committee of the board during the year were D. Paranthoienne and T. Poole.

Corporate Governance

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

Auditor Independence and non-audit Services

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



Non-audit Services

The Company's auditor, Pitcher Partners, provided Tax Compliance Services at a cost of \$3,150. The Directors are satisfied that the provision of this non-audit service is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of this non-audit service means that auditor independence was not compromised.

Remuneration Report (Audited)

The Remuneration Report has been subject to audit. It outlines the remuneration arrangements in place for Directors and Executives of the Company.

Compensation of Key Management Personnel

The Company has established a Remuneration Committee and utilises the remuneration philosophy and policies listed below. Given that the business is in the early stage of development, the board has decided that the most appropriate performance hurdle, at this stage, is the company share price which impacts on the value of options issued.

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 2007 when shareholders approved an aggregate remuneration of \$1,000,000 per year however Non-Executive Directors fees have been significantly less than this amount during 2008/09. Each Director normally receives a fee for being a director of the company. The remuneration of Non Executive Directors for the period ended 30 June 2009 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.

(iii) Structure

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

Compensation of Key Management Personnel

(i) Employment contracts

Executive Directors

All Executive Directors are employed under a 3 year contract. The current employment contracts commenced on 22 May 2007. Under the terms of the present contracts Executive Directors may resign from their positions and thus terminate their 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 or providing payment in lieu of the notice period (based on the fixed component of their remuneration plus entitlements).



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



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

30 June 2009	Short Term				Post Employment	Long Term	Share Based Payment	Total Performance Related	Total	
	Salary & Fees \$	Cash Bonus \$	Non Monetary \$	Other \$	Super \$	Retirement Benefits \$	Incentive Plans \$	Options \$	%	\$
Directors										
D Paranthoiene	60,000	-	-	-	-	-	-	-	-	60,000
T Poole	29,999	-	-	-	2,700	-	-	128,604	79.7	161,303
B Carter	154,128	-	-	-	13,871	-	-	-	-	167,999
J Kelly	220,183	-	-	-	19,816	-	-	-	-	239,999
D Perlov	220,183	-	-	-	19,816	-	-	-	-	239,999
Executives										
J Romeo	165,137	-	-	-	14,862	-	-	-	-	179,999
Total	849,630	-	-	-	71,065	-	-	-	-	920,695



(iii) Compensation of Directors and Key Management Personnel (Consolidated) for the year-ended 30 June 2008

30 June 2008	Short Term				Post Employment		Long Term	Share Based Payment	Total Performance Related	Total
	Salary & Fees \$	Cash Bonus \$	Non Monetary \$	Other \$	Super \$	Retirement Benefits \$	Incentive Plans \$	Options \$	%	\$
Directors										
D Paranthoiene	48,000	-	-	-	-	-	-	-	-	48,000
T Poole	24,555	-	-	-	2,210	-	-	87,733	76.6	114,498
B Carter	127,828	-	-	-	11,504	-	-	-	-	139,332
J Kelly	180,427	-	-	-	16,239	-	-	-	-	196,666
D Perlov	180,427	-	-	-	16,239	-	-	-	-	196,666
B Redden ⁽¹⁾	67,500	-	-	-	-	-	-	-	-	67,500
Executives										
J Romeo	153,431	-	-	-	13,809	-	-	-	-	167,240
	782,168	-	-	-	60,001	-	-	87,733		929,902

(1) Mr Redden resigned as Chairman on 5 February 2008

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



Options granted as part of remuneration for the year ended 30 June 2009

As at the date of this report, there were 10,250,000 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding.

The fair value per option is \$0.1151 as at date of the grant.

For details on the valuation of the options, including models and assumptions used, please refer to note 28.

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

There were no forfeitures during the period.

Signed in accordance with a resolution of the Directors.

On behalf of the Board

David Paranthoiene
Chairman
20 August 2009

James Kelly
Managing Director
20 August 2009

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of Lifestyle Communities Limited

In relation to the independent audit for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

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



S D WHITCHURCH
Partner
20 August 2009



PITCHER PARTNERS
Melbourne



Corporate Governance Statement

The Board of Directors of Lifestyle Communities Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

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

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

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

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

1. Lay Solid Foundations for Management and Oversight

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

The Board's activities are governed by the Board Charter and the Board Code of Conduct. All Board members are entitled to obtain independent professional advice after advising the other Directors of the intention to do so. David Paranthoienne and Tim Poole are non-executive Directors. Messrs Perlov, Kelly & Carter are all significant shareholders, they are executive directors and involved in the day-to-day operations of the Company.

It is the responsibility of management to administer the company in accordance with the directions and policies of the Board and within the powers delegated by the Board.



The responsibilities of the Board are set out in the Board Charter which can be viewed on the company's website. The company has established the functions delegated to senior executives as part of their employment contracts and as such the company considers them to be confidential.

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

2. Structure the Board to Add Value

The Board comprises a Non-executive Chairman and three executive directors and a non-executive director whose qualifications and experience are set out in the Directors Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. Of the two non-executive directors, Mr Tim Poole is considered to be independent as defined in the ASX Guidelines. Mr D Paranthoienne, who is not an independent director as defined in the ASX Guidelines, is Chairman. Mr J Kelly is CEO of the company.

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

The company has no formal performance evaluation procedure for the Board. The informal, ongoing self evaluation by the Board is appropriate for its size.

The functions of a nomination committee are carried out by the Remuneration and Nomination Committee the Charter for which is available on the company's website. Messrs Paranthoienne and Poole form this committee and both have attended two meetings out of two. The company has no formal procedure or policy for the selection and appointment of new directors as this is considered appropriate to the requirements of a small company. Re-election of directors is carried out in accordance with the Listing Rules and the company's Constitutions.

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

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



3. Promote Ethical and Responsible Decision-making

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

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

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

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

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

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

They should also wait at least 2 business days after the relevant release so that the market has had time to absorb the information.

The Company's Trading Policy, which is in accordance with the ASX Corporate Governance Principles, may be viewed on the Company's website.

The Board recognises the legitimate interests of shareholders, employees and other stakeholders.

Lifestyle Communities Ltd will work closely with relevant community groups and people to identify significant cultural and heritage sites and any impact the Company's activities may have on them.



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

Specifically, Lifestyle Communities Ltd will:

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

4. Safeguard Integrity in Financial Reporting

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

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

D Paranthoienne	2 out of 2
T Poole (Independent Director)	2 out of 2

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

5. Make Timely and Balanced Disclosure

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



- Continuous disclosure to the ASX. Lifestyle Communities is committed to maintaining full and proper disclosure to its shareholders and the market in general. This is addressed in the Disclosure Policy adopted by the Board which is available in the company's Governance Manual on the website, and through the appointment of a disclosure officer who has accountability for ensuring that timely and appropriate disclosure is continuously addressed.
- Meetings. The Company holds a general meeting each year and copies of the Managing Director's address are placed on the ASX and Lifestyle Communities 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.
- www.lifestylecommunities.com.au. The Lifestyle Communities website provides comprehensive information regarding the Company's operations. It also includes an investor section with current reports. Historical reports are available upon request.

6. Respect the Rights of Shareholders

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

The company maintains a website on which is placed company announcements, the Annual Report and company policies. The Governance Manual on the company's website contains the company's communications policy.

The auditor is invited to the Annual General Meeting for the purpose of answering shareholders' questions.

7. Recognise and Manage Risk

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



The Board's strategy covers the areas of Financial Risk, Operational Risk, Insurance and Internal Control. The company has not appointed a Risk Management Committee due to the importance the Board places on risk mitigation. In addition, the small size of the Board makes it appropriate for the full board to manage this area.

Financial Risk

The Board receives regular financial reports which measure performance and trends against budget. The reports are discussed at Board Meetings and the Chief Financial Officer answers questions posed by the Directors. Any variations from budget are highlighted, explained and evaluated. This scrutiny is appropriate to a company of the size of Lifestyle Communities Ltd. In addition to monthly financial reporting, the company has in place policies to manage credit and other business risks. Non-executive Directors meet at appropriate times with the external auditor in order to fulfil the Audit Committee Charter. This Charter may be viewed on the company's website.

