2008
Annual Report

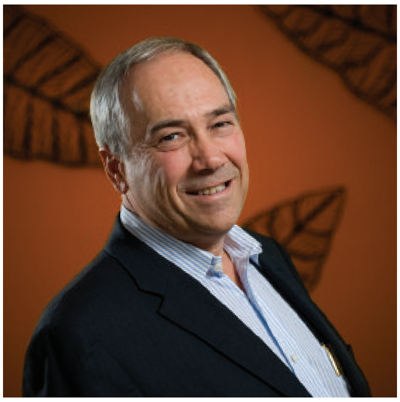
Lifestyle
COMMUNITIES

Contents

Lifestyle Communities Limited
ABN 11 078 675 153

Lifestyle Communities Limited
Annual General Meeting

Notice is hereby given of the Annual General Meeting of the company to be held at St. Michaels Centre, 120 Collins Street, Melbourne (behind St Michaels Church) on Thursday 20 November 2008 at 10:30am.



David Paranthoiene, Chairman

Chairman's report for 2007/08 financial year

Dear Shareholder,

Following the completion of the first full year of operations as a public company, I am pleased to introduce the Lifestyle Communities Limited 2007/08 Annual Report. In many ways, it has been an exciting year for Lifestyle Communities as we begin the implementation of our strategic plan to develop, build and operate master planned affordable independent living communities for people aged over 55.

Whilst Australia currently faces some economic uncertainty, there are demographic changes currently occurring that will have a significant impact on the country during the coming 20 years, including:

- The Australian population is getting older with the number of people over 60 growing each year to the point in 2015 when more people 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;
- Access to safe, secure and affordable housing for those over 55 in close proximity to family and services is expected to become more of a priority.

These factors are 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.

The financial results for the first full year of operations as a listed public company are pleasing and complimentary to the medium term plan of developing a consistent annuity income stream from several thousand occupied sites across multiple villages.

With Brookfield Village in Melton, Victoria as our flagship village, Lifestyle Communities is well advanced on the development of three new villages across Victoria which will assist in increasing the number of sites under long-term management to more than 1,000. Our new villages at Tarneit and Warragul are well advanced in the construction of infrastructure – roads, services (gas, electricity and water), as well as the main clubhouse and leisure facilities. Construction activity at Lynbrook in Melbourne's eastern growth corridor is planned for commencement during the second half of the 2009 financial year.

The Board would like to acknowledge and thank the former Chairman of Lifestyle Communities Limited, Mr. Brendan Redden, who retired in February 2008 having made a significant contribution to the company over the years. During the year, the Board also welcomed a new non-executive Director Mr. Tim Poole. I would like to take this opportunity to thank Tim and the Executive Directors of the business – James Kelly, Managing Director, Bruce Carter, Finance Director, and Dael Perlov, Operations Director – for their support and energy to maximise the future of the business for all shareholders.

Finally, I would like to recognise 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.

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,

David Paranthoiene

David Paranthoiene
Chairman
28 August 2008

James Kelly, Managing Director

Introduction from the **Managing Director**

Dear Shareholder,

I am pleased to report that Lifestyle Communities has enjoyed another strong year of growth and activity with the key highlights being:

- Achieved an EBITDA (Earnings before Interest Tax, Depreciation & Amortisation) of $2.11M which is a significant increase over last year;
- Commenced the development of villages at Tarneit and Warragul and achieved an encouraging level of presales at each village;
- Obtained planning approval for the Lifestyle Communities village at Lynbrook;
- Completed design and engineering for Lifestyle Communities village at Shepparton;
- Successfully recruited key sales and project personnel to drive our continued growth;

Lifestyle Communities creates, owns and manages affordable independent communities for active adults over the age of 55. We believe the demand for affordable housing will continue to strengthen over the next 10–20 years and Lifestyle Communities is well positioned to ensure that it participates in this rising demand.

Lifestyle Communities key commercial objective is to develop long term annuity income streams which are delivered from the Lifestyle Communities village model where residents pay a weekly site rental as well as a percentage of the sale of their home when they ultimately exit a village.

New home sales remain strong although settlement times have increased in line with the more subdued residential property market. Early sales interest at both the Warragul and Tarneit Villages are very encouraging and is ahead of expectations to date. This has further strengthened our view that there is and will continue to be increasing demand for affordable housing solutions for people over the age of 55.

Lifestyle Communities now has 6 villages in various stages of management, development and planning.

- Brookfield Village continues to perform well with the village now 72% sold and 212 residents living in the village. Feedback from residents is extremely positive.
- Construction has commenced on both the Tarneit and Warragul Villages design and final documentation has been completed on the village in Shepparton. A final decision on when we will commence the Shepparton project has been deferred until the March 2009 quarter.
- Planning permits have been issued for the Lynbrook village and engineering design is now well progressed. At this stage it is anticipated that this project will commence construction in the second half of the current financial year.
- The village proposed for Bendigo is still proceeding through a rezoning process.

To resource this growth, Lifestyle Communities has recruited some outstanding staff to project manage and sell the various projects currently under development.

To further support this growth we are in the process of implementing a new accounting and customer relationship management systems as well as an integrated financial modelling system to ensure the robustness of all reporting analysis.

Financial highlights

The company's EBITDA rose to $2,177,751 compared to $620,196 for the same period last year with a Net Profit After Tax (NPAT) of $89,197. NPAT comparisons to last year are not relevant due to a number of one off entries in the current and prior year results following changes to the company's recognition of changes in the fair value of its land assets.

Financial highlights (continued)

During the financial year, Brookfield Village was the company's only development generating revenues through the sale of homes and site leases on occupied sites. It is expected that revenue from both the Tarneit and Warragul developments will commence, as planned, in the current financial year and that revenue from the Lynbrook and Shepparton developments will commence sometime in the following financial year.

Revenue from site operations at Brookfield Village was up by over 200% over the previous financial year to $1.8m. Due to delays in the completion of homes at Brookfield Village, sales revenue for the year was lower than the prior year. The reasons for these delays have since been resolved with the contracted builder. As a result of these delays, the company failed to meet one of it covenants relating to average monthly sales with Westpac Banking Corporation. This breach has subsequently been rectified and new covenants agreed to. As the new covenants were not finalised prior to the end of the financial year, current accounting standards require that the liability is classified as a current liability even though new arrangements were subsequently implemented and the facility remains ongoing.

As announced on the 6 June 2008, Lifestyle Communities does not recognise any change in a site's fair value until it has been developed to a point where it is able to be occupied by residents. Full details are provided in the financial accounts section of this report. As a result, the company has not recognised any changes in the carry value of the company's land assets, contributing to the lower NPAT for this financial year when compared to last year.

Outlook

Enquiries for all villages remain strong with sales rates at Brookfield Village the same or better than last year. Pre-sales at Warragul and Tarneit are well ahead of expectations and initial enquiries at Lynbrook and Shepparton at this stage, are encouraging. With revenues expected to start to flow through in this financial year from Tarneit and Warragul, we believe the company will deliver EBITDA growth in 2009.

Slowing residential real estate sales may have an impact on Lifestyle Communities customers who are selling homes prior to moving into a Lifestyle Communities village. The impact of this seems to be limited due to the ongoing demand by first home buyers for sub $320,000 housing in the outer suburbs.

Conclusion

Lifestyle Communities remains on track 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 current indications are that the more affordable end of the retirement and general housing market remains stable.

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

James Kelly.

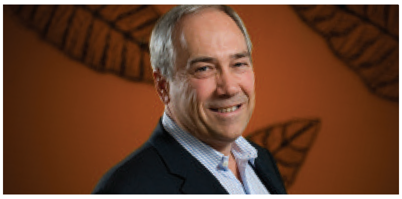
James Kelly
Managing Director
28 August 2008

Director's Report

Your directors submit their report for the financial year ended June 30 2008.

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 Paranthoiene
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 20 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

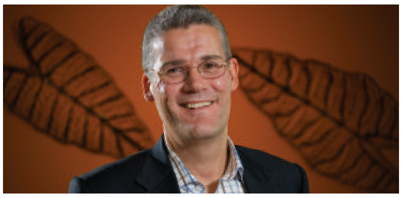
James was appointed Managing Director in 2007. With over 26 years experience in property development and construction, James brings to Lifestyle Communities a wealth of knowledge and experience in the property industry. Prior to establishing Lifestyle Communities, James held several senior management roles in property and related sectors.

