Lifestyle Communities Limited

ABN 11 078 675 153

Half Year Report

for the

Period Ended

31 December 2008

For personal use only

Lifestyle Communities Pty Ltd, 104 Tope Street, South Melbourne Vic 3205
Telephone: 03) 9682 2249 **Facsimile:** 03) 9682 1236
Email: info@lifestylecommunities.com.au **www.lifestylecommunities.com.au**

Contents	**Page**

The list of directors & the auditor's independence declaration forms part of your director's report.

For personal use only

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 Director* 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 Phone 61 3 9682-2249 Web: www.lifestylecommunities.com.au
Share Register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 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	Pitcher Partners 15 William Street Melbourne VIC 3000

For personal use only

For personal use only

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled, for the half year end of 31 December 2008 and independent review report thereon. This Financial Report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

Introduction

Lifestyle Communities develops, owns and manages affordable independent living communities for people aged 55 and over. Established in 2003, Lifestyle Communities is a market leader in the provision of affordable accommodation for the over 55's market in Victoria. Lifestyle Communities now has five strategically located sites or villages that are either under management, development or planning with a total capacity of 1100 sites.

Despite challenging economic conditions, customer enquiry remains strong with sales in line with expectations. During December 2008 Lifestyle Communities opened and settled new residents into both Lifestyle Seasons in Tarneit and Lifestyle Warragul in Gippsland. With the clubhouses now open at both villages sales have further improved with the company taking a record number of deposits for new homes during January 2009.

During the period, Lifestyle Communities sold its development site in Lynbrook resulting in a one off loss on the sale of approximately $2,850,069. The company also successfully raised $6,169,085 through a share purchase plan and a non renounceable rights issue. The decision to sell the Lynbrook site and raise additional equity was based on the company's desire to reduce its gearing level and to strengthen its balance sheet. The sale of the Lynbrook site has reduced the company's total long term development capacity; however other initiatives are underway to replace this capacity without tying up significant capital.

Lifestyle Communities has continued to build its organisational capability with the recruitment of village staff and the implementation of appropriate systems to ensure the company can manage growth in a sustainable way.

Significant Highlights

The significant events for the company in the first half of the financial year include:

- Revenue from sale of units of $4,670,791 (2007: $3,577,867 after adjustments refer Note 3)
- Revenue from site rentals $534,891 (2007: $451,459)

- Revenue from Operation and Maintenance Contribution $353,401 (2007: $256,104 after adjustments refer Note 3)
- Net Assets as at 31st December 2008 of $18,982,025 (2007: $15,220,141)
- Strong customer interest in newly opened villages with strong sales and deposits now being taken;
- Successfully completed a Share Purchase Plan (SPP) and Non-Renounceable Rights Issue (PRI), where the company raised $6,169,085(before costs); and
- The sale of land at 435 Evans Road in Lynbrook in two parcels for a combined total of $9,574,000. Settlement of these sales will take place during the second half of the financial year.

The Market

Notwithstanding the current economic climate, the view of your Directors is that the market for people looking to move into the style of accommodation provided by Lifestyle Communities continues to strengthen. The key drivers for the growth of this sector continue to be:

1. **Changing Demographics** – Australia's population is aging. The number of people over the age of 65 will double by 2021 and then double again by 2051;
2. **Changing Sociographics** - 50% of people over the age of 65 have less than $300,000 in total net wealth;
3. **Changing Perceptions** – Currently only 4% of Australians over the age of 65 want to live in an independent living village compared to experience in the United States and the UK where it is closer to 12%.

When considering that the average entry price into a traditional retirement village is over $280,000, there is still a significant gap in the market place for the type of accommodation provided by Lifestyle Communities.

With the Federal Government's financial support for first home buyers and the increasing issue of affordability for the first and second home buyer, our residents continue to be successful in selling their existing homes. This means that our customers are able to settle with us soon after their new home is built in the village.

In light of the current economic climate we have also started to see a new profile of customers looking to buy affordable housing, namely:

- customers who would have previously looked at more traditional and higher cost retirement options; and
- customers who have reduced income from their superannuation and are therefore looking at more affordable accommodation.