Operational Reporting

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

Insurance

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

Internal Control and Audit

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

Declaration by the Managing Director and Chief Financial Officer

In accordance with Governance Recommendation 7.1, both the Managing Director and Chief Financial Officer sign the following declaration in the presence of the Board prior to the Board accepting the Financial Results each year:



- in accordance with the Corporations Act 2001 section 295A, I declare that to the best of my knowledge and belief:
- the financial records of the disclosing entity for the financial year have been properly maintained in accordance with section 286; and
- the financial statements, and the notes for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view; and
- any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.

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

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

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

8. Remunerate fairly and responsibly.

The Company has established a Remuneration and Nomination Committee.

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

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



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

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

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

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

Signed by the Managing Director and Chief Financial Officer

James Kelly
Managing Director

Jenny Romeo
Chief Financial Officer



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.

LIFESTYLE COMMUNITIES LIMITED

Income Statement

For the year ended 30 June 2009

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		A\$	A\$	A\$	A\$
Sale of units		13,016,088	7,041,148	-	-
Rental revenue		1,196,780	761,740	-	-
Deferred management fee		609,307	1,001,681	-	-
Finance revenue		21,886	71,135	12,182	40,416
Revenue		<u>14,844,061</u>	<u>8,875,704</u>	<u>12,182</u>	<u>40,416</u>
Cost of sales		(9,133,325)	(3,881,241)	(2,838)	-
Gross profit		<u>5,710,736</u>	<u>4,994,463</u>	<u>9,344</u>	<u>40,416</u>
Other income	7	3,003,512	20,085	-	680
Development expenses		(999,586)	(681,638)	-	-
Village management expenses		(640,022)	(308,111)	-	-
Corporate overheads		(2,578,065)	(1,951,635)	(2,123,985)	(524,877)
Finance cost other than distributions to Brookfield Development unit holders	8	(387,072)	(373,635)	(5,173)	(80,149)
Loss on sale of investments	9	(3,077,109)	-	-	-
Impairment of Intangibles	6	-	(3,029,817)	-	-
Impairment of investment in subsidiaries	6	-	-	-	(8,165,205)
Profit before income tax		<u>1,032,394</u>	<u>(1,330,288)</u>	<u>(2,119,814)</u>	<u>(8,729,135)</u>
Income tax (expense)/benefit	10	(326,988)	(290,332)	618,675	86,988
Net profit before distribution to Brookfield Development unit holders		<u>705,406</u>	<u>(1,620,620)</u>	<u>(1,501,139)</u>	<u>(8,642,147)</u>
Distribution to Brookfield Development unit holders	8	-	(1,320,000)	-	-
Net profit attributable to members of the parent		<u><u>705,406</u></u>	<u><u>(2,940,620)</u></u>	<u><u>(1,501,139)</u></u>	<u><u>(8,642,147)</u></u>
Earnings per share		cent	cent		
Basic earnings per share	12	0.180	(0.996)		
Dilutive earnings per share	12	0.180	(0.996)		

LIFESTYLE COMMUNITIES LIMITED

Balance Sheet

As at 30 June 2009

Note	CONSOLIDATED		PARENT		
	2009 A\$	2008 A\$	2009 A\$	2008 A\$	
ASSETS					
Current assets					
Cash and cash equivalents	13	2,075,962	423,409	1,994,791	200,287
Trade and other receivables	14	309,168	485,113	41,514,830	33,347,450
Inventories	15	17,118,044	3,242,655	-	-
Other current assets	16	67,615	34,366	45,266	13,767
Total current assets		<u>19,570,789</u>	<u>4,185,543</u>	<u>43,554,887</u>	<u>33,561,504</u>
Non-current assets					
Deferred management fee	14	1,378,910	889,088	-	-
Investments in subsidiaries	17	-	-	8,751,551	8,751,551
Property and equipment	18	5,640,086	25,751,314	237,916	11,228
Investment properties	19	22,886,235	15,400,978	-	-
Deferred tax asset	10	-	438,485	1,091,851	432,136
Total non-current assets		<u>29,905,231</u>	<u>42,479,865</u>	<u>10,081,318</u>	<u>9,194,915</u>
TOTAL ASSETS		<u>49,476,020</u>	<u>46,665,408</u>	<u>53,636,206</u>	<u>42,756,419</u>
LIABILITIES					
Current liabilities					
Trade and other payables	21	2,216,194	3,720,375	274,439	13,758
Interest-bearing loans and borrowings	23	112,701	27,117,282	8,735,271	27,506,943
Provisions	22	235,020	232,229	-	-
Income tax payable	10	-	15,577	9,589	15,577
Total current liabilities		<u>2,563,914</u>	<u>31,085,463</u>	<u>9,019,299</u>	<u>27,536,278</u>
Non-current liabilities					
Interest-bearing loans and borrowings	23	24,526,062	-	24,687,695	-
Provisions	22	89,808	56,378	-	-
Deferred tax liability	10	160,479	303,426	-	-
Total non-current liabilities		<u>24,776,349</u>	<u>359,804</u>	<u>24,687,695</u>	<u>-</u>
TOTAL LIABILITIES		<u>27,340,263</u>	<u>31,445,267</u>	<u>33,706,994</u>	<u>27,536,278</u>
NET ASSETS		<u>22,135,757</u>	<u>15,220,141</u>	<u>19,929,212</u>	<u>15,220,141</u>
EQUITY					
Contributed equity	24	24,214,692	18,141,367	129,872,951	123,799,626
Reserves	25	303,351	166,466	44,859,680	44,722,795
Accumulated losses	25	(2,382,286)	(3,087,692)	(154,803,419)	(153,302,280)
TOTAL EQUITY		<u>22,135,757</u>	<u>15,220,141</u>	<u>19,929,212</u>	<u>15,220,141</u>

LIFESTYLE COMMUNITIES LIMITED

Statement of Changes in Equity

For the year ended 30 June 2009

	Note	CONSOLIDATED		PARENT	
		2009 A\$	2008 A\$	2009 A\$	2008 A\$
Total Equity at the beginning of the year		<u>15,220,141</u>	<u>11,818,346</u>	<u>15,220,141</u>	<u>17,519,874</u>
Employee share options	25	136,885	98,936	136,885	98,936
Net income recognised directly in equity		<u>136,885</u>	<u>98,936</u>	<u>136,885</u>	<u>98,936</u>
Profit / (loss) for the year		705,406	(2,940,620)	(1,501,139)	(8,642,147)
Total recognised income and expense for the period		<u>842,291</u>	<u>(2,841,684)</u>	<u>(1,364,254)</u>	<u>(8,543,211)</u>
Attributable to:					
Members of the parent		842,291	(2,841,684)	(1,364,254)	(8,543,211)
Minority interest		-	-	-	-
		<u>842,291</u>	<u>(2,841,684)</u>	<u>(1,364,254)</u>	<u>(8,543,211)</u>
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	24	72,774	6,146,913	72,774	6,146,912
Rights issue	24	5,959,511	-	5,959,511	-
Tax effect of share / rights issue cost	24	41,040	96,566	41,040	96,566
		<u>6,073,325</u>	<u>6,243,479</u>	<u>6,073,325</u>	<u>6,243,478</u>
Total equity at the end of the year		<u>22,135,757</u>	<u>15,220,141</u>	<u>19,929,212</u>	<u>15,220,141</u>

LIFESTYLE COMMUNITIES LIMITED

Cash Flow Statement

For the year ended 30 June 2009

	Note	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		A\$	A\$	A\$	A\$
Cash flows from operating activities					
Receipts from customers		17,658,934	9,721,786	(32,055)	-
Payments to suppliers and employees		(22,685,416)	(2,297,035)	(1,584,908)	(313,778)
Interest received		21,886	71,137	12,182	40,416
Interest paid		(384,085)	(601,218)	(5,173)	(162,812)
Income Taxes Paid		(47,028)	-	(47,028)	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash flows from/(used in) operating activities	26	<u>(5,435,709)</u>	<u>6,894,670</u>	<u>(1,656,982)</u>	<u>(436,174)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(5,932,254)	(24,289,518)	(271,779)	(10,261)
Purchase of investment properties		-	(6,754,091)	-	-
Proceeds from sale of property, plant & equipment		<u>9,582,680</u>	<u>8,732</u>	<u>-</u>	<u>-</u>
Net cash flows (used in)/from investing activities		<u>3,650,426</u>	<u>(31,034,877)</u>	<u>(271,779)</u>	<u>(10,261)</u>
Cash flows from financing activities					
Proceeds from issue of shares		6,073,326	6,476,800	6,073,326	6,476,800
Proceeds from external borrowings		26,604,573	22,176,818	26,604,573	27,082,723
Repayment of external borrowings		(29,330,262)	-	(29,330,262)	-
Proceeds from hire purchase		90,199	20,518	-	-
Repayment of unit holders		-	(2,200,000)	-	-
Interest paid to unit holder		-	(1,320,000)	-	-
Repayment of directors loans		-	(1,020,913)	-	-
Dividend paid		-	-	-	-
Loans from (payments to) related parties		-	(8,635)	375,628	(32,439,755)
Transaction costs on issue of and buy back of shares		-	(329,887)	-	(329,887)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash flows from financing activities		<u>3,437,836</u>	<u>23,794,701</u>	<u>3,723,265</u>	<u>789,881</u>
Net increase/(decrease) in cash held		1,652,553	(345,506)	1,794,504	343,446
Cash at the beginning of the financial year		<u>423,409</u>	<u>768,915</u>	<u>200,287</u>	<u>(143,159)</u>
Cash at the end of the financial year	13	<u><u>2,075,962</u></u>	<u><u>423,409</u></u>	<u><u>1,994,791</u></u>	<u><u>200,287</u></u>