Bruce Carter
Executive Director Finance

A founding member of Lifestyle Communities Limited, Bruce has more than 21 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 19 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 on 22 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.

Brendan Redden
Chairman
Appointed 24 October 2005
Resigned 5 February 2008

Key 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 Practicing Accountants. Ray has not held any directorships in any other listed entities during the past 3 years. Ray is a contractor of the company in his role as a professional Company Secretary and was appointed in September 2004.

Jenny Romeo
Chief Financial Officer

Jenny joined Lifestyle Communities Limited in 2007 bringing both practical and technical skills gained by 21 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:

Entity	Fully Paid Ordinary Shares	Options over Ordinary Shares
CarPar Investments Pty Ltd [1]	5,966,000	Nil
B.S. Carter Superannuation Pty Ltd [2]	1,781,625	1,500,000
Paranthoiene Superannuation Pty Ltd [3]	1,781,625	1,500,000
Daken Investments Pty Ltd [4]	63,750,235	Nil
B.S. Carter Investments Pty Ltd [5]	63,500,000	Nil
MasonKelly Pty Ltd [6]	63,500,000	Nil
Lifestyle Brookfield Pty Ltd [7]	1,941,250	Nil
Mandala Investments Pty Ltd [8]	25,000	1,500,000
Tim Poole [9]	3,000,000	4,000,000

Notes:
(1) CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and the B.S. Carter Family Trust.
(2) B.S. Carter Superannuation Pty Ltd is beneficially owned by Mr Carter and held directly through the B.S. Carter Family Trust.
(3) Paranthoiene Superannuation Pty Ltd is beneficially owned D. Paranthoiene.
(4) Daken Investments Pty Ltd is beneficially owned by D. Perlov.
(5) B.S. Carter Investments Pty Ltd is beneficially owned by B. Carter.
(6) MasonKelly Pty Ltd is beneficially owned by Mr Kelly and held directly through the Eliza G Family Trust.
(7) Lifestyle Brookfield Pty Ltd is beneficially owned by entities associated with Messrs Perlov, Carter and Kelly.
(8) Mandala Investments Pty Ltd is a company associated with B Redden. B. Redden resigned as Chairman on 5 February 2008.
(9) Tim Poole's shares are beneficially owned by J. Poole.

Dividends

The Lifestyle Communities directors have resolved not to pay a dividend in respect of the 2008 financial year. Directors believe it is prudent to retain cash in the business for the ongoing growth and development of the company.

Principal Activities

The principal activities of the business have not changed during the financial year ended 30 June 2008 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: $8,875,704 ($9,245,105 2007)
- EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation and Revaluation): $2,177,751 ($620,196 2007)
- Net Profit After Tax (exclusive of revaluations): $89,197 ($107,489 2007)
- NPAT (inclusive of revaluations): $89,197 ($7,274,376 2007)
- Net Assets at the end of the period: $25,416,845 ($18,985,233 2007)

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

Outlook – Future Activities

Your Directors believe that growth in Lifestyle Communities will continue as the population continues to age and the need to provide high quality affordable living solutions is brought more sharply into focus.

Lifestyle Communities has reviewed its accounting treatment and classification of assets to ensure it remains compliant with the Australian and International Financial Reporting Standards (AIFRS). As a result, Lifestyle Communities will recognise changes in a sites fair value only when a site is able to be occupied by residents and generates long term annuity rental revenue, rather than during the initial construction stage of development.

This classification of a sites value will affect the reported Net Profit after Tax by eliminating the reporting of property valuation uplifts that may occur prior to a Lifestyle Village being ready for occupation. Directors believe this approach will maintain the focus on the company's annuity income stream and operating performance, which can be best measured by the company's Earnings before Interest, Depreciation and Amortisation (EBITDA).

This year's profit performance highlights the change in asset classification noted above. 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 exemplary service to Lifestyle Communities residents.

The Company indicated an objective to be developing and selling approximately 2,500 homes by 2013. The Board continues to review additional site opportunities on a regular basis however, given the existing development pipeline, the board is taking a long term strategic approach to the acquisition of further sites.

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.

Risk Management

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

The risk profile of the company has not changed in the previous 12 months, however the Board is taking a proactive approach to risk management. The Board is responsible for ensuring that risks as well as opportunities are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of strategic planning, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Board approval of land acquisition to ensure economic, financial, development issues have been determined and risk minimised.
- The establishment of committees to report on specific business risks where appropriate, including for example, such matters as environmental issues and concerns, emergency management and occupational health and safety.

Significant Changes in the State of Affairs

During the year ended 30 June 2008, there have been a number of changes including:

- The commencement of civil works at the villages in Tarneit and Warragul.
- Planning and Building Permits being issued for the village at Lynbrook.
- A Share Placement was undertaken in November 2007 to sophisticated investors of 40,480,000 shares, representing 14.99% of the company's capital. Funds raised have assisted in the acquisition and development of new sites for Lifestyle Villages.

Significant Events after the Balance Date

The Company Secretary applied to ASIC and in the case of Pracom New Zealand Ltd, the New Zealand Corporations Office to have the following companies deregistered:

- Namberry Technical Services Pty Ltd
- Namberry Retail Pty Ltd
- Namberry Holdings Pty Ltd
- Namberry Prepaid Communications Pty Ltd
- Namberry Prepaid Mobile Pty Ltd
- Pracom New Zealand Limited

In the case of all companies listed above, the following statements are true:

- The company is not carrying on business
- The company's assets are worth less than $1,000
- The company has paid all fees and penalties payable under the Corporations Act 2001
- The company has no outstanding liabilities
- The company is not party to any legal proceedings

Likely Developments and Expected Results

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

Lifestyle Communities has an exciting year ahead, with both the Tarneit and Warragul villages expected to complete their first settlements and welcome their first residents. These new developments are expected to result in the company delivering revenue and earnings (EBITDA) growth in the 2009 year.

To capitalise on all of its development projects, it is likely that Lifestyle Communities will need to raise additional finance during the 2009 financial year. Some of this additional finance may be available from providers of bank debt. However, given the current state of the banking market, the directors have resolved to offer a Share Purchase Plan (SPP) to all eligible shareholders to purchase up to $5,000 of new shares in Lifestyle Communities Limited. More details will be forwarded in the near future.

Environmental Regulation and Performance

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

The company's Lynbrook development has:

- Been granted a permit to remove native vegetation under the City of Casey Planning Scheme.
- Received approval by the Department of Sustainability and Environment (DSE) to remove native vegetation without the need for offset planting.

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 ending 30th June 2008	
	Held	Attended
D. Paranthoiene	14	13
B. Carter	14	13
D. Perlov	14	14
J. Kelly	14	14
T. Poole (1)	6	6
B Redden (2)	9	7

Audit Committee Meetings	No. of Meetings in year ending 30th June 2008	
	Held	Attended
D. Paranthoiene	2	2
T. Poole (1)	1	1
B Redden	1	1

Remuneration Committee Meetings	No. of Meetings in year ending 30th June 2008	
	Held	Attended
D. Paranthoiene	2	2
T. Poole (1)	2	2

Notes:
(1) Mr. Poole was appointed as a Director on 22 November 2007. The first meeting he attended was in November 2007.
(2) Mr Redden resigned as a Director on 5 February 2008.

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. Paranthoiene and T. Poole. Mr. Poole replaced Mr. Redden after his resignation as a Director of the Company.

Remuneration Committee Membership

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

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

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

- Tax Compliance Services $34,100

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. At present, no amount of Director Remuneration is contingent upon the Company's performance. 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 exercise price of the option.

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 2007/08. Each Director normally receives a fee for being a Director of the Company. The remuneration of Non Executive Directors for the period ending 30 June 2008 is detailed in the Remuneration Table in this Report.

(ii) Senior Manager and Executive Director remuneration

Objective

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

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

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

Compensation of Key Management Personnel

(i) Employment contracts

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 contract 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 2008

30 June 2007	Short-Term				Post Employment		Long-Term	Share-based Payment	Total
	Salary & Fees $	Cash Bonus $	Non Monetary $	Other $	Super-annuation $	Retirement benefits benefits $	Incentive Plans $	Options $	$
Directors									
D Paranthoiene	48,000	-	-	-	-	-	-	-	48,000
T Poole	24,555	-	-	-	2,210	-	-	87,733	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**	**-**	**-**	**-**	**929,902**

[1] Mr Redden resigned as Chairman on 5 February 2008.

