



Community Life Limited
ABN 38 104 475 345

Level 6, 28 Clarke Street
Crows Nest NSW 2065
Australia

Telephone 02 9432 3999
Facsimile: 02 9460 9888

investor@communitylife.com.au
www.communitylife.com.au

ASX Release

19 August 2005

Community Life Limited (ASX:CLF) Business Review Update

Community Life Limited ("Community Life" or "the Company") announces the following:

Summary

1. As a result of the Board's comprehensive review of the Company's business model, the Board has concluded that its "seniors' rental accommodation business model" is unviable for a large scale roll-out as originally envisaged.
2. The Company will, in the short term, continue to run its business based on a tactical approach, i.e. conserve cash and explore alternative development and income options from its existing sites, whilst developing a longer term strategy. An update with respect to the Company's prospects from its existing properties is presented below.
3. The Company's FY2005 financial results, being a Net Profit after Tax ("NPAT") of \$112k and cash at bank of \$13 million.

Business Review

As discussed in the Company's announcement of 6 June 2005, the Board resolved to undertake a comprehensive review of its "seniors' accommodation business model" due to, among other things, concerns over increased construction cost estimates, delays in achieving development approval ("DA") consents and also evidence coming from other similar models of more established seniors' accommodation companies that community operating costs exceeded estimates and occupancy levels at the Company's assumed levels of 95% were not being widely achieved in the sector.

Following the June announcement, the Company has followed a "tread carefully" approach whilst it reviewed the business model, evaluated variations to the model and explored other opportunities for its sites. The Company has worked to conserve cash, by minimising spending in relation to the development of its properties and reducing overheads.

The Company's comprehensive review has confirmed the challenges with the seniors' rental model indicated above and highlighted the sensitivity of return on capital to variations in construction costs, occupancy levels and community operating costs. The Board has concluded that whilst the rental model may provide adequate return on

capital in specific locations, the Company's original strategy of developing large numbers of these rental units is commercially unviable.

Business Approach

Tactical approach

The Board has resolved to continue with its tactical business approach whilst it continues to consider a clear long term strategic direction. This includes consideration of other seniors' accommodation models, including rental without the provision of food and other services, and deferred management fee (DMF) models on a case-by-case basis.

The Board's tactical approach is a continuation of the "tread carefully" approach, i.e. conserve cash to the extent possible whilst exploring alternative options for existing sites, with a focus on providing the highest possible return to shareholders. Whilst DAs for alternative uses may be pursued, the Company is committed to doing this when it believes the DA will enhance the value of the property, hence leaving the sale of the property prior to development as a viable option.

Feasibility studies of existing sites are ongoing. A status of all sites owned by the Company's subsidiaries, and an overview of alternatives currently being considered, is presented below.

| | |
|---------------------|---|
| 1. Waratah, NSW | <ul style="list-style-type: none"> a) Phase 1 (40 student units) is completed and occupied. b) Phase 2 (25 student units) is under construction and is currently 32% complete. c) Phase 3 – The DA for seniors' accommodation remains with Newcastle City Council. Feasibility of alternative options being reviewed include residential development which best matches market demand. |
| 2. Bendigo, VIC | The Company is at an early stage of considering alternative options for this property, including residential development. |
| 3. Rockhampton, QLD | DA consent for 116 seniors' accommodation units has been obtained, but prospective returns are currently too low. The Company is reviewing options for residential development, matching local market demand. |
| 4. Hervey Bay, QLD | DA for seniors' accommodation was rejected on the grounds of density by local council. The Company is reviewing options for residential development. |
| 5. Caboolture, QLD | The Company is awaiting DA consent for its seniors' accommodation facility. In parallel, it is conducting a feasibility analysis for a mobile home park styled development, subject to rezoning. |
| 6. Maryborough, QLD | DA consent for 120 seniors' accommodation units has been obtained but prospective returns are currently too low. The Company is conducting a feasibility analysis for mobile home park styled development. |
| 7. Gunnedah, NSW | The Company is continuing its feasibility studies for the Gunnedah site. DA consent for 60 seniors' accommodation units has been obtained, but in light of the Company's concerns indicated above construction has not been commenced. |

Strategic approach

In addition to exploring development opportunities in respect to the Company's existing sites, Community Life continues to consider other opportunities to generate future sustainable growth and earnings for its shareholders. This will form the basis of the Company's long term strategy.