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 1: CORPORATE INFORMATION

The financial report of Lifestyle Communities Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 20th August 2009.

Lifestyle Communities Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

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

NOTE 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 and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties and deferred management fees which have been measured at fair value. The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Lifestyle Communities Limited and its subsidiaries as at 30 June 2009 (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 the 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 profits 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.

Investments in subsidiaries held by Lifestyle Communities Limited are accounted for at cost in the separate financial statements of the parent entity.

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.

(e) Business combinations

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. 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.

(f) Segment reporting - refer note 5

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 operating 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.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents - refer note 13

Cash and cash equivalents in the balance sheet comprise cash at bank and on 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.

(h) Trade and other receivables - refer note 14

Trade receivables, which generally have 30-60 day terms, are recognised at fair value.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Inventories - refer note 15

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

(j) Investments and other financial assets - refer note 17

Loans and receivables

Loans and receivables 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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(k) Property and equipment - refer note 18

Property is held at cost including improvements.

Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include investment property under construction. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Building - over 30 to 40 years
Office equipment - over 2 to 15 years
Computer software - over 3 years
Motor vehicles - over 4 years
Plant and equipment - over 5 to 15 years
Computer hardware - over 8 years

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

Derecognition

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investment properties - refer note 19

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. Land held for development purposes is classified as investment property.

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.

(m) 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 lessor

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. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Group as a lessee

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of non-financial assets other than goodwill

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

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

(o) Goodwill - refer note 20

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.

Impairment is determined by assessing the recoverable amount of cash-generating unit (group of cash-generating units), to which the goodwill relates.

Lifestyle Communities Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology. Further details on the methodology and assumptions used are outlined in note 20.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit 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.

(p) Trade and other payables - refer note 21

Trade payables and other payables are carried at amortised cost due to their short term nature they are not discounted. 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.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Interest-bearing loans and borrowings - refer note 23

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 at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are capitalised when incurred. Lifestyle Communities Limited currently holds qualifying assets, therefore borrowing costs directly associated with this asset are capitalised (including any other associated costs directly attributable to the borrowing).

(r) Provisions and employee leave benefits - refer note 22

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 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. 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 and annual 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. Expenses 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.

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 that match, as closely as possible, the estimated future cash outflows.

(s) Contributed equity - refer note 24

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.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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 units

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

(ii) Interest revenue

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 revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent 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.

(iv) Deferred management fee

The deferred management fee is payable upon a resident selling their property after a period of occupation of a year and one day. The fee is payable at 15% based on the resale value of the unit.

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

(u) Income tax and other taxes

(i) Income Tax

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:

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax and other taxes (continued)

- 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.

Tax Consolidation

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

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.

(ii) 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.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Earnings per share - refer note 12

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), 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);
- 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.

(w) Comparatives

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

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, market risk, and liquidity risk, The Group uses different methods to measure and manage different types of risks to which it is exposed. These include market forecasts for interest rate. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

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

Risk exposure and responses

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. The level of debt is disclosed in note 20.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated		Parent	
	2009	2008	2009	2008
Financial assets				
Cash and cash equivalents	2,075,962	423,409	1,994,791	200,287
	2,075,962	423,409	1,994,791	200,287
Financial liabilities				
Bank loans	24,526,062	27,320,535	24,687,695	27,475,835
Loans from related parties	1,050	1,050	-	-
	24,527,112	27,321,585	24,687,695	27,475,835
Net exposure	(22,451,150)	(26,898,176)	(22,692,905)	(27,275,548)

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Consolidated				
+1% (100 basis points)	(157,158)	(188,287)	-	-
-0.5% (50 basis points)	78,579	94,144	-	-
Parent				
+1% (100 basis points)	(158,850)	(190,929)	-	-
-0.5% (50 basis points)	79,425	95,464	-	-

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

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

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

Risk exposure and responses (continued)

Interest rate risk (continued)

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Deferred management fee				
Current	133,970	101,553	-	-
Non current	1,378,910	889,088	-	-
	1,512,880	990,641	-	-

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant post tax profit and equity would have been affected as follows:

	Post tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Consolidated				
+1% (100 basis points)	10,590	6,934	-	-
-0.5% (50 basis points)	(5,295)	(3,467)	-	-

Market risk

At balance date, the Group was exposed to market risk (fluctuations in property price) in relation to the deferred management fee receivable.

At 30 June 2009 if property prices had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Consolidated				
+10%	105,902	69,345	-	-
-5%	(52,951)	(34,672)	-	-

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

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

Risk exposure and responses (continued)

Credit risk

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

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

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

Liquidity risk

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

The Group's debt as at 30th June 2009 is outlined at note 23.

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

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
On demand	-	31,680,659	-	27,635,132
6 months or less	18,116	-	-	-
6-12 months	18,116	5,812	-	206,442
Over 1 year	24,750,688	56,379	24,820,064	-
	24,786,919	31,742,849	24,820,064	27,841,574

At balance date, the Group has available \$5,335,236 of unused credit facility available for its immediate use.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 4: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgments

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 investment properties

The Group classifies land and capitalised development costs as held for development, until the land has been developed to the stage that a dwelling can be constructed on it. The land and costs are then transferred to investments and recorded at their fair value.

The estimation of the stage of completion of the individual lots is subjective. Management judgement is used to determine the stage of completion and the according date of transfer.

(ii) Significant accounting estimates and assumptions

Valuation of investment properties

The Group values investment properties at fair value when the land has been developed to the stage that a dwelling can be constructed upon it. Fair value is determined by a combination of the discounted annuity streams associated with the completed home units and the fair value of the land.

Calculation of deferred management fee (DMF)

The deferred management fee is payable upon a resident selling their property after a period of occupation of a year and one day. The fee is payable at 15% based on the resale value of the unit.

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in note 20.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, with the assumptions detailed in note 28. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Change to sales contracts

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

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

\$1,772,333 Transferred from investment property

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 5: SEGMENT INFORMATION

Business segment

The consolidated entity operates within one business segment, being the property development and management 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.

NOTE 6: CORRECTION OF ERRORS & REVISION OF ACCOUNTING ESTIMATES

(a) Correction of error in assessing impairment of goodwill in two previous financial years

The company has investigated its allocation of assets to cash generating units under AASB 3 Business Combinations and AASB 136 Impairment of Assets. As a result it has corrected errors for the years ended 30 June 2007 and 30 June 2008 in which goodwill has been overstated by \$7,166,887 and \$3,029,817 respectively.

The error has been corrected by restating each of the effected financial statement line items for the two prior years as shown in the table below.