(iii) Compensation of Directors and Key Management Personnel (Consolidated) for the year-ended 30 June 2007

30 June 2006	Short-Term				Post Employment		Long-Term	Share-based Payment	Total
	Salary & Fees $	Cash Bonus $	Non Monetary $	Other $	Super-annuation $	Retirement benefits benefits $	Incentive Plans $	Options $	$
Directors									
B Redden	61,818	-	-	-	-	-	-	30,000	91,818
D Paranthoiene	89,091	-	-	-	-	-	-	30,000	119,091
B Carter	97,359	-	-	-	860	-	-	30,000	128,219
J Kelly	111,979	-	-	-	10,078	-	-	-	122,057
D Perlov	103,204	-	-	-	9,288	-	-	-	112,492
E Tay [1]	40,000	-	-	-	-	-	-	30,000	67,500
Executives									
J Romeo	20,446	-	-	-	1,840	-	-	-	-
	203,451	**-**	**-**	**-**	**20,226**	**-**	**-**	**120,000**	**643,677**

[1] Mrs Tay resigned as Director on 30 June 2007

Options granted as part of remuneration for the year ended 30 June 2008

As at the date of this report, there were 8,500,000 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding. Mr Tim Poole was issued with 4,000,000 options over ordinary shares on 22 November 2007 at an issue price of nil. They vest on 19 November 2009 and the final date for vesting is 19 November 2012. No shares were issued as a result of exercise of options during the financial year.

The fair value per option is $0.1151 as at balance sheet date.

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Total Value of options granted, exercised and lapsed during the year $	Remuneration consisting of options for the year %
T. Poole	**87,733**	**-**	**-**	**-**	**77%**

For details on the valuation of the options, including models and assumptions used, please refer to note 25.

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

There were no forfeitures during the period.

Signed in accordance with a resolution of the Directors.

On behalf of the Board.

David Paranthoiene

David Paranthoiene
Chairman
28 August 2008

James Kelly

James Kelly
Managing Director
28 August 2008

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

In relation to our audit of the financial report of Lifestyle Communities Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Don Brumley
Partner
28 August 2008

Corporate Governance Statement

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

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

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

Directors

The Board comprises of five Directors, Mr David Paranthoiene (Non-Executive Chairman), 1 year 3 months in office, Mr Tim Poole (Non-Executive Director), 9 months in office, Mr James Kelly (Managing Director), 1 year 3 months in office, Mr Bruce Carter (Executive Director Finance), 1 year 3 months in office, and Mr Dael Perlov (Executive Director Operations), 1 year 3 months in office.

There has not been a material change in the business over the past 12 months. The principles of good governance are still being observed as described below.

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

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

Trading Policy

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;
- That 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.

Audit Committee

Due to the size of the Board, there are currently only two members of the Audit committee: D Paranthoiene and T. Poole. The committee has met on two occasions during the year with the following attendances:

D Paranthoiene	2 out of 2
T Poole	1 out of 1
B Redden	1 out of 1

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

Remuneration & Nomination Committee

Due to the size of the Board, there are currently only two members of the remuneration committee; D. Paranthoiene and T. Poole. The committee has met on two occasions during the year with the following attendances:

D Paranthoiene	2 out of 2
T Poole	2 out of 2

It is the policy of the Board that as long as it is appropriate, membership of this committee should coincide with that of the Board. The procedure for nomination of new Directors is skills based. The Board determines the skills required to complement existing members and seeks new Board. Members on the basis of strengthening those areas of expertise which are deemed to be less than the level required.

Non-Executive Directors are paid an annual fee of $40,000 for their services with the Chairman receiving an annual fee of $60,000. There are no contracted retirement benefits payable.

Mr. Brendan Redden, upon his retirement from the Board accepted a 1 year contract position to advise the board on certain matters. This contract was valued at $90,000 plus GST.

The maximum amount of Directors Fees that may be paid to all Directors was fixed by the Company in November 2007 as $1,000,000 and has not been changed since that date.

For the year ended 30 June 2008 no performance rewards were awarded to Directors. An employee option plan is now in place (subject to shareholder approval at the AGM). Mr Tim Poole was issued with 4,000,000 options on 22 November 2007. The granting of these options is subject to shareholder approval at the next AGM. The options, which are over ordinary shares, were issued at $0.00 and expire on 19 November 2012.

Disclosure and Communication with Shareholders

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

- Continuous disclosure to the ASX. Lifestyle Communities is committed to maintaining full and proper disclosure to its shareholders and the market in general. This is addressed in the Disclosure Policy adopted by the Board and through the appointment of a disclosure officer who has accountability for ensuring that timely and appropriate disclosure is continuously addressed.
- Meetings. The Company holds a general meeting each year and copies of the Managing Director's address are placed on the ASX and Lifestyle Communities website for those unable to attend. The external auditor attends the meeting each year and is available to answer questions from the shareholders regarding the audit process and the audit report.
- Reporting. In addition to any ongoing disclosure updates, Lifestyle Communities formally reports to the shareholders and the market twice each year. These reports contain both financial results and an update on key strategic and operational issues.
- Lifestyle Communities website, (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.

Code of Conduct

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

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

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

Financial Statements

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

Income statement
for the year ended 30 June 2008

	Note	Consolidated 2008 A$	Consolidated 2007 A$	Parent 2008 A$	Parent 2007 A$
Sale of units		7,041,148	8,535,825	–	–
Rental revenue		761,740	518,624	–	–
Deferred management fee		1,001,681	47,596	–	–
Finance revenue		71,135	143,060	40,416	60,583
Revenue		**8 ,875,704**	**9,245,105**	**4 0,416**	**60,583**
Cost of Sales		**(3,881,241)**	**(7,742,123)**	**–**	**–**
Gross profit		4,994,463	1,502,982	40,416	60,583
Other income	6	20,085	7,186,853	680	–
Administrative expenses		(2,633,273)	(660,334)	(666,418)	(1,177,554)
Occupancy expenses		–	–	–	(16,040)
Other expenses		(308,111)	(289,135)	–	(6,710)
Finance cost other than distributions to Brookfield Development unit holders	7	(373,635)	(467,186)	(80,149)	–
Impairment of investment in subsidiaries	14	–	–	–	(30,218,545)
Profit before income tax		**1,699,529**	**7,273,180**	**(705,471)**	**(31,358,266)**
Income tax (expense) / benefit	8	(290,332)	1,196	86,988	129,759
Net profit before distribution to Brookfield Development unit holders		**1,409,197**	**7,274,376**	**(618,483)**	**(31,228,507)**
Distribution to Brookfield Development unit holders	7	(1,320,000)	–	–	–
Net profit attributable to members of the parent		**89,197**	**7,274,376**	**(618,483)**	**(31,228,507)**

	Note	2008	2007
Earnings per share		**cent**	**cent**
Basic earnings per share	10	0.300	9.87
Dilutive earnings per share		0.293	9.28

Balance sheet
for the year ended 30 June 2008

	Note	Consolidated 2008 A$	Consolidated 2007 A$	Parent 2008 A$	Parent 2007 A$
ASSETS					
Current Assets					
Cash and cash equivalents	11	423,409	768,915	188,709	–
Trade and other receivables	12	485,113	1,493,042	33,347,450	698,495
Inventories	13	3,242,655	7,384,864	–	–
Other current assets		34,366	167,576	13,767	166,032
Total current assets		**4,185,543**	**9,814,397**	**33,549,926**	**864,527**
Non-current Assets					
Deferred management fee	12	889,088	–	–	–
Investments in subsidiaries	14	–	–	16,916,755	16,916,755
Property, plant and equipment	15	25,751,314	258,812	11,228	2,950
Investment properties	16	15,400,978	8,646,887	–	–
Intangible assets and goodwill	17	10,196,704	10,206,357	–	–
Deferred tax asset	8	438,485	413,790	432,136	248,583
Total non-current assets		**52,676,569**	**19,525,846**	**17,360,119**	**17,168,288**
TOTAL ASSETS		**56,862,112**	**29,340,243**	**50,910,045**	**18,032,815**
LIABILITIES					
Current liabilities					
Trade and other payables	18	3,720,375	2,152,650	143,720	198,905
Interest-bearing loans and borrowings	20	27,117,282	5,863,982	27,506,943	298,459
Provisions	19	232,229	37,834	–	–
Income tax payable	8	15,577	15,577	15,577	15,577
Total current liabilities		**31,085,463**	**8,070,043**	**27,666,240**	**512,941**
Non-current Liabilities					
Provisions	19	56,378	–	–	–
Deferred tax liability	8	303,426	84,964	–	–
Unit holders	21	–	2,200,003	–	–
Total Non-current Liabilities		359,804	2,284,967	–	–
TOTAL LIABILITIES		**31,445,267**	**10,355,010**	**27,666,240**	**512,941**
NET ASSETS		**25,416,845**	**18,985,233**	**23,243,805**	**17,519,874**
Equity					
Contributed equity	21	18,141,367	11,897,888	123,799,626	117,556,148
Reserves	22	166,466	67,530	44,722,795	44,623,859
Retained profits/ (accumulated losses)	22	7,109,012	7,019,815	(145,278,616)	(144,660,133)
TOTAL EQUITY		**25,416,845**	**18,985,233**	**23,243,805**	**17,519,874**

