

## **Chairman's Address**

2012 Annual General Meeting

Dear Shareholder,

Lifestyle Communities creates affordable communities which offer homeowners a new way of living. At each of our communities, living for our residents means fun and vitality, adventure and spirit with facilities that endorse a happier, healthier and more active lifestyle. This has been our mission from the day we started the business nine years ago and we have never wavered from this.

The Lifestyle Communities business model is based on the Company maintaining land ownership while leasing individual developed sites to homeowners. With approximately 1,230 sites under development or occupied, the Company has now established a market presence that has enabled continued growth in the affordable aged qualified housing sector.

Financially, your company has produced a solid result, despite the ongoing turbulence in the global economy and a reasonably subdued property market. Revenue increased as a result of improved rental income and deferred management fees.

Sales of new homes were relatively flat, reflecting both lower real estate activity as well as the delay in bringing Chelsea Heights on line. The Net Profit before Tax (NPBT) for the year ended 30 June 2012 was \$8.9 million compared with \$10.4 million in the previous year - a decrease of just under 15%. This result was affected by additional financing costs through the utilisation of the new long term debt facility put in place over a year ago.

As well, planning approval delays for our new Chelsea Heights community meant revenue was not realised in FY2012 as expected. Chelsea Heights will be contributing to profits in FY2013, with advance sales to date exceeding original expectations.

As at 30 June 2012, Net Tangible Assets (NTA) were \$40.1 million, an increase of 11% over the previous year.



Given the performance during FY2012 and based on the cautious but confident outlook for the immediate future of the business, the Board was pleased to be able to declare a dividend of 0.5 cents per share on a fully franked basis for the financial year FY2012. To further benefit shareholders, the Company recently announced the implementation of a Dividend Reinvestment Plan that offers shareholders the choice to receive their dividend in either cash, or the issue of new shares, or a combination of both. Approximately 66% of dividends were converted by shareholders to new shares in the company.

Managing the balance between new business opportunities and available funding has been a key focus of the Board and I am pleased to announce a transformational equity raising via a 1:1 non-renounceable rights issue (“Entitlement Offer”) to raise approximately \$33.5million and a placement (“Placement”) to raise approximately \$3million (for a total of \$36.5million). The Entitlement Offer is fully underwritten by Canaccord Genuity (Australia) Limited.

The issue price for shares offered under the Entitlement Offer and Placement will be \$0.07 (7 cents) per share.

The net proceeds from the Entitlement Offer and Placement will be used to increase the equity available for the development of new communities and reduce debt.

Lifestyle Communities shareholders with a registered address in Australia or New Zealand as at the Record Date, will be entitled to purchase one new share for every existing share they hold. The Entitlement Offer is non-renounceable which means that the entitlements to participate in the Entitlement Offer are not transferable and cannot be traded on the ASX or any other exchange or privately transferred. Founders and major shareholders (James Kelly and Bruce Carter) have advised the board that they will, in aggregate, subscribe for a minimum of approximately 12% of the total entitlements of all founding shareholder shares, including those of Dael Perlov, and may acquire additional shares through sub-underwriting commitments.

Full details of the Rights Issue will be mailed to every eligible shareholder in the near future and are available for viewing on the Lifestyle Communities’ website.

Lifestyle Communities has a committed team continually seeking to achieve the best outcomes for homeowners and shareholders alike. The Board looks to the future with confidence as Lifestyle Communities develops a strong, sustainable market position that builds on the expanded capital base, with a highly experienced team and a growing group of happy homeowners.



Let me also take the opportunity to express my gratitude to the management and to all our employees. Their hard and devoted work makes it possible for Lifestyle Communities to credibly call itself the market leader in Victoria. The next 12 months will see us continue to execute our long term plans for the benefit of shareholders, homeowners and staff.

I would now like to invite James Kelly, the Managing Director of Lifestyle Communities, and one of the founders of the business, to provide you with a more d

Yours sincerely,

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

David Paranthoiene  
Chairman  
22 November 2012