Consolidated Balance sheet	Prior period	Impact of	Restated 30	Prior period	Impact of	Restated 30
	30 June 2007	error	June 2007	30 June 2008	error	June 2008
	A\$	A\$	A\$	A\$	A\$	A\$
Goodwill	10,196,704	(7,166,887)	3,029,817	10,196,704	(10,196,704)	-
Non-current assets	19,525,846	(7,166,887)	12,358,959	52,676,569	(10,196,704)	42,479,865
Total assets	29,340,243	(7,166,887)	22,173,356	56,862,112	(10,196,704)	46,665,408
Net assets	18,985,233	(7,166,887)	11,818,346	25,416,845	(10,196,704)	15,220,141
Retained profits	7,019,815	(7,166,887)	(147,072)	7,109,012	(10,196,704)	(3,087,692)
Total equity	18,985,233	(7,166,887)	11,818,346	25,416,845	(10,196,704)	15,220,141

Consolidated Income statement	Prior period	Impact of	Restated 30	Prior period	Impact of	Restated 30
	30 June 2007	error	June 2007	30 June 2008	error	June 2008
	A\$	A\$	A\$	A\$	A\$	A\$
Impairment of intangible asset (IS)	-	(7,166,887)	(7,166,887)	-	(3,029,817)	-
Net profit attributable to the members of the parent	7,274,376	(7,166,887)	107,489	89,197	(3,029,817)	(2,940,620)

The effect of the error on basic and diluted EPS for the two prior years is shown in the table below.

Earnings per share	Prior period	Impact of	Restated 30	Prior period	Impact of	Restated 30
	30 June 2007	error	June 2007	30 June 2008	error	June 2008
	Cents	Cents	Cents	Cents	Cents	Cents
Basic earnings per share	9.871	(9.726)	0.146	0.030	(1.026)	(0.996)
Diluted earnings per share	9.283	(9.146)	0.137	0.029	(1.025)	(0.996)

(b) Correction of prior year errors affecting the parent company

(i) During the reverse consolidation a bank account balance was brought forward which was subsequently found to be in error. This error has now been corrected in the prior year.

(ii) Impairment of investment in subsidiary.

The write off of goodwill in note 6(a) above resulted in an overstatement of investments in subsidiaries in the parent company. This has been corrected by impairing the value of investments in subsidiary by \$8,165,205 in the prior year

(iii) During the reverse consolidation a trade creditor balance was brought forward which was subsequently found to be in error. This error has now been corrected in the prior year.

These errors have been corrected by restating each of the effected financial statement line items for the prior year as shown in the table below.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 6: CORRECTION OF ERRORS & REVISION OF ACCOUNTING ESTIMATES (continued)

(b) Correction of prior year errors affecting the parent company (continued)

Parent Balance sheet		Prior period	Impact of	Restated 30
		30 June 2008	error	June 2008
		A\$	A\$	A\$
Cash and cash equivalents	(i)	188,709	11,578	200,287
Investments in subsidiaries	(ii)	16,916,756	(8,165,205)	8,751,551
Total assets		50,910,045	(8,153,626)	42,756,419
Trade and other payables	(iii)	143,720	(129,962)	13,758
Total liabilities		27,666,240	(129,962)	27,536,278
Net assets		23,243,805	(8,023,664)	15,220,141
Retained profits		(145,278,616)	(8,023,664)	(153,302,280)
Total equity		23,243,805	(8,023,664)	15,220,141

Parent Income statement		Prior period	Impact of	Restated 30
		30 June 2008	error	June 2008
		A\$	A\$	A\$
Administrative / corporate expenses		(666,418)	141,541	(524,877)
Impairment of investment in subsidiaries		-	(8,165,205)	(8,165,205)
Net profit attributable to the members of the parent		(618,483)	(8,023,664)	(8,642,147)

NOTE 7: OTHER INCOME

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Fair value gains on investment property	2,990,000	-	-	-
Sundry income	13,512	20,085	-	680
	3,003,512	20,085	-	680

NOTE 8: EXPENSES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
(a) Finance cost				
Bank loans and overdrafts	387,072	373,635	5,173	80,149
Distribution to Brookfield Development unit holders	-	1,320,000	-	-
	387,072	1,693,635	5,173	80,149
(b) Depreciation and amortisation				
Depreciation	145,174	42,108	45,091	1,982
Amortisation of loan facility fee	112,882	62,479	112,882	62,479
	258,056	104,587	157,973	64,461
(c) Employee benefits expense				
Wages and salaries	1,544,889	1,022,171	736,010	24,555
Defined contribution superannuation expense	144,512	105,973	60,040	2,210
Share option expense	136,885	98,936	136,885	98,936
Other employee benefits	36,221	253,726	-	-
	1,862,508	1,480,806	932,935	125,701

NOTE 9: LOSS ON SALE OF INVESTMENTS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Loss on sale of land - Lynbrook	2,998,724	-	-	-
Loss on forfeited deposit - Bendigo	45,000	-	-	-
Loss on disposal of civils & infrastructure - Bendigo	33,385	-	-	-
	3,077,109	-	-	-

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 10: INCOME TAX

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
(a) Income tax expense				
The major components of income tax expense are:				
Income statement				
<i>Current income tax</i>				
Current income tax charge	-	-	-	-
Adjustments in respect of current income tax of previous years	-	-	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary difference	326,988	290,332	(618,675)	(86,988)
Income tax expense report in the income statement	<u>326,988</u>	<u>290,332</u>	<u>(618,675)</u>	<u>(86,988)</u>

(b) Amounts charged or credited directly to equity

Deferred income tax related to items charges (credited) directly to equity

Tax affect of share issue costs	41,040	96,566	41,040	96,566
Income tax expense reported in equity	<u>41,040</u>	<u>96,566</u>	<u>41,040</u>	<u>96,566</u>

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax expense

Accounting profit before tax	1,032,394	379,529	(2,119,814)	(705,471)
At the parent entity's statutory income tax rate of 30% (2008:30%)	309,718	113,859	(635,944)	(211,641)
Add / (less):				
Share based payments	41,066	122,885	41,066	122,885
Legal fees	-	19,500	-	19,500
Non: deductible interest	-	396,000	-	-
Tax distribution A Class unit holders	-	(385,828)	-	-
Non deductible expense	38,989	-	38,989	-
Investment allowance	(62,785)	-	(62,785)	-
Other items	-	23,916	-	(17,732)
Aggregate income tax expense	<u>326,988</u>	<u>290,332</u>	<u>(618,674)</u>	<u>(86,988)</u>

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 10: INCOME TAX (continued)

(d) Recognised deferred tax asset and liabilities

	CONSOLIDATED				PARENT			
	2009 Current Income Tax	2009 Deferred Income Tax	2008 Current Income Tax	2008 Deferred Income Tax	2009 Current Income Tax	2009 Deferred Income Tax	2008 Current Income Tax	2008 Deferred Income Tax
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Opening Balance	15,577	135,059	15,577	328,826	15,577	432,136	15,577	248,583
Charges to income	(15,577)	(326,986)	-	(290,332)	(15,577)	618,672	-	86,988
Other charges	-	(9,553)	-	-	-	-	-	-
Charges to equity	-	41,001	-	96,565	-	41,043	-	96,565
Closing balance	-	(160,479)	15,577	135,059	-	1,091,851	15,577	432,136
Tax expense/(benefit) in income statement		326,986		290,332		(618,672)		(86,988)
Amounts recognised in the balance sheet:								
Deferred tax asset		5,476,586		438,485		1,091,851		432,136
Deferred tax liability		(5,637,066)		(303,426)		-		-
		<u>(160,479)</u>		<u>135,059</u>		<u>1,091,851</u>		<u>432,136</u>

Balance Sheet

2009 2008

A\$ A\$

Deferred income tax at 30 June relates to the following:

Consolidated

(i) Deferred tax liabilities

Deferred management fee		453,864	297,192
Other		6,234	6,234
Temporary differences on investment property		2,646,494	-
Temporary differences on inventory		1,633,474	-
Revaluation increment on investment property		897,000	-
Deferred tax liabilities		<u>5,637,066</u>	<u>303,426</u>

(i) Deferred tax assets

Borrowing costs		8,203	9,427
Div 40/880 adjustments		119,571	31,343
Insurance		19,368	7,584
Special project costs		-	99,179
Legal fees		6,151	9,227
Website cost		2,789	4,183
Loss on sale of Lynbrook		899,617	-
Losses available for offset against future taxable income		4,151,753	162,068
Provisions:			
Annual leave		70,506	69,669
Long service leave		26,942	16,913
Payables		171,686	28,892
Deferred tax assets		<u>5,476,586</u>	<u>438,485</u>
Net deferred tax asset /(liability)		<u>(160,479)</u>	<u>135,059</u>

Parent

(iii) Deferred tax assets

Borrowing costs		9,104	5,345
Insurance		25,355	31,343
Special project costs		(3,516)	7,584
Equity raising costs		120,906	99,179
Payables		(3,907)	13,685
Tax losses		943,909	275,000