Statement of changes in equity
for the year ended 30 June 2008

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

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

CONSOLIDATED	Issued Capital $A	Retained Earnings $A	Other Reserves $A	Total $A
At 1 July 2007	11,897,888	7,019,815	67,530	18,985,233
Profit for the period	–	89,197	–	89,197
Issue of shares	6,146,913	–	–	6,146,913
Tax affect of share issue costs	96,566	–	–	96,566
Options issued	–	–	98,936	98,936
At 30 June 2008	**18,141,367**	**7,109,012**	**166,466**	**25,416,845**

LIFESTYLE COMMUNITIES LIMITED	Issued Capital $A	Retained Earnings $A	Other Reserves $A	Total $A
At 1 July 2007	117,556,148	(144,660,133)	44,623,859	17,519,874
Issue of shares	6,146,912	–	–	6,146,912
Option issued	–	–	98,936	98,936
Tax affect of share issue costs	96,566	–	–	96,566
Loss for the period	–	(618,483)	–	(618,483)
At 30 June 2008	**123,799,626**	**(145,278,616)**	**44,722,795**	**23,243,805**

Cash flow statement
for the year ended 30 June 2007

	Note	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Cash flows from operating activities					
Receipts from customers		9,721,786	11,399,757	–	–
Payments to suppliers and employees		(2,297,035)	(11,392,030)	(325,356)	(1,288,178)
Interest received		71,137	23,552	40,416	59,950
Interest paid		(601,218)	(467,186)	(162,812)	–
Net cash flows from/(used in) operating activities	23	**6,894,670**	**(435,907)**	**(447,752)**	**(1,228,228)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(24,289,518)	(202,235)	(10,261)	(1,898)
Purchase of investment properties		(6,754,091)	–	–	–
Proceeds from sale of property, plant & equipment		8,732	671,298	–	–
Net cash flows from/(used in) investing activities		**(31,034,877)**	**469,063**	**(10,261)**	**(1,898)**
Cash flows from financing activities					
Proceeds from issue of shares		6,476,800	–	6,476,800	559,474
Proceeds from external borrowings		22,176,818	721,009	27,082,723	–
Proceeds from hire purchase		20,518	–	–	–
Payment of finance lease liabilities		–	(13,253)	–	–
Repayment of unit holders		(2,200,000)	(179,523)	–	–
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)	–	(32,439,755)	(535,500)
Transaction costs on issue of and buy back of shares		(329,887)	–	(329,887)	–
Net cash flows from financing activities		**23,794,701**	**528,233**	**789,881**	**23,974**
Net increase/(decrease) in cash held		(345,506)	561,389	331,868	(1,206,152)
Cash at the beginning of the financial year		768,915	207,526	(143,159)	1,062,993
Cash at the end of the financial year	11	**423,409**	**768,915**	**188,709**	**(143,159)**

Notes to the financial statements
for the year ended 30 June 2008

1 Corporate Information

The financial report of Lifestyle Communities Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 28 September 2008.

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

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

2 Summary of Significant Accounting Policies

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 which have been measured at fair value. The financial report is presented in Australian dollars.

(a) 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.

(b) New accounting standards and interpretations

Standards and Interpretations that are expected to be applicable to the Group are outlined below:

Summary of significant accounting policies

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting* , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statement, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group currently capitalises all borrowing costs associated with qualifying assets and as such the amendment is expected to have no impact on the financial statements.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

2 Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	The Group does not expect any change in the existing ownership of subsidiaries. The revised standard is not expected to have any impact on the financial statements.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-7	Cost of Investment in Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is share of equity) rather than its fair value.	1 January 2009	The Group does not expected to acquire any new subsidiaries. The revised standard is not expected to have any impact on the financial statements.	1 July 2009
AASB 2008-5 and AASB 2008-6	Improvements to IFRSs	The improvements project is an annual object that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to AASB 5, which are effective from 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009

2 Summary of Significant Accounting Policies (continued)

Adoption of new accounting standard

Since 1 July 2007, the Group and the Company have adopted the following Standards and Interpretations, mandatory for annual periods beginning or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group or the Company:

- AASB 7 Financial Instruments Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4,1023 and 1038)
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments (AASB 1,2,3,4,5,6,7,102,107,108,110,112,114,116,117,118,119,120,121,127,128,129,130,131,132,133,134,136,137,138,139, 141,1025 and 1038)
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1,2,4,5,107 and 128)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Lifestyle Communities Limited and its subsidiaries as at 30 June 2008 each year (the Group). Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether 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 profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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.

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

(d) Business combinations

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.

(e) 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.

(f) Cash and cash equivalents – refer note 11

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

2 Summary of Significant Accounting Policies (continued)

(g) Trade and other receivables – refer note 12

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

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, default payments or debts more than 60 days overdue 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.

(h) Inventories – refer note 13

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.

(i) Investments and other financial assets – refer note 14

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.

(j) Property, plant and equipment – refer note 15

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

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

Building – over 30 to 40 years

Plant and equipment – over 5 to 15 years

Leased equipment – over 8 to 10 years

Motor vehicles – over 4 years

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

Derecognition

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

(k) Investment properties – refer note 16

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.

2 Summary of Significant Accounting Policies (continued)

(k) Investment properties – refer note 16 (continued)

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

(l) Leases

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

(i) Group as a 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.

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

Lifestyle Communities Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered and impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(n) Goodwill – refer note 17

Goodwill

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

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

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

- Brookfield Development cash generating unit

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

2 Summary of Significant Accounting Policies (continued)

(n) Goodwill – refer note 17 (continued)

Lifestyle Communities Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for the Brookfield Development cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in note 17.

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.

(o) Trade and other payables – refer note 18

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.

(p) Interest-bearing loans and borrowings – refer note 20

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).

(q) Provisions and employee leave benefits – refer note 19

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, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. 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 using the projected unit credit method.

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

(r) Contributed equity – refer note 21

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.

2 Summary of Significant Accounting Policies (continued)

(s) 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 recognised and measured in accordance with a financial probability model. The model is based on actuarial calculations which take into consideration the age and gender of residents, the average length of stay and also the current sales price.

(t) Income tax and other taxes – refer note 8

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

2 Summary of Significant Accounting Policies (continued)

(t) Income tax and other taxes (continued)

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.

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

Other taxes

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

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

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

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

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

(u) Earnings per share – refer note 10

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

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

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

3 Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and overdrafts, finance leases, 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 below.

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.

3 Financial risk management objectives and policies (continued)

Risk exposure and responses (continued)

Interest rate risk (continued)

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

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Financial assets				
Cash and cash equivalents	423,409	768,915	188,709	–
	423,409	**768,915**	**188,709**	**–**
Financial liabilities				
Bank loans	27,320,535	4,841,133	27,475,835	–
Loans from related parties	1,050	1,003,922	–	–
	27,321,585	**5,845,055**	**27,475,835**	**–**
Net exposure	**(26,898,176)**	**(5,076,140)**	**(27,287,126)**	**–**

At 30 June 2008, 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) 2008 $A	Post Tax Profit Higher/(Lower) 2007 $A	Equity Higher/(Lower) 2008 $A	Equity Higher/(Lower) 2007 $A
Consolidated				
+1% (100 basis points)	(188,287)	(35,533)	–	–
-0.5% (50 basis points)	94,144	17,766	–	–
Parent				
+1% (100 basis points)	(191,010)	–	–	–
-0.5% (50 basis points)	95,505	–	–	–

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.