For personal use only

We believe that both these trends will only assist in further supporting the market for affordable housing.

Development Update

Lifestyle Communities has five village projects in Victoria at various stages of construction, development and planning bringing the company's total potential pipeline to over 1100 sites. Three of these villages are open and operating with over 240 residents living in and enjoying the villages at Melton, Warragul and Tarneit. The fourth project - Lifestyle Shepparton - has all the required permits in place to commence construction. The Directors however have taken the conservative step of delaying the commencement of this project until a clearer picture emerges on the impact that the drought and the global economic conditions will have on the Shepparton housing market. Finally, we are continuing with the rezoning of land that the company has optioned in Bendigo.

Changes since the Balance Date

The sale of the Lynbrook land settles after balance date. The loss from this transaction is reflected in the current December accounts as a fair value impairment of $2,850,068.

Prior Period Adjustments

The Company has been advised by its current auditors that a material error has occurred in the prior years in relation to its allocation of assets to cash generating units under AASB 3 Business Combinations and AASB 136 Impairment of Assets.

These errors occurred in the financial years ended 30 June 2007 and 30 June 2008 for which the previous auditors issued unqualified audit opinions.

Acting on the advice from the Company's current auditor, the Company has investigated these errors and they have now been corrected. As a result goodwill, being a non cash item, and created through the initial reverse consolidation entries required under AIFRS, has been impaired by $7,166,887 in the 30 June 2007 financial year and $3,029,817 in the 30 June 2008 financial year.

The Organisation

The ongoing process of assessing the organisational needs for the company to ensure it is able to develop and manage the villages continues to be reviewed. As at the Balance Date, no significant changes have been made.

For personal use only

Funding the Business

In October 2008, the company announced that it was offering existing shareholders the right to participate in a Share Purchase Plan. This was followed up in November 2008 with a Non-Renounceable Rights Issue. Through this process, the company raised $6,169,085 (before costs) in fresh capital. This, along with the sale of the Lynbrook land, has enabled the company to reduce debt, better manage cash flow and maintain a funding reserve, which the board felt was prudent given the current economic conditions. In addition to this, the company is in compliance with all covenants associated with its $30,000,000 facility with Westpac Bank. This facility is not due for renewal until August 2010.

Review of Operations

The operating performance of the business remains strong with customer enquiry levels and sale deposits increasing since the opening of our villages in Tarneit and Warragul. Presales commitments at these villages are robust; however as sales revenue is only reported at settlement, the company did not report revenue for these villages until December 2008. The company expects revenue for the second half to be strong as homes in the new villages continue to settle.

Revenue from the sale of units for the period was $4,670,790 which was $1,092,923 greater than the prior period after allowing for a one off adjustment of $918,408 which resulted from a change in the underlying resident agreements in July 2007.

Similarly, the Operations and Maintenance Contributions (OMC) for the December 2007 half of $633,480 was higher than the current period due to an initial adjustment on first time recognition of $377,376.

The first settlement revenue at Tarneit and Warragul began to flow during December 2008 and annuity income streams from rental income and Operations and Maintenance Contributions (OMC) will commence during February 2009.

Settlement revenue and annuity income streams from site fees and Operations and Maintenance Contributions (OMC) at Brookfield continued to build during the first half of the financial year as new residents move into the village with village operating costs remaining within budget.

Administrative expenses for the period were higher compared to the prior period as the company added additional administrative capacity to manage the increased activity associated with the Warragul and Tarneit developments.

The result for the period includes the following one off charges:

For personal use only

- Impairment on property at Lynbrook of $2,850,068. The sale of the Lynbrook property at a loss has resulted in a fair value decrement being recognised in the profit and loss even though the sale is not yet settled.

Directors are satisfied with the operating performance of the business after taking into consideration a number of one off accounting adjustments that have had a significant impact on the reported operating results for the period.