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 11: DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
(a) Recognised amounts	A\$	A\$	A\$	A\$

<i>Declared and paid during the year</i>	-	-	-	-
--	---	---	---	---

(b) Franking credit balance	2009	2008
	A\$	A\$

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% (2008:30%)	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
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NOTE 12: EARNINGS PER SHARE

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

	CONSOLIDATED	
	2009	2008
(a) Earnings used in calculating earnings per share	A\$	A\$

For basic and diluted earnings per share:

Net profit / (loss)	705,406	(2,940,620)
---------------------	---------	-------------

(b) Weighted average number of shares	-	-
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Weighted average number of ordinary shares for basic earnings per share	392,481,223	295,220,862
---	-------------	-------------

Effect of dilution:		
Share options	100,000	-

Weighted average number of ordinary shares adjusted for dilution	392,581,223	295,220,862
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There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 13: CASH & CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Cash at bank and on hand	565,823	423,409	484,652	200,287
Short-term deposits	1,510,139	-	1,510,139	-
	<u>2,075,962</u>	<u>423,409</u>	<u>1,994,791</u>	<u>200,287</u>

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

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

NOTE 14: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Current assets - trade and other receivables				
Trade receivables	67,003	57,516	-	-
Land deposits	-	35,000	-	-
Other related parties (note 27)	58,712	60,461	41,497,892	33,344,691
Deferred management fee	133,970	101,553	-	-
Other receivables	49,483	230,583	16,938	2,759
Carrying amount of trade and other receivables	<u>309,168</u>	<u>485,113</u>	<u>41,514,830</u>	<u>33,347,450</u>

Non current assets - deferred management fee

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Deferred management fee	1,378,910	889,088	-	-
	<u>1,378,910</u>	<u>889,088</u>	<u>-</u>	<u>-</u>

(a) Allowance for impairment loss

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

No impairment loss has been recognised

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 14: TRADE AND OTHER RECEIVABLES (continued)

At 30 June 2009, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days	> 90 days
	A\$	A\$	A\$	A\$	A\$
2009 Consolidated	67,003	58,220	4,022	-	4,761
Parent	-	-	-	-	-
2008 Consolidated	57,516	56,226	-	1,290	-
Parent	-	-	-	-	-

(b) Related party receivables

For terms and conditions of related party receivables, refer to note 27.

(c) Other receivables and land deposits

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

(d) Fair value and credit risk

Due to the short term nature of these receivable, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

NOTE 15: INVENTORIES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Completed Units	6,437,580	3,242,655	-	-
Civil & Infrastructure	10,680,464	-	-	-
Total inventories at the lower of cost and net realisable value	17,118,044	3,242,655	-	-

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 totalled \$9,133,325 for the Group (2008: \$3,881,241). The expense has been included in the cost of sales line item as a cost of sales.

(b) Change of sales contract terms

At 1st January 2009 a restructure of sales contracts entered into from that date forward to include civil and infrastructure costs resulted in a change in the classification and treatment of civil and infrastructure costs such that the following civil and infrastructure expenditure was transferred to inventory at cost (refer note 4 (ii)):

\$7,049,311 Transferred from property plant & equipment
 \$1,772,333 Transferred from investment property

NOTE 16: OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Security Deposits	38,801	1,946	17,875	-
Prepayments	28,814	28,856	27,391	13,767
Supplier Deposit	-	3,564	-	-
	67,615	34,366	45,266	13,767

NOTE 17: INVESTMENT IN SUBSIDIARIES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Investments in subsidiaries (refer note 27)	-	-	47,135,300	47,135,300
Provision for diminution	-	-	(38,383,749)	(38,383,749)
	-	-	8,751,551	8,751,551

An impairment loss has been recognised as an expense for the prior 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. Refer note 6 (b) for further commentary.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements
For the year ended 30 June 2009

NOTE 18: NON-CURRENT ASSETS - PROPERTY AND EQUIPMENT

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

CONSOLIDATED

Year end 30 June 2009	Land and Buildings	Office Equipment	Computer Software	Motor Vehicles	Plant and Equipment	Computer Hardware	Property under Development	Total
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
At 1 July 2008 net of accumulated depreciation	157,096	79,982	12,566	32,356	84,744	2,000	25,382,570	25,751,314
Additions	-	112,573	166,690	95,639	286,454	36,254	5,234,642	5,932,253
Disposal (i)	-	-	-	-	-	-	(12,581,404)	(12,581,404)
Transfer (ii)	-	-	-	-	-	-	(13,316,902)	(13,316,902)
Depreciation charge for the year	(3,927)	(25,381)	(41,393)	(12,218)	(57,439)	(4,816)	-	(145,174)
At 30 June 2009 net of accumulated depreciation	153,169	167,174	137,863	115,777	313,759	33,437	4,718,906	5,640,086
At 30 June 2009								
Cost	161,121	238,328	187,677	151,329	382,250	45,082	4,718,906	5,884,693
Accumulated depreciation	(7,952)	(71,154)	(49,814)	(35,551)	(68,491)	(11,645)	-	(244,607)
Net carrying amount	153,169	167,174	137,864	32,356	313,759	33,437	4,718,906	5,640,086

(i) Details of disposals are as follows: Disposal of land at Lynbrook
\$11,863,591 disposal of land at Lynbrook
\$717,813 write off of civils & infrastructure on disposal of land at Lynbrook

(ii) Details of transfers are as follows:
\$7,049,311 was transferred from infrastructure to inventory to reflect the change in sale agreements to include infrastructure as part of the property sale.
\$5,714,894 of land was transferred to investment property.
\$552,696 of civils & infrastructure transferred to investment property

Year end 30 June 2008	Land and Buildings	Office Equipment	Computer Software	Motor Vehicles	Plant and Equipment	Computer Hardware	Property under Development	Total
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
At 1 July 2007 net of accumulated depreciation	161,121	40,979	4,695	38,132	10,934	2,951	-	258,812
Additions	-	57,151	11,396	7,273	83,988	-	25,382,570	25,542,378
Disposal	-	(2,484)	-	(5,284)	-	-	-	(7,768)
Depreciation charge for the year	(4,025)	(15,664)	(3,525)	(7,765)	(10,178)	(951)	-	(42,108)
At 30 June 2008 net of accumulated depreciation	157,096	79,982	12,566	32,356	84,744	2,000	25,382,570	25,751,314
At 30 June 2008								
Cost	161,121	122,904	20,987	55,690	95,796	8,828	25,382,570	25,847,895
Accumulated depreciation	(4,025)	(42,922)	(8,421)	(23,334)	(11,052)	(6,828)	-	(96,581)
Net carrying amount	157,096	79,982	12,566	32,357	84,744	2,000	25,382,570	25,751,314

PARENT

Year end 30 June 2009	Office Equipment	Computer Software	Plant and Equipment	Computer Hardware	Total
	A\$	A\$	A\$	A\$	A\$
At 1 July 2008 net of accumulated depreciation	-	9,229	-	1,999	11,228
Additions	87,114	166,690	2,000	15,974	271,779
Disposal	-	-	-	-	-
Depreciation charge for the year	(1,467)	(40,061)	(190)	(3,372)	(45,091)
At 30 June 2009 net of accumulated depreciation	85,647	135,858	1,810	14,601	237,916
At 30 June 2009					
Cost	87,114	176,950	2,000	24,802	290,867
Accumulated depreciation	(1,467)	(41,093)	(190)	(10,201)	(52,951)
Net carrying amount	85,647	135,858	1,810	14,602	237,916
Year end 30 June 2008	Office Equipment	Computer Software	Plant and Equipment	Computer Hardware	Total
	A\$	A\$	A\$	A\$	A\$
At 1 July 2007 net of accumulated depreciation	-	-	-	2,950	2,950
Additions	-	10,260	-	-	10,260
Disposal	-	-	-	-	-
Depreciation charge for the year	-	(1,031)	-	(951)	(1,982)
At 30 June 2008 net of accumulated depreciation	-	9,229	-	1,999	11,228
At 30 June 2008					
Cost	-	10,260	-	8,828	19,088
Accumulated depreciation	-	(1,031)	-	(6,829)	(7,860)
Net carrying amount	-	9,229	-	1,999	11,228

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

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 19: INVESTMENT PROPERTIES

	Consolidated		Parent	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Opening balance as at 1 July	15,400,978	8,646,887	-	-
Additions	-	6,754,091	-	-
Transfers to inventory (a)	(1,772,333)	-	-	-
Transfer from property & equipment	6,267,590	-	-	-
Net gain from fair value adjustments	2,990,000	-	-	-
Closing balance as at 30 June	22,886,235	15,400,978	-	-

Investment properties are carried at fair value, which has been determined by the directors based on assumptions provided by property valuers who are industry specialists in valuing these types of investment properties.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the date of the valuation, in accordance with Australian 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 23.