At 30 June 2008, the amount of exposure is not representative as interest on bank loans are capitalised as part of qualifying assets.

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

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Deferred management fee				
Current	101,553	47,596	–	–
Non current	889,088	–	–	–
	990,641	**47,596**	**–**	**–**

3 Financial risk management objectives and policies (continued)

Risk exposure and responses (continued)

Interest rate risk (continued)

At 30 June 2008, 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)	
	2008 $A	2007 $A	2008 $A	2007 $A
Consolidated				
+1% (100 basis points)	(67,085)	(2,561)	–	–
-0.5% (50 basis points)	37,006	1,390	–	–

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 2008 if property price 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)	
	2008 $A	2007 $A	2008 $A	2007 $A
Consolidated				
+10%	68,326	3,332	–	–
-5%	(34,164)	(1,666)	–	–

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.

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 securities 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.

At 30 June 2008, 100% of the Group's debt is on demand (2007: 100% in less than 1 year). Refer note 20 for detail

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as at June 2008. For all obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

3 Financial risk management objectives and policies (continued)

Risk exposure and responses (continued)

Liquidity risk (continued)

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

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
On demand	31,680,659	–	27,635,132	–
6 months or less	–	4,841,134	–	–
6-12 months	5,812	–	206,442	–
Over 1 year	56,379	–	–	–
	31,742,849	**4,841,134**	**27,841,574**	**–**

At balance date, the Group has available $2,679,466 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.

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, the result of which for the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

4 Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions (continued)

Calculation of deferred management fee (DMF)

The deferred management fee is payable upon 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 sex 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 17.

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 25. 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.

Long service leave provision

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

Estimation of useful lives of assets

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

5 Segment information

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

Geographic segment

The entity operates in one geographical area, Australia.

6 Other income

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Fair value gains on investment property	–	7,166,887	–	–
Sundry income	20,085	19,966	680	–
	20,085	**7,186,853**	**680**	**–**

7 Expenses

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
(a) Finance cost				
Bank loans and overdrafts	373,635	467,186	80,149	–
Distribution to Brookfield Development unit holders	1,320,000	–	–	–
	1,693,635	**467,186**	**80,149**	**-**
(b) Depreciation and amortisation				
Depreciation	42,108	22,210	1,982	2,389
Amortisation of loan facility fee	62,479	24,507	62,479	–
	104,587	**46,717**	**64,461**	**2,389**
(c) Employee benefits expense				
Wages and salaries	1,022,171	245,084	24,555	4,539
Defined contribution superannuation expense	105,973	25,287	2,210	–
Share option expense	98,936	43,528	98,936	120,000
Other employee benefits	253,726	36,413	–	–
	1,480,806	**350,312**	**125,701**	**124,539**

8 Income tax

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
(a) Income tax expense				
The major components of income tax expense are:				
Income statement				
Current Income tax				
Current income tax charge	–	15,577	–	15,577
Adjustments in respect of current income tax of previous years	–	202,768	–	103,247
Deferred income tax				
Relating to origination and reversal of temporary difference	290,332	(220,271)	(86,988)	(248,583)
Income tax expense reported in income statement *	**290,332**	**(1,926)**	**(86,988)**	**(129,759)**
(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	96,566	–	96,566	–
Income tax expense reported in equity	**96,566**	**–**	**96,566**	**–**

8 Income tax (continued)

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
(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	379,529	7,273,180	(705,471)	(31,358,266)
At the parent entity's statutory income tax rate of 30%(2007:30%)	113,859	2,181,954	(211,641)	(9,407,480)
Adjustments in respect of current income tax of previous year	–	202,768	–	103,247
Share based payments	122,885	13,058	122,885	36,000
Legal fees	19,500	–	19,500	–
Non: deductible interest	396,000	–	–	–
Tax distribution A Class unit holders	(385,828)	–	–	–
AIFRS adjustment	–	–	–	9,065,564
Unrecognised tax losses	–	–	–	26,015
Capital expenses	–	–	–	114,028
Fair value on investment properties	–	(2,196,656)	–	–
Non: deductible expenses	–	448	–	–
Other items	23,916	(202,768)	(17,732)	(67,133)
Aggregate income tax expense	**290,332**	**(1,196)**	**(86,988)**	**(129,759)**

(d) Recognised deferred tax asset and liabilities

	Consolidated 2008 $A Current Income Tax	Consolidated 2008 $A Deferred Income Tax	Consolidated 2007 $A Current Income Tax	Consolidated 2007 $A Deferred Income Tax	Parent 2008 $A Current Income Tax	Parent 2008 $A Deferred Income Tax	Parent 2007 $A Current Income Tax	Parent 2007 $A Deferred Income Tax
Opening Balance	15,577	328,826	–	108,555	15,577	248,583	–	–
Charges to income	–	(290,332)	15,577	220,271	–	86,988	15,577	248,583
Charges to equity	–	96,565	–	–	–	96,565	–	–
Closing balance	**15,577**	**135,059**	**15,577**	**328,826**	**15,577**	**432,136**	**15,577**	**248,583**
Tax expense/(benefit) in income statement		290,332		(1,926)		(86,988)		(129,759)
Amounts recognised in the balance sheet								
Deferred tax asset		438,485		413,790		432,136		248,583
Deferred tax liability		(303,426)		(84,964)		–		–
		135,059		**328,826**		**432,136**		**248,583**

8 Income tax (continued)

Deferred income tax at 30 June relates to the following:

Consolidated	Balance Sheet 2008 $A	Balance Sheet 2007 $A
(i) Deferred tax liabilities		
Deferred management fee	297,192	14,279
Inventory	6,234	70,685
Deferred tax liabilities	**303,426**	**84,964**
(ii) Deferred tax assets	8,427	26,112
Borrowing costs	31,343	83,928
Insurance	7,584	–
Special project costs	99,179	–
Legal fees	9,227	–
Website cost	4,183	–
Tax losses	162,068	265,896
Provisions:		
Annual leave	69,669	37,302
Long service leave	16,913	–
Payables	28,892	552
Deferred tax assets	**437,485**	**413,790**
Parent		
(iii) Deferred tax assets		
Borrowing costs	5,345	22,130
Insurance	31,343	83,928
Special project costs	7,584	–
Equity raising costs	99,179	–
Payables	13,685	23,701
Tax losses	275,000	118,824
	432,136	**248,583**

(e) Tax consolidation

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

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

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

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

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

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

8 Income tax (continued)

Nature of the tax funding agreement

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

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

9 Dividends paid and proposed

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
(a) Recognised amounts				
Declared and paid during the year	–	–	–	–

	2008 $A	2007 $A
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
• franking account balance as at the end of the financial year at 30% (2007:30%)	5,045,358	5,045,358
• franking credits that will arise from the payment of income tax payable at the end of the financial year	–	–
• franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	–	–
The amount of franking credits available for future reporting periods	**5,045,358**	**5,045,358**

10 Earnings per share

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

	Consolidated	
	2008 $A	2007 $A
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net profit / (loss)	89,197	7,274,376
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	295,220,862	294,766,041
Effect of dilution:		
Share Options	8,874,590	18,673,973
Weighted average number of ordinary shares adjusted for dilution	304,095,452	313,440,014

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

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the financial statements
for the year ended 30 June 2008

11 Current assets – cash and cash equivalents

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Cash at bank and in hand	423,409	754,210	188,709	–
Short-term deposits	–	14,705	–	–
	423,409	**768,915**	**188,709**	**–**

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

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

Reconciliation to Cash Flow Statement

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

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Cash at bank and in hand	423,409	754,210	188,709	–
Short-term deposits	–	14,705	–	–
Bank overdrafts (note 20)	–	–	–	(143,159)
	423,409	**768,915**	**188,709**	**(143,159)**

12 Trade and other receivables

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Current assets – trade and other receivables				
Trade receivables	59,621	38,353	–	–
Land deposits	35,000	1,287,860	–	–
Other related parties (note 24)	60,461	55,470	33,344,691	698,495
Deferred management fee	101,553	47,596	–	–
Other receivables	228,478	63,763	2,759	–
Carrying amount of trade and other receivables	**485,113**	**1,493,042**	**33,347,450**	**698,495**

Non current assets – deferred management fee

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Deferred management fee	889,088	–	–	–
	889,088	**–**	**–**	**–**

12 Trade and other receivables (continued)

(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.