In order to facilitate the Company's longer term strategy, Community Life has appointed Odyssey Capital Partners, whose role will be to advise the Company on matters relating to:

1. Corporate development – including the Company's longer term business strategy; and
2. Capital management – assisting with capital management planning, including the Company's trust vehicle.

As per the Company's announcements dated 26 April 2005 and 6 June 2005, Community Life is continuing with the establishment of a trust. Whilst the revised strategy for the Company means there is no immediate requirement for a trust, the Board remains of the view that being a licensed Responsible Entity for its own trust will prove to be of value to the Company in the future (see Company's announcement dated 26 April 2005), and can be achieved with relatively modest expense.

Financial Results for FY2005

Statement of Financial Performance

NPAT for the year was \$112k, on revenues of \$2.2 million. Royalty revenue for the FY2005 year remained at \$1.4 million (completed Waratah student accommodation, phase 1). No further royalty transactions have been affected in FY2005.

As a result of the business strategy review, the Company resolved to take a non-cash write-down of \$757k with respect to the fees previously paid for development expenditure ("WIP write-downs") related to planning, architectural design and engineering services for those sites that were not viable for the seniors' accommodation business model (see also announcement of 6 June 2005).

| Statement of Financial Performance | FY2005 (\$'000) | FY2004 (\$'000) |
|------------------------------------|--------------------|--------------------|
| Rental revenue | 187 | 87 |
| Royalty /licence revenue | 1,400 | 9 |
| Interest income | 570 | – |
| Revenue | 2,157 | 96 |
| Operating costs | 1,188 | 73 |
| Corporate expenses | 24 | 17 |
| WIP write-downs | 757 | 6 |
| Depreciation and amortisation | 71 | 22 |
| Interest paid | 5 | – |
| Total expenses | 2,045 | 118 |
| Pre-tax profit | 112 | (22) |
| Tax expense | – | – |
| NPAT | 112 | (22) |

Statement of Financial Position

The Company held \$13 million cash at bank at 30 June 2005 and has no debt.

Property, plant and equipment has increased substantially over FY2005 (from \$4.7 million to \$9.6 million) due to the acquisition of sites at Bendigo, Gunnedah, Hervey Bay, Maryborough and Rockhampton, construction of Waratah student accommodation and improvements to sites.

| Statement of Financial Position | FY2005 (\$'000) | FY2004 (\$'000) |
|-----------------------------------|--------------------|--------------------|
| Cash | 13,040 | – |
| Receivables | 228 | 149 |
| Property, plant and equipment | 9,631 | 4,726 |
| Intangibles | – | 339 |
| Other* | 686 | – |
| Total assets | 23,585 | 5,214 |
| Creditors | 324 | 353 |
| Borrowings | – | 4,883 |
| Provisions | 2 | – |
| Total liabilities | 326 | 5,236 |
| Net assets / (liabilities) | 23,259 | (22) |
| Retained profits | 90 | (22) |
| Shareholders' equity | 23,169 | – |
| Total equity | 23,259 | (22) |

* includes \$597k in relation deposits on properties that will be refunded in full to Community Life after the balance date of 30 June 2005.

| Statement of Cash Flows | FY2005 (\$'000) | FY2004 (\$'000) |
|---------------------------------|--------------------|--------------------|
| Receipts | 1,611 | 486 |
| Payments | (1,239) | (151) |
| Net interest | 375 | – |
| Other (deposits on properties) | (597) | – |
| Net operating cash flows | 150 | 335 |
| Capital expenditure | (5,734) | (1,660) |
| Net investing cash flows | (5,734) | (1,660) |
| Proceeds from issue of shares | 20,000 | – |
| Proceeds from borrowings | 1,185 | 1,639 |
| Repayment of borrowings | (1,117) | – |
| IPO expenses | (1,419) | (339) |
| Net financing cash flows | 18,649 | 1,300 |
| Change in cash | 13,065 | (25) |
| Cash at end of year | 13,040 | (25) |

About Community Life Limited (ASX:CLF)

For further information on Community Life please refer to our web site at www.communitylife.com.au or email investor@communitylife.com.au or phone (02) 9432 3999.

-- ends --