(a) \$1,772,333 was transferred from investment properties to inventory to reflect the change in sale agreements to include infrastructure as part of the property sale. Refer notes 4 (ii) and 15

NOTE 20: INTANGIBLE ASSETS AND GOODWILL

	Consolidated		Parent	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
At 30 June				
Goodwill - at cost	10,196,704	10,196,704	-	-
Accumulated impairment loss	(10,196,704)	(7,166,887)	-	-
Net carrying amount	-	3,029,817	-	-
Year Ending 30 June				
Opening net book amount	-	3,029,817	-	-
Additions	-	-	-	-
Impairment charge	-	(3,029,817)	-	-
Closing net book amount	-	-	-	-
At 30 June				
Trademarks	9,653	9,653	-	-
Accumulated impairment loss	(9,653)	(9,653)	-	-
Net carrying amount	-	-	-	-
Year Ending 30 June				
Opening net book amount	-	9,653	-	-
Additions	-	-	-	-
Impairment charge	-	(9,653)	-	-
Closing net book amount	-	-	-	-

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 20: INTANGIBLE ASSETS AND GOODWILL (continued)

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.

Impairment tests for goodwill

(i) Description of the cash generating units and other relevant information.

Goodwill acquired through the reverse acquisition has been allocated to one individual cash generating unit – Brookfield Development for impairment testing.

The recoverable amount of the unit was determined based on a value in use calculation using cash flow projections as at 31 May 2008. As a result of this assessment the remaining goodwill was written off as at 30th June 2008. Refer note 6 for further commentary.

NOTE 21: TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Trade payables (b)	929,294	1,879,749	121,622	(34,778)
Deferred revenue	52,584	-	-	-
Accrued future project expense	526,507	-	-	-
Other payables and accruals (c)	707,809	1,840,626	152,817	48,536
Carrying amount of trade and other payables	<u>2,216,194</u>	<u>3,720,375</u>	<u>274,439</u>	<u>13,758</u>

(a) Fair value

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

(b) Trade payables

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

(c) Other payables

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

(d) Interest rate and liquidity risk

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 22: PROVISIONS

Current liabilities - provisions

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Provision for annual leave	235,020	232,229	-	-

Non-current liabilities - provisions

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Provision for long service leave	89,808	56,378	-	-

(a) Total employees at balance date

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(b) Movements in provision

CONSOLIDATED	Annual Leave	Long service leave	Total
	A\$	A\$	A\$
At 1 July 2008	232,229	56,378	288,607
Arising during the period	128,753	33,530	162,283
Utilised	(125,962)	-	(125,962)
At 30 June 2009	235,020	89,908	324,928

	Annual Leave	Long service leave	Total
	A\$	A\$	A\$
At 1 July 2007	26,237	11,597	37,834
Arising during the period	283,329	44,781	328,110
Utilised	(77,337)	-	(77,337)
At 30 June 2008	232,229	56,378	288,607

NOTE 23: INTEREST-BEARING LOANS AND BORROWINGS

Current

	Maturity	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		A\$	A\$	A\$	A\$
Hire purchase (note 30)		104,587	26,965	-	-
Loans from related parties (note 27)	On demand	8,114	9,885	8,735,271	361,742
Secured loans	On demand	-	27,080,432	-	27,145,201
		112,701	27,117,282	8,735,271	27,506,943

Non Current

	Maturity	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
		A\$	A\$	A\$	A\$
Secured loans	Aug 2010	24,526,062	-	24,687,695	-
		24,526,062	-	24,687,695	-

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.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 23: INTEREST-BEARING LOANS AND BORROWINGS (continued)

(b) Terms and conditions

(i) Current interest-bearing loans and borrowings

The existing facility was entered into August 2007 with a maturity date of August 2010. The commercial bill facility is secured by a fixed and floating charge over all assets of the consolidated entity.

(ii) Loans from related parties

For terms and conditions on loans from related parties refer to note 27.

(c) Assets pledged as security

All assets being \$49.7m of the consolidated entity are pledged as security for the \$30m facility. Please refer to Balance Sheet for detail.

As at the 16th of August 2007 Lifestyle Communities entered into a new Commercial Bill Facility. The facility is secured by the following:

Guarantee for all liabilities from Lifestyle Communities Holdings Pty Ltd supported by a Fixed and Floating Charge over all assets and uncalled capital of Lifestyle Communities Holdings Pty Ltd

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

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

Mortgage by Lifestyle Brookfield Pty Ltd as trustee for the Brookfield Land Trust over Brookfield Village Development Trust

Mortgage by Lifestyle Communities Investment Pty Ltd over Brookfield Village, Shepparton and Tarneit properties

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

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

(d) Defaults and breaches

During the current year there have been no defaults or breaches. During the prior year a covenant in relation to sales rate was breached. The low sales rate occurred because of delays with the contracted builder. The reasons for the delay have subsequently been resolved with the contracted builder and the covenant renegotiated with the Financier. New arrangements have been implemented and the facility remains ongoing.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 24: CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Ordinary shares	24,214,692	18,141,367	129,872,951	123,799,626

During the 2006-2007 financial years, a 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.

(a) Ordinary shares

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

CONSOLIDATED	CONSOLIDATED		PARENT	
	Number	A\$	Number	A\$
<i>Movement in ordinary shares on issue</i>				
At 1 July 2008	310,373,211	18,141,367	310,373,211	123,799,626
15 October 2008 share placement	1,838,000	174,610	1,838,000	174,610
Costs attributed to share placement	-	(101,836)	-	(101,836)
Tax effect of costs attributed to share placement	-	30,551	-	30,551
18 December 2008 rights issue	149,861,879	5,994,476	149,861,879	5,994,476
Costs attributed to rights issue	-	(34,965)	-	(34,965)
Tax effect of costs attributed to rights issue	-	10,489	-	10,489
Balance at 30 June 2009	462,073,090	24,214,692	462,073,090	129,872,951

CONSOLIDATED	CONSOLIDATED		PARENT	
	Number	A\$	Number	A\$
<i>Movement in ordinary shares on issue</i>				
At 1 July 2007	269,883,211	11,897,888	269,893,211	117,556,148
15 November 2007 share placement	40,480,000	6,476,800	40,480,000	6,476,800
Costs attributed to share placement	-	(329,887)	-	(329,887)
Tax effect of costs attributed to share placement	-	96,566	-	96,566
Balance at 30 June 2009	310,363,211	18,141,367	310,373,211	123,799,626

(b) Capital management

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

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

The Group is not subject to externally imposed capital requirements.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 25: RETAINED EARNINGS AND RESERVES

(a) 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 financial year ended 30th June 2007, 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.