At 30 June 2008, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days
2008 Consolidated	59,616	58,326	–	1,290
Parent	–	–	–	–
2007 Consolidated	38,353	38,353	–	–
Parent	–	–	–	–

(b) Related party receivables

For terms and conditions of related party receivables, refer to note 24.

(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 receivables, 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 the Group's policy to transfer (on-sell) receivables to special purpose entities.

13 Current assets – inventories

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Finished goods (at cost)(a)	3,242,655	7,384,864	–	–
Total inventories at the lower of cost and net realisable value	**3,242,655**	**7,384,864**	**–**	**–**

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2008 totalled $3,881,241 for the Group (2007: $7,742,123). The expense has been included in the cost of sales line item as a cost of sales.

(a) $205,143 of borrowing costs was capitalised during there period relating to inventories.
A capitalisation rate of 70% was used.

14 Non-current assets – investments in subsidiaries

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Investments in subsidiaries (refer note 24)	–	–	47,135,300	47,135,300
Provision for diminution	–	–	(30,218,545)	(30,218,545)
	–	**–**	**16,916,755**	**16,916,755**

An allowance 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.:

15 Non-current assets – Property, plant and equipment

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

CONSOLIDATED

	Land and Buildings	Office Equipment	Computer Software	Motor Vehicles	Plant and Equipment	Computer Hardware	Property under Development	Total
Year end 30 June 2008								
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**	**27,351,314**
At 30 June 2008 at 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**	**32,356**	**84,744**	**2,000**	**25,382,570**	**25,751,314**

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

Parent

	2008 Computer Software	2008 Computer Hardware	2008 Total	2007 Total
Year end 30 June 2007				
At 1 July net of accumulated depreciation	-	2,950	2,950	3,441
Additions	10,260	-	10,260	1,898
Depreciation charge for the year	(1,031)	(951)	(1,982)	(2,389)
At 30 June net of accumulated depreciation	**9,229**	**1,999**	**11,228**	**2,950**
At 30 June at cost	10,260	8,828	19,088	8,830
Accumulated depreciation	(1,031)	(6,828)	(1,981)	(5,880)
Net carrying amount	**9,229**	**2,000**	**11,229**	**2,950**

(a) $87,918 of borrowing costs was capitalised during the period relating to property under development.
A capitalisation rate of 30% was used.

(b) Property plant and equipment pledged as security for liabilities
Leased motor vehicles are pledged as security for the related finance lease liabilities.

16 Non-current assets – investment properties

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Opening balance as at 1 July	8,646,887	–	–	–
Additions(a)	6,754,091	1,480,000	–	–
Net gain from fair value adjustments	–	7,166,887	–	–
Closing balance as at 30 June	**15,400,978**	**8,646,887**	**–**	**–**

Investment properties are carried at fair value, which has been determined based on valuations performed by M3 Property Valuers who are industry 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 20.

17 Non-current assets – intangible assets and goodwill

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

	Consolidated Goodwill	Consolidated Formation Costs	Consolidated Trademarks	Consolidated Total	Parent Goodwill	Parent Formation Costs	Parent Trademarks	Parent Total
Year end 30 June 2008								
At 1 July 2007 net of accumulated depreciation	10,196,704	–	9,653	10,206,357	–	–	–	–
Additions	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Amortisation charge for the year	–	–	(9,653)	(9,653)	–	–	–	–
	10,196,704	**–**	**–**	**10,196,704**	**–**	**–**	**–**	**–**
At 30 June 2008								
Cost (gross carrying amount)	10,196,704	–	–	10,196,704	–	–	–	–
Amortisation	–	–	–	–	–	–	–	–
Net carrying amount	**10,196,704**	**–**	**–**	**10,196,704**	**–**	**–**	**–**	**–**
Year end 30 June 2007								
At 1 July 2006 net of accumulated depreciation	–	24,507	–	24,507	–	–	–	–
Additions	–	–	9,653	9,653	–	–	–	–
Acquisition of subsidiaries	10,196,704	–	–	10,196,704	–	–	–	–
Amortisation charge for the year	–	(24,507)	–	(24,507)	–	–	–	–
	10,196,704	**–**	**9,653**	**10,206,357**	**–**	**–**	**–**	**–**
Year end 30 June 2007								
Cost (gross carrying amount)	10,196,704	24,507	9,653	10,230,864	–	–	–	–
Amortisation	–	(24,507)	–	(24,507)	–	–	–	–
Net carrying amount	**10,196,704**	**–**	**9,653**	**10,206,357**	**–**	**–**	**–**	**–**

17 Non-current assets – intangible assets and goodwill (continued)

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

(i) 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 (refer to section (c) of this note).

(ii) Formation Costs

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

(c) Impairment tests for goodwill

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

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

The recoverable amount of the unit has been determined based on a value in use calculation using cash flow projections as at 31 May 2008.

The pre-tax discount rate applied to cash flow projections is 12.5% (2007: 7.5%) akin to an investment property type return exhibited by an office building with a long term secure government tenant. Cash flows from rental income are extrapolated using a 4% growth rate over a period of 4 years. Which is in line with the long term average growth rate from the retirement industry generally.

(ii) Carrying amount of goodwill is all allocated to this cash generating unit

(iii) Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

Sales rate – The unit sales rate reflects the average monthly sales during the financial year.

Cost assumptions – Costs of completing the development are based on projections which are updated monthly to reflect known changes in expected costs. Ongoing estate management costs are based on those costs experienced since inception of the project.

Discount rate – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for the unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjustment for country and business risk specific to the unit.

18 Current liabilities – Trade and other payables

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Trade payables (b)	1,879,749	183,307	95,184	198,905
Deferred revenue	–	1,009,814	–	–
Other payables and accruals (c)	1,840,626	959,529	48,536	–
Carrying amount of trade and other payables	**3,720,375**	**2,152,650**	**143,720**	**198,905**

(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.

19 Current liabilities – provisions

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Provision for annual leave	232,229	26,237	–	–
Provision for long service leave	–	11,597	–	–
Carrying amount of trade and other payables	**232,229**	**37,834**	**–**	**–**

Non-current liabilities – provisions

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Provision for long service leave	56,378	–	–	–
	56,378	**–**	**–**	**–**

(a) Movements in provision

CONSOLIDATED

	Annual Leave	Long service leave	Total
At 1 July 2007	26,237	11,597	37,834
Arising during the period	283,329	44,780	328,109
Utilised	(77,337)	–	(77,337)
At 30 June 2007	**232,229**	**56,377**	**288,606**

	Annual Leave	Long service leave	Total
At 1 July 2006	7,558	–	7,558
Arising during the year	30,641	11,597	42,238
Utilised	(11,962)	–	(11,962)
At 30 June 2007	**26,237**	**11,597**	**37,834**

20 Interest-bearing loans and borrowings

	Maturity	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
Current					
Secured loans	On demand	–	4,841,134	–	–
Hire purchase (note 27)	2009	26,965	6,447	–	–
Loans from related parties (note 24)	On demand	9,886	1,016,401	361,742	155,300
Bank overdrafts	On demand	–	–	–	143,159
Secured loans	On demand	27,080,431	–	27,145,201	–
		27,117,282	**5,863,982**	**27,506,943**	**298,459**

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.

20 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. 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 24.

(c) Assets pledged as security

All assets being $56.8m 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 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. As the new covenants were not finalised prior to the end of the financial year the entity is required to disclose the total facility as current. New arrangements have been implemented and the facility remains ongoing.

The default relates to the $30,000,000 facility of which $27,320,534 was drawn at balance date.

21 Contributed equity

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Ordinary shares	18,141,367	11,897,888	123,799,626	117,556,148

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.

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Unit holders	–	2,200,003	–	–

21 Contributed equity (continued)

(a) Ordinary shares

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

Consolidated	Number	$A
Movement in ordinary shares on issue		
At 1 July 2007	269,893,211	11,897,888
15 November 2007 share issue	40,480,000	6,476,800
Costs attributed to share issue	–	(329,887)
Tax effect of costs attributed to share issue	–	96,566
Balance at 30 June 2008	**310,373,211**	**18,141,367**

Parent	Number	$A
Movement in ordinary shares on issue		
At 1 July 2007	269,893,211	117,556,148
15 November 2007 share issue	40,480,000	6,476,800
Costs attributed to share issue	–	(329,887)
Tax effect of costs attributed to share issue	–	96,566
Balance at 30 June 2008	**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 shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements.

