

## **Chairman's Report**

For 2010/11 Financial Year

Dear Shareholder,

Lifestyle Communities Limited ('Lifestyle Communities' or 'the Company') has delivered another successful year, both financially and operationally, building on the foundations laid over the last four years. The business plan has once again produced a solid result, despite the ongoing turbulence in the global economy and a flat property market.

Demand for homes in the Company's communities has remained strong, allowing us to maintain our position as the leading provider in Victoria of affordable seniors housing.

The Net Profit Before Tax for the year to 30 June 2011 was \$10.4m compared with \$8.5m last year – an increase of 23%. Lifestyle Communities is proud of this result and of its committed team who have continually sought better and more effective ways of achieving improved outcomes for all stakeholders. At the 30 June 2011, our Net Tangible Assets were valued at \$36.1m, an increase of 24% over last year.

Lifestyle Communities achieved another important milestone in May this year by executing an agreement with a major institutional investor for a \$50 million long-term debt facility. The post Global Financial Crisis business lending environment has been complex and uncertain, however this long term funding agreement now provides the Company with the ability to move forward knowing that new site funding is in place.

This funding agreement has allowed the Company to replace short term with long term debt, and to recycle the capital from mature projects to secure new projects. We are now able to seek and select sites for medium and long term development, to grow the number of units under management and to increase operational income at a faster rate than otherwise possible. The Company's asset portfolio and pipeline at the end of June stood at 1421 units completed or under development, and with the assurance of secure funding we are moving towards our target of over 2,500 homes in development or under management by 2020.



A fundamental belief of the Company is that everyone has the right to a comfortable and secure home regardless of wealth, and this underpins our core values and approach. We also believe that if we build attractive communities in which our residents enjoy living, our homes will always be sought after. This year a comprehensive survey of residents was conducted and found that a majority rated life as happy and fulfilling, and would recommend a Lifestyle Communities' Village to family and friends.

With the number of Australians over 65 years of age expected to double by 2021, and expected to double again by 2051, Lifestyle Communities is confident that its market segment will only strengthen.

The Board looks to the future with growing confidence as Lifestyle Communities develops a strong market position and builds on our foundation with a stable funding base, a highly experienced team of employees, and a growing group of happy residents, many of whom have become our ambassadors.

I thank all of our staff and my fellow directors for their commitment and for their ability to balance our enthusiasm for growth with a necessary level of business caution; this allows the Company to move forward with assurance while at the same time remaining fiscally secure.

Yours sincerely,

A handwritten signature in black ink that reads "David Paranthoene". The signature is written in a cursive style with a large initial 'D'.

David Paranthoene  
Chairman  
24 November 2011