(b) Movements in retained earnings were as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Balance 1 July	(3,087,692)	(147,072)	(153,302,280)	(144,660,133)
Net profit/(loss)	705,406	(2,940,620)	(1,501,139)	(8,642,147)
Dividend paid	-	-	-	-
	<u>(2,382,286)</u>	<u>(3,087,692)</u>	<u>(154,803,419)</u>	<u>(153,302,280)</u>

(c) Other reserves

	CONSOLIDATED		Option and share premium reserve	PARENT	
	Option and Share premium reserve	Total		Capital profits reserve	Total
	A\$	A\$	A\$	A\$	A\$
At 1 July 2007	67,530	67,530	29,724,000	14,899,859	44,623,859
Issue of options	98,936	98,936	98,936	-	98,936
At 30 June 2008	<u>166,466</u>	<u>166,466</u>	<u>29,822,936</u>	<u>14,899,859</u>	<u>44,722,795</u>
<i>Transfer to balance</i>					
Issue of options	136,885	136,885	136,885	-	136,885
At 30 June 2009	<u>303,351</u>	<u>303,351</u>	<u>29,959,821</u>	<u>14,899,859</u>	<u>44,859,680</u>

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 26: CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
a) Reconciliation of net cash flows from operating activities to operating profit/(loss)				
Operating profit/(loss) after income tax	705,406	(2,940,620)	(1,501,139)	(8,642,147)
<u>Adjustment for non-cash</u>				
Net (gain)/loss on impairment of intangible assets	-	3,039,470	-	-
(Profit) / Loss on disposal of asset	2,998,724	(964)	-	-
Depreciation	145,174	42,108	45,090	1,982
Amortisation	112,882	62,479	112,882	62,479
Transfer to inventory	8,821,644	-	-	-
Share option expense	136,885	98,935	136,885	98,935
Write-off investment in subsidiaries	-	-	-	8,023,664
Tax costs included in share issue	-	96,564	-	96,564
Fair Value Adjustment	(2,990,000)	-	-	-
Interest expense classified as financing cash flow	4,124	1,338,041	-	-
<u>Add back/(subtract) changes in operating assets and liabilities:</u>				
Increase in trade and other receivables	(9,487)	(21,268)	-	-
(Decrease)/increase in prepayments and deposits	-	-	-	58,827
(Increase)/decrease in inventories	(13,875,389)	4,142,209	-	-
(Increase)/decrease in deferred revenue	(522,239)	(943,045)	-	-
(Increase)/decrease in other assets	236,210	(31,505)	(45,678)	90,681
Increase/(decrease) in trade creditors and payables	(950,455)	1,567,725	156,399	(43,607)
Increase/(decrease) in other creditors	(565,369)	-	104,282	-
Increase in provisions	36,220	250,774	-	-
Increase in deferred tax asset	438,485	(24,695)	(659,715)	(183,552)
Increase/(decrease) in provision for income tax	(15,577)	-	(5,988)	-
Increase in deferred tax liability	(142,947)	218,462	-	-
Net cash flow from operating activities	(5,435,709)	6,894,670	(1,656,982)	(436,174)

(b) Disclosure of financing facilities

Refer to interest bearing loan and borrowings note 23.

(c) Non-cash financing and investing activities

Refer to share based payments note 28.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 27: 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		Value of parent entity's interest	
		2008	2008	2009	2008
				A\$	A\$
Namberry(SA)Pty Ltd	Australia	100%	100%	-	-
Lifestyle Communities Investments Pty Ltd	Australia	100%	100%	155,300	155,300
Lifestyle Communities Development Pty Ltd (formerly Lifestyle Communities Pty Ltd)	Australia	100%	100%	3,968,804	3,968,804
Lifestyle Communities Management Pty Ltd (formerly Lifestyle Communities Holdings Pty Ltd)	Australia	100%	100%	4,627,447	4,627,447
Lifestyle Seasons Pty Ltd	Australia	100%	100%	-	-
Lifestyle Lynbrook Pty Ltd	Australia	100%	100%	-	-
Brookfield Village Management Pty Ltd	Australia	100%	100%	-	-
Brookfield Village Development Pty Ltd	Australia	100%	100%	-	-
				<u>8,751,551</u>	<u>8,751,551</u>

(b) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(c) Loans from related parties

Maturity	CONSOLIDATED		PARENT		
	2009	2008	2009	2008	
	A\$	A\$	A\$	A\$	
Current					
Interest bearing loans and borrowings					
Lifestyle Brookfield Land Trust ⁽¹⁾	On demand	8,835	8,835	-	-
Lifestyle Communities Development Pty Ltd (formerly Lifestyle Communities Pty Ltd)		-	-	(859,248)	73,660
Brookfield Development Trust		(1,771)	-	(101,131)	-
Brookfield Management Trust		-	-	168,682	132,782
Masonkelly Pty Ltd ⁽²⁾	On demand	350	350	-	-
B.S. Carter Investments Pty Ltd ⁽³⁾	On demand	350	350	-	-
Daken Investments Pty Ltd ⁽⁴⁾	On demand	350	350	-	-
Lifestyle Investments Pty Ltd		-	-	9,526,968	155,300
		<u>8,114</u>	<u>9,885</u>	<u>8,735,271</u>	<u>361,742</u>
Trade and other receivables					
Lifestyle Brookfield Land Trust ⁽¹⁾	On demand	60,461	60,461	-	-
Brookfield Development Trust		(1,771)	-	8,095,897	8,621,433
Brookfield Management Trust		-	-	(141,744)	-
Lifestyle Communities Development Pty Ltd (formerly Lifestyle Communities Pty Ltd)		-	-	12,028,695	3,291,677
Lifestyle Communities Management Pty Ltd (formerly Lifestyle Communities Holdings Pty Ltd)		11	-	12,802	-
Lifestyle Investments Pty Ltd		11	-	21,502,242	21,431,581
Lifestyle Management Trust		-	-	-	-
		<u>58,712</u>	<u>60,461</u>	<u>41,497,892</u>	<u>33,344,691</u>

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

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

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

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 27: RELATED PARTY DISCLOSURE (continued)

(d) Repayment terms

The current loans from related parties are payable on demand and interest is accrued at a fixed rate of 6.82% per annum. \$1,003,922 of the loans were repaid on 21 August 2007 with interest payment of \$90,912. Other on demand loans have no interest payable. Other receivables are on demand and have no interest payable.

(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		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Interest paid				
Masonkelly Pty Ltd	-	30,304	-	-
B.S. Carter Investments Pty Ltd	-	30,304	-	-
Daken Investments Pty Ltd	-	30,304	-	-
	-	90,912	-	-

NOTE 28: SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Expense arising from equity-settled share-based payment transaction	70,604	98,935	70,604	98,935
Total expense arising from share-based payment transactions	70,604	98,935	70,604	98,935

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2009 and 2008.

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

Options to executive directors

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited.

(c) Summaries of options granted under ESOP

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

	2009	2009	2008	2008
	No.	WAEP	No.	WAEP
		A\$		A\$
Outstanding at the beginning of the year	10,250,000	0.151	6,000,000	-
Granted during the year	-	-	4,250,000	0.138
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	10,250,000	0.138	10,250,000	0.138
Exercisable at the end of the year	6,100,000	0.157	6,000,000	0.160

The outstanding balance as at 30 June 2009 is represented by:

- 6,000,000 options over ordinary shares with an exercise price of \$0.16. Vested from 1 July 2006 with a final date for vesting of 1 July 2011. The options were issued to directors and have no other conditions attached.

'- 100,000 option over ordinary shares with an exercise price of \$0 each, exercisable upon completion of continuous service. Vesting date is the 1 October 2008 and expiry date is 1 October 2012.

'- 4,000,000 options over ordinary shares with an exercise price of \$0.14 each, Issued on the 14 November 2007, vesting on the 14 November 2009 providing the holder has completed continuous service with the company from the dates of issue. The expiry date is 14 November 2012.

- 150,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon completion of a continuous two years of service. Vesting date 7 January 2010, Final date for vesting 7 January 2013.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 28: SHARE-BASED PAYMENT PLANS (continued)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 3.42 years (2008: 4.42)

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$0.20. (2008: \$0.00 to \$0.20)

(f) Weighted average fair value

No options were granted during the year.

(g) Option pricing model: ESOP

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

	ESOP 2009
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk-free interest rate (%)	6.35% to 6.67%
Expected life of option (years)	3.42
Option exercise price (\$)	\$0.139
Weighted average share price at measurement date (\$)	\$0.170
Model used	Binomial

	ESOP 2008
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk-free interest rate (%)	6.35% to 6.67%
Expected life of option (years)	5
Option exercise price (\$)	\$0.142
Weighted average share price at measurement date (\$)	\$0.170
Model used	Binomial

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

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 29: BUSINESS COMBINATION

Following approval of shareholders on 23 May 2007, the Company acquired 100% of Lifestyle Community 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 \$10,897,585. This was comprised of the value of the units acquired and the value of Lifestyle Communities Limited shares prior to the acquisition.

NOTE 30: COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating lease commitments receivable – Group as lessor

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

These non-cancellable leases have remaining terms of between 89 and 90 years. 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 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2008	2008
	A\$	A\$	A\$	A\$
Within one year	1,401,867	908,600	-	-
After one year but not more than five years	5,607,466	3,634,401	-	-
After more than five years	119,158,654	77,231,014	-	-
Total minimum lease payments	126,167,987	81,774,015	-	-

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

Hire purchase commitments – Group as lessee

The Group has entered into a hire purchase on two Toyota Buses with a carrying value of \$89,008. The hire purchase contract expires within 5 years.