(c) Nature and purpose of reserves

(i) Capital profits reserve

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

(ii) Option and share premium reserve

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

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

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

22 Retained earnings and reserves

(a) Movements in retained earnings were as follows:

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Balance 1 July	7,019,815	(254,561)	(144,660,133)	(113,431,626)
Net profit/(loss)	89,197	7,274,376	(618,483)	(31,228,507)
Dividend paid	–	–	–	–
	7,109,012	**7,019,815**	**(145,278,616)**	**(144,660,133)**

22 Retained earnings and reserves (continued)

(b) Other reserves

	Consolidated		Parent		
	Option and Share Premium Reserve	Total	Option and Share Premium Reserve	Capital Profits Reserve	Total
At 1 July 2006	67,530	67,530	29,724,000	14,899,859	44,623,859
At 30 June 2007	**67,530**	**67,530**	**29,724,000**	**14,899,859**	**44,623,859**
Transfer to balance					
Issue of options	98,936	98,936	98,936	–	98,936
At 30 June 2008	**166,466**	**166,466**	**29,822,936**	**14,899,859**	**44,722,795**

23 Cash flow statement reconciliation

	Consolidated 2008 $A	Consolidated 2007 $A	Parent 2008 $A	Parent 2007 $A
a) Reconciliation of net cash flows from operating activities to operating profit/(loss)				
Operating profit/(loss) after income tax	89,197	7,274,376	(618,483)	(31,228,507)
Adjustment for non-cash:				
Net (gain)/loss on fair value of investment property	–	(7,166,887)	–	–
Profit on disposal of asset	(964)	–	–	–
Depreciation	42,108	20,210	1,982	2,388
Amortisation	62,479	24,507	62,479	–
Transfer to stock	–	(289,607)	–	–
Share option expense	98,935	43,528	98,935	120,000
Formation cost	–	190	–	–
Write-off investment in subsidiaries	–	–	–	30,218,454
Write-off of non-current assets	9,653	–	–	–
Tax costs included in share issue	96,564	–	96,564	–
Interest on hire purchase	–	3,498	–	–
Intercompany interest	–	(119,508)	–	–
Prepayment released	–	16,546	–	–
Interest expense classified as financing cash flow	1,338,041	–	–	–
Deferred revenue adjustment	(943,045)	349,156	–	–
Add back/(subtract) changes in operating assets and liabilities:				
Increase in trade and other receivables	(21,268)	(51,756)	–	–
(Decrease)/increase in prepayments and deposits	–	(69,965)	58,827	(9,475)
(Increase)/decrease in inventories	4,142,209	(236,206)	–	–
Decrease in customer deposits	–	(19,860)	–	–
(Increase)/decrease in other assets	(31,505)	–	90,681	(145,882)
Increase/(decrease) in trade creditors and payables	1,567,725	(212,933)	(55,185)	(127,754)
Increase/(decrease) in other creditors	–	–	–	101,707
Increase in provisions	250,774	–	–	(29,400)
Increase in deferred tax asset	(24,695)	–	(183,552)	(129,759)
Increase in tax payable	–	–	–	–
Increase in deferred tax liability	218,462	(1,196)	–	–
Net cash provided by operating activities	**6,894,670**	**(435,907)**	**(447,752)**	**(1,228,228)**

23 Cash flow statement reconciliation (continued)

(b) Disclosure of financing facilities

Refer to interest bearing loan and borrowings note 20.

(c) Non-cash financing and investing activities

Refer to share based payments note 25.

24 Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of Lifestyle Communities Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2008	2007	Value of parent entity's interest 2008	2007
Namberry Retail Pty Ltd	Australia	100%	100%	–	–
Namberry (SA) Pty Ltd	Australia	100%	100%	–	–
Lifestyle Communities Investments Pty Ltd	Australia	100%	100%	155,300	155,300
Namberry Technical Services Pty Ltd	Australia	100%	100%	–	–
Namberry Holdings Pty Ltd	Australia	100%	100%	–	–
Namberry Prepaid Mobile Pty Ltd	Australia	100%	100%	–	–
Namberry Prepaid Communications Pty Ltd	Australia	100%	100%	–	–
Lifestyle Communities Developments Pty Ltd	Australia	100%	100%	3,968,804	3,968,804
Lifestyle Communities Management Pty Ltd	Australia	100%	100%	12,792,651	12,792,651
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%	–	–
				16,916,755	**16,916,755**

(b) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(c) Loans from related parties

	Maturity	Consolidated 2007 $A	Consolidated 2006 $A	Parent 2007 $A	Parent 2006 $A
Current					
Interest bearing loans and borrowings					
Lifestyle Brookfield Land Trust [1]	On demand	8,835	12,479	–	–
Lifestyle Communities Pty Ltd		–	–	73,660	–
Brookfield Management Trust		–	–	132,782	–
Masonkelly Pty Ltd [2]	On demand	350	334,640	–	–
B.S. Carter Investments Pty Ltd [3]	On demand	350	334,641	–	–
Daken Investments Pty Ltd [4]	On demand	350	334,641	–	–
Lifestyle Investments Pty Ltd		–	–	155,300	155,300
		9,885	**1,016,401**	**361,742**	**155,300**

24 Related party disclosure (continued)

	Maturity	2008 $A	2007 $A	2008 $A	2007 $A
Trade and other receivables					
Lifestyle Brookfield Land Trust [1]	On demand	60,461	55,470	–	–
Brookfield Development Trust		–	–	8,621,433	–
Lifestyle Communities Pty Ltd		–	–	3,291,677	634,581
Lifestyle Investments Pty Ltd		–	–	21,431,581	–
Lifestyle Management Trust					63,914
		60,461	**55,470**	**33,344,691**	**698,495**

(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

Adjustment for prior period error

Lifestyle recorded related party interest-bearing loans and borrowings as non-current as at 30 June 2007. These liabilities should have been classified as current in accordance with AASB 101 Presentation of Financial Statements as the amounts were payable on demand. This correction has resulted in the following changes to the 30 June 2007 comparatives: reclassification of non-current interest-bearing loans and borrowing to current interest-bearing loans and borrowing of $1,003,922.

(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 was 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	
	2008 $A	2007 $A	2008 $A	2007 $A
Interest paid				
Masonkelly Pty Ltd	30,304	35,158	–	–
B.S. Carter Investments Pty Ltd	30,304	35,158	–	–
Daken Investments Pty Ltd	30,304	35,158	–	–
Lifestyle Brookfield Land Trust	–	14,034	–	–
	90,912	**119,508**	**–**	**–**

25 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	
	2008 $A	2007 $A	2008 $A	2007 $A
Expense arising from equity-settled				
shared-based payment transaction				98,935
43,528			98,935	120,000
Total expense arising from share-based payment transactions	**98,935**	**43,528**	**98,935**	**120,000**

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2008 and 2007.

25 Share-based payment plans (continued)

(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. The contractual life of each option granted is five years. The vesting conditions require that the owner of the option has completed continuous services with the Company since date of issue. There are no cash settlement alternatives.

(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:

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	6,000,000	–	1,450,000	0.326
Granted during the year	4,250,000	0.138	6,000,000	0.160
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	1,450,000	0.192
Outstanding at the end of the year	10,250,000	0.138	6,000,000	–
Exercisable at the end of the year	6,000,000	0.160	6,000,000	0.160

The outstanding balance as at 30 June 2008 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.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 4.42 years (2007: 0)

(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. (2007: $0.40)

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.1388

(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.

25 Share-based payment plans (continued)

	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

	ESOP 2007
Dividend yield (%)	0%
Expected volatility (%)	40% and 50%
Risk-free interest rate (%)	5.67%
Expected life of option (years)	31/05/11 is the expiry date
Option exercise price ($)	$0.040
Weighted average share price at measurement date ($)	$0.020
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.

26 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.

There were no business combinations during the year.

	Shares on issue prior to combination	Share price 23 March 2007	
Cost	201,807,137.00	$0.054	10,897,585
Value of net assets prior to consolidation			(700,881)
Goodwill			**10,196,704**

27 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.

27 Commitments and contingencies (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2008 are as follows:

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Within one year	908,600	584,882	–	–
After one year but not more than five years	3,634,401	2,331,499	–	–
After more than five years	77,231,014	48,959,472	–	–
Total minimum lease payments	**81,774,015**	**51,875,853**	**–**	**–**

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 a Toyota Bus with a carrying value of $20,038 and a Toro with a carrying value of $4,927. The hire purchase contracts expire within 3 years.