Outlook

Lifestyle Communities believes the long term demand for affordable accommodation for people aged over 55 will continue to grow. The current economic uncertainty has not changed the population demographics nor solved the housing affordability crisis.

The recently announced one-off payment to pensioners and the increase in the first home buyers grant has had a positive impact on our target market as the majority of our customers rely on fixed income government pensions and their existing houses are attractive to first home buyers. Lifestyle Communities can also be seen as a safety net for many retirees as we offer one of the lowest priced over 55's living solutions in the market.

As a result, new home sale rates have remained steady over the first half of the financial year with the sales rate increasing substantially in January 2009 with the company taking a record number of deposits for the month.

Directors are of the opinion that this will translate to an increase in revenue and a resultant increase in operating profit over the second half of the financial year as these deposits migrate to settlements.

The Board

There have been no board changes during the past half year. The board now encompasses a broad base of experience and skill which will assist the company in both delivering its current business plan as well being able to assess new opportunities.

For personal use only

For personal use only

Directors

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

DAVID PARANTHOIENE (Non-Executive Director)
JAMES KELLY (Managing Director)
BRUCE CARTER (Executive Director – Finance)
DAEL PERLOV (Executive Director – Operations)
TIM POOLE (Non-Executive Director)

RAY SOUTH (Company Secretary)

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 8 and forms part of the Director's Report for the half year ended 31 December 2008.

Signed in accordance with a resolution of the directors.

James Kelly

James Kelly
Managing Director
27th February 2009

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF LIFESTYLE COMMUNITIES LIMITED

In relation to the half-year independent auditor's review for the six months to 31 December 2008, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001

(ii) No contraventions of any applicable code of professional conduct

PITCHER PARTNERS
Melbourne

S D WHITCHURCH
27 February 2009

For personal use only

Lifestyle Communities Limited

ABN 11 078 675 153

and Controlled Entities

Half Year

Financial Report

for the Period Ended

31 December 2008

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2008.

For personal use only

Condensed Consolidated Income Statement

AS AT 31 DECEMBER 2008

		Half-year	
	Note	**2008 A$**	**2007 A$**
Revenue	3	5,568,450	5,701,123
Cost of sales		(2,769,330)	(2,229,309)
Gross profit		2,799,120	3,471,814
Other income		679	1,148
Administrative expenses		(1,780,469)	(1,402,400)
Other expenses		(229,444)	(150,882)
Finance cost-other than distributions to Brookfield Development unit holders		(179,104)	(279,461)
Profit before significant items and tax		610,782	1,640,219
Significant items	4	(2,850,069)	-
Loss after significant items before income tax and distribution to Brookfield Development unit holders		(2,239,287)	1,640,219
Income tax (expense) / benefit		(193,742)	(112,687)
Net profit before distribution to Brookfield Development unit holders		(2,245,271)	1,527,532
Distribution to Brookfield Development unit holders		-	(1,320,000)
Income tax (expense) / benefit		-	(146,146)
Net profit attributable to members of the parent		(2,433,027)	61,386
Earnings per share for profit attributable to the ordinary equity holders of the parent			
		Cent	Cent
Basic earnings per share		(0.007)	0.022
Diluted earnings per share		(0.007)	0.022

Condensed Consolidated Balance Sheet

AS AT 31 DECEMBER 2008

	Note	31-Dec-08 A$	30-Jun-08 A$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,355,830	423,409
Trade and other receivables		753,673	485,113
Inventories	7	6,950,689	3,242,655
Other current assets		126,113	34,366
Total current assets		9,186,305	4,185,543
Non-current assets			
Deferred management fee		1,176,214	889,088
Property, plant and equipment		27,965,271	25,751,314
Investment properties	8	15,528,551	15,400,978
Intangible assets and goodwill	5	-	-
Deferred tax asset		428,896	438,485
Total non-current assets		45,098,932	42,479,865
TOTAL ASSETS		54,285,237	46,665,408
LIABILITIES			
Current liabilities			
Trade and other payables		1,423,260	3,720,375
Interest-bearing loans and borrowings		3,079,755	27,117,282
Provisions		238,013	232,229
Income tax payable		-	15,577
Total current liabilities		4,741,028	31,085,463
Non-current liabilities			
Provisions		65,015	56,378
Deferred tax liabilities		497,169	303,426
Interest-bearing loans and borrowings		30,000,000	-
Total non-current liabilities		30,562,184	359,804
TOTAL LIABILITIES		35,303,212	31,445,267
NET ASSETS		18,982,025	15,220,141
EQUITY			
Contributed equity	11	24,265,675	18,141,367
Reserves		237,069	166,466
Retained profits/(accumulated losses)	5	(5,520,719)	(3,087,692)
TOTAL EQUITY		18,982,025	15,220,141