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

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Within one year	36,231	13,167	-	-
After one year but not more than five years	85,924	16,443	-	-
After more than five years	-	-	-	-
Total minimum lease payments	122,155	29,610	-	-
Less amounts representing finance charges	(17,568)	(2,645)	-	-
Present value of minimum lease payments	104,587	26,965	-	-

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 31: KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
Short-term employee benefits	849,630	782,168	-	-
Post-employment benefits	71,065	60,001	-	-
Share-based payment	128,604	87,733	-	-
	1,049,299	929,902	-	-

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

No options were granted to key management personnel in the year.

(c) Shareholdings of Key Management Personnel

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

Ordinary shares held in Lifestyle Communities Limited	Balance at 1 July 2008	Granted as remuneration	Exercise of option	Net change other	Balance at 30 June 2009
Directors					
Bruce Carter	68,911,708	-	-	37,647,334	106,559,042
Dael Perlov	64,397,318	-	-	19,869,334	84,266,652
James Kelly	64,147,083	-	-	37,569,334	101,716,417
David Paranthoiene	4,764,625	-	-	1,606,021	6,370,646
Tim Poole	3,000,000	-	-	3,845,334	6,845,334

Shareholding of Key Management Personnel for the year ended 30 June 2008:

Ordinary shares held in Lifestyle Communities Limited	Balance at 1 July 2007	Granted as remuneration	Exercise of option	Net change other	Balance at 30 June 2008
Directors					
Bruce Carter	77,911,348	-	-	(8,999,640)	68,911,708
Dael Perlov	73,397,318	-	-	(9,000,000)	64,397,318
James Kelly	73,147,083	-	-	(9,000,000)	64,147,083
David Paranthoiene	4,764,265	-	-	360	4,764,625
Tim Poole	-	-	-	3,000,000	3,000,000

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

(d) Loans to Key Management Personnel

There are no loans to key management personnel (2008: nil).

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

There are no other transactions or balances with Key Personnel.

LIFESTYLE COMMUNITIES LIMITED

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 32: SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On the 17th August 2009, the company announced that it had entered into a conditional joint venture agreement to develop an over 55's residential village in Cameron Street, Cranbourne, Victoria.

As part of the arrangement, Lifestyle Communities will acquire a 50% interest in the Cameron Street site for approximately \$3.65 million and enter into additional agreements for Lifestyle Communities to develop, manage and operate the village on the completion of the development.

The purchase of the 50% interest in the land and the joint venture agreement is conditional on a planning permit for an over 55's residential village being issued and the joint venture being able to secure appropriate finance.

NOTE 33: AUDITORS REMUNERATION

The auditor of Lifestyle Communities Limited is Pitcher Partners.

Amounts received or due and receivable for prior auditors:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
● An audit review of the financial report of the entity and any other entity in the consolidated group.	30,000	82,500	30,000	10,000
● Other services in relation to the entity and any other entity in the consolidated group. Tax compliance.	27,800	34,100	27,800	34,100
Total	57,800	116,600	57,800	44,100

Amounts received or due and receivable for current auditors:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	A\$	A\$	A\$	A\$
● An audit review of the financial report of the entity and any other entity in the consolidated group.	118,951	-	118,951	-
● Other services in relation to the entity and any other entity in the consolidated group. Tax compliance	3,150	-	3,150	-
Total	122,101	-	122,101	-

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 29 to 66 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2009 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lifestyle Communities Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Financial Officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

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



James Kelly
Director
Melbourne, 20 August 2009

INDEPENDENT AUDITOR'S REPORT

To the members of Lifestyle Communities Limited

We have audited the accompanying financial report of Lifestyle Communities Ltd and controlled entities. The financial report comprises the balance sheet as at 30 June 2009, 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 and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. |

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

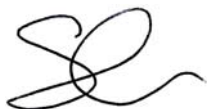
- (a) the financial report of Lifestyle Communities Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Lifestyle Communities Ltd and controlled entities for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



S D WHITCHURCH
Partner
20 August 2009



PITCHER PARTNERS
Melbourne



ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 August 2009.

(a) Distribution of equity securities

(i) Ordinary share capital

462,073,090 fully paid ordinary shares are held by 2,810 individual shareholders

(ii) Options

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

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

	Fully paid ordinary shares	Options
1 – 1,000	538,820	-
1,001 – 5,000	1,500,121	-
5,001 – 10,000	1,160,447	-
10,001 – 100,000	15,875,697	-
100,001 and over	443,002,090	10,250,000
	462,073,090	10,250,000
Holding less than a marketable parcel		2,135

(b) Substantial Shareholders

Fully Paid Ordinary Shareholders	Number	Percentage
Daken Investments Pty Ltd	83,602,235	18.09%
B.S Carter Investments Pty Ltd	81,052,000	17.54%
MasonKelly Pty Ltd	80,952,000	17.52%
Sandhurst Trustees Ltd	34,358,185	7.44%
	278,964,420	60.59%



(c) Twenty largest holders of quoted equity securities

LIFESTYLE COMMUNITIES LIMITED

Top 20 Holders

Rank	Name	Units	% of Units
1.	DAKEN INVESTMENTS PTY LTD	83,602,235	18.090
2.	INVIA CUSTODIAN PTY LIMITED <B S CARTER FAMILY A/C >	81,052,000	17.540
3.	MASONKELLY PTY LTD	80,952,000	17.520
4.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C >	34,358,185	7.440
5.	INVIA CUSTODIAN PTY LIMITED <CARTER SUPER FUND A/C >	21,833,625	4.730
6.	KELLY SUPERANNUATION FUND PTY LTD	20,100,000	4.350
7.	MAXIMA ETHAN PTY LTD <MAXI FOGELGARN SUPERFUND A/C >	12,600,000	2.730
8.	ANZ NOMINEES LIMITED <CASH INCOME A/C >	8,023,205	1.740
9.	CARPAR INVESTMENTS PTY LTD	6,018,000	1.300
10.	MRS JANE CAROLINE POOLE	5,595,334	1.210
11.	DALEFORD WAY PTY LTD	5,555,557	1.200
12.	PERLOV SUPERANNUATION PTY LTD	5,100,000	1.100
13.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C >	4,478,542	0.970
14.	THIRTY-FIFTH CELEBRATIONS P/L <J C MCBAIN SUPER FUND A/C >	4,107,834	0.890
15.	INVIA CUSTODIAN PTY LIMITED <PARANTHOIENE SUPER FUND A/C >	3,361,646	0.730
16.	SANDHURST TRUSTEES LTD <JM MPS A/C >	3,269,185	0.710
17.	EQUITY TRUSTEES LIMITED <SGH MICRO CAP TRUST A/C >	3,125,000	0.680
18.	GIOVANNI NOMINEES PTY LTD	3,125,000	0.680
19.	MOSTIA DION NOMINEES PTY LTD	3,125,000	0.680
20.	REEFBAY HOLDINGS PTY LTD <J & G WOOD SUPER FUND A/C >	2,120,750	0.460
Totals: Top 20 Holders of ISSUED CAPITAL		391,503,098	84.728

Additional information required by the Australian Stock Exchange Ltd. not shown elsewhere in this report is as follows. The information is as at 31 July 2009 (as the most practicable date close to the date of this report).

LIFESTYLE COMMUNITIES LIMITED

ISSUED CAPITAL as of 31 Jul 2009

Range of Units Snapshot

Composition : ORD

Range	Total holders	Units	% of Issued Capital
1 - 1,000	1,405	534,820	0.120
1,001 - 5,000	620	1,500,121	0.320
5,001 - 10,000	149	1,160,447	0.250
10,001 - 100,000	493	15,875,697	3.440
100,001 - 9,999,999,999	143	443,002,005	95.870
Rounding			0.000
Total	2,810	462,073,090	100.000

Unmarketable Parcels

Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0550 per unit	2135	2814237

Voting Rights

All ordinary shares carry one vote per share without restriction.



Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Directors	D. Paranthoiene – Non-executive Chairman J. Kelly – Managing Director B. Carter – Director of Finance D. Perlov – Director of Operations T. Poole – Non-executive Director
Company Secretary	R. South
Principal Place of Business	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 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 Limited 360 Collins Street Melbourne Vic 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 19, 15 William Street Melbourne VIC 3000 Australia