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

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Within one year	13,167	7,938	–	–
After one year but not more than five years	16,443	–	–	–
After more than five years	–	–	–	–
Total minimum lease payments	29,610	7,938	–	–
Less amounts representing finance charges	(2,645)	(1,491)	–	–
Present value of minimum lease payments	**26,965**	**6,447**	**–**	**–**

28 Key Management Personnel

(a) Compensation of Key Management Personnel

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
Short-term employee benefits	990,201	503,451	–	182,645
Post-employment benefits	60,001	20,226	–	–
Share-based payment	87,733	120,000	–	–
	1,137,935	**643,677**	**–**	**182,645**

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

During the financial year, the following key management personnel were granted options:

Tim Poole 4,000,000

Refer to note 25 for valuation details on these options.

28 Key Management Personnel (continued)

(c) Shareholdings of Key Management Personnel

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					
Carpar Investments [1]	7,000,000	–	–	(1,034,000)	5,966,000
B.S Carter Superannuation Pty Ltd	1,264,265	–	–	517,360	1,781,625
Paranthoiene Superannuation Pty Ltd	1,264,265	–	–	517,360	1,781,625
Mandala Investments [2]	25,000	–	–	–	25,000
Daken Investments Pty Ltd [3]	72,500,000	–	–	(8,749,765)	63,750,235
B.S Carter Investments Pty Ltd [4]	72,500,000	–	–	(9,000,000)	63,500,000
Masonkelly Pty Ltd [5]	72,500,000	–	–	(9,000,000)	63,500,000
Newheart Pty Ltd [6]	134,160	–	–	(134,160)	–
D.P Telecommunications Pty Ltd [7]	78,750	–	–	(78,750)	–
D. Perlov	37,325	–	–	(37,325)	–
T Poole	–	–	–	3,000,000	3,000,000
Lifestyle Brookfield Pty Ltd	1,941,250	–	–	–	1,941,250

Ordinary shares held In Lifestyle Communities Limited	Balance at 1 July 2006	Granted as Remuneration	Exercise of Option	Net Change Other	Balance at 30 June 2007
Directors					
Carpar Investments [1]	7,000,000	–	–	–	7,000,000
B.S Carter Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Paranthoiene Superannuation Pty Ltd	1,264,265	–	–	–	1,264,265
Mandala Investments [2]	25,000	–	–	–	25,000
Daken Investments Pty Ltd [3]	72,500,000	–	–	–	72,500,000
B.S Carter Investments Pty Ltd [4]	72,500,000	–	–	–	72,500,000
Masonkelly Pty Ltd [5]	72,500,000	–	–	–	72,500,000
Newheart Pty Ltd [6]	134,160	–	–	–	134,160
D.P Telecommunications Pty Ltd [7]	78,750	–	–	–	78,750
D. Perlov	37,325	–	–	–	37,325

1) CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and the B.S. Carter Family Trust

2) Mandala Investments Pty Ltd is a company associated with B Redden

3) Daken Investments Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust

4) B.S. Carter Investments Pty Ltd is beneficially owned by Mr Carter and held directly through the B.S. Carter Family Trust

5) Masonkelly Pty Ltd is beneficially owned by Mr Kelly and held directly through the Eliza G Family Trust

6) Newheart Pty Ltd is beneficially owned by Mr Perlov and held through the Perlov Family Trust

7) DP Telecommunications Pty Ltd is beneficially owned by Mr Perlov and held directly through the Perlov Family Trust

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.

28 Key Management Personnel (continued)

(d) Loans to Key Management Personnel

There are no loans to key management personnel (2007: nil).

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

- David Paranthoiene provided service to the Company over and above his role as non-executive director during the year for fees of $72,500 (2007: $49,091)
- Brendan Reddan has officially resigned from the role of Chairman but will continue to provide his service as Strategic Consultant for the Company for the whole of next financial year, for the fee of $90,000.

29 Events after the balance sheet date

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

30 Auditors' remuneration

The auditor of Lifestyle Communities Limited is Ernst & Young.

Amounts received or due and receivable for:

	Consolidated		Parent	
	2008 $A	2007 $A	2008 $A	2007 $A
• An audit review of the financial report of the entity and any other entity in the consolidated group.				
• paid	61,900	54,810	10,000	34,810
• payable	20,600	–	–	–
• Other services in relation to the entity and any other entity in the consolidated group.	–	35,930	–	28,830
Tax compliance				
• paid	34,100	25,650	34,100	23,150
• payable	–	–	–	–
Total	**116,600**	**116,390**	**44,100**	**86,790**

Directors' declaration

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

In the opinion of the directors:

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

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

On behalf of the Board

James Kelly

James Kelly
Managing Director
28 August 2008

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

Report on the Financial Report

We have audited the accompanying financial report of Lifestyle Communities Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Lifestyle Communities Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the financial position of Lifestyle Communities Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2008. 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 Limited for the year ended 30 June 2008, complies with section 300 A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

D Brumley

Don Brumley
Partner
Melbourne
28 August 2008

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 28 August 2008.

(a) Distribution of equity securities

(i) Ordinary share capital
310,373,211fully paid ordinary shares are held by 2,869 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	542,247	–
1,001-5,000	1,569,169	–
5,001-10,000	1,149,258	–
10,001-100,000	15,470,707	–
100,001 and over	291,641,830	10,250,000
	310,373,211	**10,250,000**
Holding less than a marketable parcel	–	2,037

(b) Substantial shareholders

Fully Paid Ordinary Shareholders	Fully Paid Number	Percentage
Daken Investments Pty Ltd	63,750,235	20.54
B.S Carter Investments Pty Ltd	63,500,000	20.46
MasonKelly Pty Ltd	63,500,000	20.46
Sandhurst Trustees Ltd	17,363,747	5.59
	208,113,982	**67.05%**

ASX additional information

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid Number	Percentage
DAKEN INVESTMENTS PTY LTD	63,750,235	20.54
B S CARTER INVESTMENTS PTY LTD	63,500,000	20.46
MASONKELLY PTY LTD	63,500,000	20.46
SANDHURST TRUSTEES LTD	17,363,747	5.59
INVIA CUSTODIAN PTY LIMITED	8,016,955	2.58
CARPAR INVESTMENTS PTY LTD	5,966,000	1.92
REEFBAY HOLDINGS PTY LTD	4,035,000	1.3
BELL POTTER NOMINEES LTD	3,533,750	1.14
EQUITY TRUSTEES LIMITED	3,125,000	1.01
FADMOOR PTY LTD	3,125,000	1.01
MOSTIA DION NOMINEES PTY LTD	3,125,000	1.01
DALEFORD WAY PTY LTD	3,030,304	0.98
MRS JANE CAROLINE POOLE	3,000,000	0.97
SANDHURST TRUSTEES LTD	2,250,652	0.73
LIFESTYLE BROOKFIELD PTY LTD	1,941,250	0.63
B S CARTER SUPERANNUATION PTY LTD	1,781,625	0.57
PARANTHOIENE SUPERANNUATION PTY LTD	1,781,625	0.57
INVIA CUSTODIAN PTY LIMITED	1,661,625	0.54
MOSTIA DION NOMINEES PTY LIMITED	1,515,153	0.49
MR GREGORY O'SHEA	1,515,153	0.49
	257,518,074	**82.99**

Additional information required by the Australian Stock Exchange Ltd. not shown elsewhere in this report is as follows. The information is as at 28 August 2008 (as the most practicable date close to the date of this report).

Range of Shares

***GI / Ordinary, Employee**

	Range	Total Holders	Units	% Issued Capital
	1-1,000	1,445	542,247	0.17
	1,001-5,000	649	1,569,169	0.51
	5,001-10,000	148	1,149,258	0.37
	10,001-100,000	500	15,470,707	498
	100,001-9,999,999,999	129	291,641,830	93.96
Rounding				0.01
Total		2,871	310,373,211	100.00

Voting Rights

All ordinary shares carry one vote per share without restriction.

Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	104 Tope Street South Melbourne VIC 3205 Australia
Directors	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	104 Tope Street South Melbourne VIC 3205 Australia
Share Register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 Facsimile 61 3 9473 2500 Investor queries (within Australia) 1300 850 505
Solicitors	Maddocks Lawyers 140 William Street Melbourne VIC 3000 Australia
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne VIC 3000
Auditors	Ernst & Young Australia