For personal use only

Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED	*Issued Capital*	*Retained Earnings*	*Other Reserves*	*Total*
	$A	$A	$A	$A
At 1 July 2007	11,897,888	(147,072)	67,530	11,818,346
Profit for the half year	-	61,386	-	61,386
Issue of shares	6,251,477	-	-	6,251,477
Share-based payments	-	-	26,144	26,144
At 31 December 2007	18,149,365	(85,686)	93,674	18,157,353

CONSOLIDATED	*Issued Capital*	*Retained Earnings*	*Other Reserves*	*Total*
	$A	$A	$A	$A
At 1 July 2008	18,141,367	(3,087,692)	166,466	15,220,141
Profit for the half year		(2,433,027)	-	(2,433,027)
Issue of shares – share placement	152,774	-	-	152,774
Issue of shares – rights issue	5,971,534	-	-	5,971,534
Share-based payments	-	-	70,603	70,603
At 31 December 2008	24,265,675	(5,520,719)	237,069	18,982,025

For personal use only

Condensed Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	CONSOLIDATED 2008 A$	2007 A$
Cash flow from operating activities			
Receipts from customers		4,967,343	5,021,139
Payments to suppliers and employees		(10,617,737)	(5,716,491)
Interest received		9,439	49,146
Interest paid		(179,104)	(279,461)
Income taxes paid		(5,983)	-
Net cash used in operating activities		(5,826,042)	(925,667)
Cash flow from investing activities			
Purchase of property, plant and equipment		(5,234,738)	(7,741,847)
Proceeds from sale of property, plant and equipment		-	4,331
Net cash used by investing activities		(5,234,738)	(7,737,516)
Cash flow from financing activities			
Proceeds from issue of shares		6,124,309	6,154,913
Proceeds from external borrowings		5,875,165	7,459,905
Repayments of hire purchase		(6,273)	(5,330)
Repayment of the unit holders		-	(1,950,000)
Interest paid to the unit holders		-	(1,170,000)
Repayment of directors loans		-	(1,002,872)
Payments to related parties		-	(16,085)
Net cash flow provided by financing activities		11,993,201	9,470,531
Net increase in cash held		932,421	807,348
Cash at the beginning of the half- year		423,409	768,915
Cash at the end of the half-year	5	1,355,830	1,576,263

For personal use only

For personal use only

Notes to the Half Year Financial Statements

31 DECEMBER 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Lifestyle Communities Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX *listing rules.*

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The half year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The half-year financial report was authorised for issue by the directors at the date of the director's report.

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Lifestyle Communities Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

2. SEGMENT INFORMATION

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

Geographic segment
The entity operates in one geographical area, Australia

3. REVENUE

	31-Dec-08 $A	31-Dec-07 $A
Sale of units	4,670,791	3,577,867
Deferred income on sale of units	-	918,406
Rental revenue	534,819	451,459
Deferred management fee	353,401	256,104
Initial recognition of operations and maintenance contribution	-	377,376
Finance revenue	9,439	49,146
Sundry revenue	-	70,765
	5,568,450	5,701,123

4. SIGNIFICANT ITEMS

	31-Dec-08 $A	31-Dec-07 $A
Impairment of land	2,850,067	-
	2,850,067	-

Pursuant to sale of land contracts entered into in November and December 2008 the Lynbrook property has been sold. Settlement of the contracts occurs after 31 December. The unconditional contract does provide evidence of the fair value of the land. A fair value impairment of $2,850,068 has been recorded. This reflects the expected loss on sale.

For personal use only

For personal use only

5. CORRECTION OF ERRORS AND REVISIONS OF ACCOUNTING ESTIMATES

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

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

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

Consolidated Balance sheet	**Prior period 30 June 2007**	**Impact of error**	**Restated 30 June 2007**	**Prior period 30 June 2008**	**Impact of error**	**Restated 30 June 2008**
Goodwill	10,196,708	(7,166,887)	3,029,817	10,196,708	(10,196,708)	-
Non-current assets	19,525,846	(7,166,887)	12,358,959	52,676,569	(10,196,708)	42,479,861
Total assets	29,340,243	(7,166,887)	22,173,356	56,862,112	(10,196,708)	46,665,404
Net assets	18,985,233	(7,166,887)	11,818,346	25,416,845	(10,196,708)	15,220,137
Retained profits	7,019,815	(7,166,887)	(147,072)	7,109,012	(10,196,708)	(3,087,696)
Total equity	18,985,233	(7,166,887)	11,818,346	25,416,845	(10,196,708)	15,220,137
Consolidated Income statement	**Prior period 30 June 2007**	**Impact of error**	**Restated 30 June 2007**	**Prior period 31 December 2007**	**Impact of error**	**Restated 31 December 2007**
Impairment of intangible asset (IS)	-	(7,166,887)	(7,166,887)	-	-	-
Net profit attributable to the members of the parent	7,274,376	(7,166,887)	107,489	89,197	-	89,197

Basic and diluted EPS for the prior half year to 31 December 2007 has not changed.

6. CASH AND CASH EQUIVALENTS

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	31-Dec-08 $A	**30-Jun-08 $A**
Cash at bank and in hand	1,355,830	423,409
	1,355,830	423,409

7. INVENTORIES

	31-Dec-08 $A	30-Jun-08 $A
Work in progress	6,950,689	3,242,655
	6,950,689	3,242,655

Work in progress has increased compared to the prior period because of the additional costs attributable to the Warragul and Tarneit developments which commenced occupation in December 2008.

8. INVESTMENT PROPERTIES

	31-Dec-08 $A	30-Jun-08 $A
Opening balance as at 1 July	15,400,978	8,646,887
Additions-property	-	6,754,091
Additions-Infrastructure	127,573	-
Net gain from fair value adjustments	-	-
Closing balance as at 31 December 2008	15,528,551	15,400,978

9. COMMITMENTS AND CONTINGENCIES

There have been no changes to the commitments and contingencies disclosed in the most recent annual financial report.

10. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to sale of land contracts entered into in November and December 2008 the Lynbrook property has been sold. Settlement of the contracts occurs after 31 December the conditional contract does provide evidence of the fair value of the land. A fair value impairment of $2,850,068 has been recorded. This reflects the expected loss on sale. Refer note 4, significant items.

For personal use only

11. CONTRIBUTED EQUITY

	31-Dec-08 $A	30-Jun-08 $A
Ordinary shares	24,265,675	18,141,367
	24,265,675	18,141,367

	Number	$A
Opening Balance as at 1 July 08	310,373,211	18,141,367
15 October 2008 Share Placement	1,838,000	174,610
Costs attributed to share placement		(21,836)
18 December 2008 Rights Issue	149,861,879	5,994,476
Costs attributed to rights issue		(22,941)
Balance as at 31 December 2008	462,073,090	24,265,676

For personal use only

For personal use only

Directors' Declaration

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

(a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

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

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

James Kelly
Managing Director
Melbourne
27 February, 2009

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF LIFESTYLE COMMUNITIES LIMITED

For personal use only

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited, which comprises the condensed consolidated balance sheet as at 31 December 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Lifestyle Communities Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lifestyle Communities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PITCHER PARTNERS

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lifestyle Communities Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001.*

PITCHER PARTNERS	S D WHITCHURCH
Melbourne	27 February 2009

For personal use only