Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities

Half-Year Information
For the six months ended 31 December 2014

Provided to the ASX under Listing Rule 4.2A

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2014

Name of entity: Lifestyle Communities Limited

ABN or equivalent company reference: 11 078 675 153

1. Reporting period

Report for the half year ended: 31 December 2014

Previous corresponding periods: Financial year ended 30 June 2014
Half- year ended 31 December 2013

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Down	3%	to	$31,772,830
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	Down	15%	to	$ 5,517,721
Net profit (loss) for the period attributable to members *(item 2.3)*	Down	15%	to	$ 5,517,721

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend *(item 2.5)*	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*: Please refer to the Operating and Financial Review section contained in the attached Directors' Report.

3. Net tangible assets per security *(item 3)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	101.4 cents	89.9 cents

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2014	N/A	Nil
Final dividend – year ended 30 June 2013	N/A	Nil

Amount per security

		Amount per security	Franked amount per security at % tax
Total dividend:	Current year – final 2014	Nil	N/A
	Previous year – final 2013	Nil	N/A

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	N/A	N/A
Total	**N/A**	**N/A**

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

9. Independent review of the financial report *(item 9)*

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

Lifestyle Communities Limited

ABN 11 078 675 153

and Controlled Entities

Financial Report

for the Half-Year Ended

31 December 2014

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.

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Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 2, 25 Ross Street South Melbourne VIC 3205 Australia
Directors	Tim Poole – Non-Executive Chairman James Kelly – Managing Director Bruce Carter – Executive Director Jim Craig – Non-executive Director Philippa Kelly – Non-executive Director
Company Secretary	Geoff Hollis
Principal Place of Business	Level 2, 25 Ross Street South Melbourne VIC 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 Fax 61 3 9473 2500 Investor queries (within Australia) 1300 850 505
Solicitors	Thomson Geer Level 20, 385 Bourke Street Melbourne VIC 3000 Australia
Bankers	Westpac Banking Corporation Limited 150 Collins Street Melbourne Vic 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 19, 15 William Street Melbourne VIC 3000 Australia

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 ended 31 December 2014 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the first half of the 2015 financial year. Underlying profit attributable to shareholders was $7.2 million (1H 2014: $6.5 million). During the first half the company incurred significant one-off accelerated finance costs due to the early re-finance of the loan note debt. A reconciliation to statutory profit is provided below:

	A$ millions
Underlying net profit attributable to shareholders	**7.2**
Less accelerated finance costs due to re-financing (on an after tax basis)	**1.7**
Statutory net profit attributable to shareholders	**5.5**

New home settlements for the half-year were 98 down from 109 in the prior half-year. The Company anticipates new home settlements to be on or around 230 for the 2015 financial year. If achieved this will represent an increase compared to the 211 settlements achieved in the 2014 financial year suggesting the FY2015 result is skewed towards the second-half.

Financial and Operating Highlights

	Measure	1H FY2015	1H FY2014	Change	Change %
Key financial data		*31-Dec-14*	*31-Dec-13*		
Revenue	A$ millions	**31.8**	32.7	(0.9)	(3)
Earnings before interest and tax	A$ millions	**12.5**	11.8	0.7	6
Net profit before tax	A$ millions	**9.1**	11.3	(2.2)	(19)
Underlying net profit before tax	A$ millions	**11.5**	11.3	0.2	2
Net profit after tax	A$ millions	**6.6**	8.5	(1.9)	(22)
Net profit attributable to shareholders	A$ millions	**5.5**	6.5	(1.0)	(15)
Underlying profit attributable to shareholders (1)	A$ millions	**7.2**	6.5	0.7	11
Operating cash flow	A$ millions	**3.2**	(0.5)	3.7	78
Community cash flow (2)	A$ millions	**3.2**	2.1	1.1	52
Earnings per share	A$ cents	**5.541**	6.485	(0.944)	(15)
Underlying earnings per share	A$ cents	**7.208**	6.485	0.723	11
Diluted earnings per share	A$ cents	**5.409**	6.391	(0.982)	(15)
		31-Dec-14	*30-Jun-14*		
Gearing (3)	%	**21.1**	23.3	(2.2)	(10)
Return on average capital employed (4)	%	**18.3**	18.4	(0.1)	(1)

(1) Underlying profit attributable to shareholders excludes the accelerated finance costs due to re-financing
(2) Community cash flow comprises cash flows received from homeowner rentals and deferred management fees less community operating costs and the net surplus/deficit from providing utilities
(3) Calculated as a ratio of net debt to net debt plus equity (net debt includes $6 million of term deposits)
(4) Calculated as a ratio of EBIT divided by equity plus debt (annualised)

Key operational data		31-Dec-14	31-Dec-13	Change	Change %
Homes settled (gross)	No. of homes	98	109	(11)	(10)
Homes settled (after NCI) [(5)]	No. of homes	82	79	3	4
Homes sold (gross)	No. of homes	105	126	(21)	(17)
Homes sold (after NCI) [(5)]	No. of homes	91	92	(1)	(1)
Average realised sales price (GST excl.)	A$'000	261	259	2	1
Number of resales settled	No. of homes	17	10	7	70
		31-Dec-14	30-Jun-14		
Total number of homes (gross)	No. of homes	1,004	906	98	11
Total number of homes (after NCI) [(5)]	No. of homes	853	771	82	11
Total number of homeowners	No. of people	1,489	1,317	172	13
Average age of homeowners	Years	73	74	(1)	(2)

(5) Gross number of homes adjusted for share of communities owned by non-controlling interests

Included in the key data above are several non IFRS measures including earnings before interest and tax, underlying net profit before tax, underlying net profit attributable to shareholders, underlying earnings per share, community cash flow, gearing, return on average capital employed and key operational data. These figures have not been subject to audit review but have been provided to give a better understanding of the performance of the Company for the first half of the 2015 financial year.

The increase in underlying profit from $6.5 million in the first half of the 2014 financial year to $7.2 million in the first half of the 2015 financial year can be attributed mainly to increased contributions from net rental income and deferred management fees received. Although gross homes settled fell compared to the prior half-year, homes settled (after non-controlling interest) were 82 compared to 79 in the first half of the 2014 financial year.

The Company continued to develop its communities at Cranbourne, Shepparton, Chelsea Heights and Hastings during the year whilst also commencing construction at Lyndarum in Wollert and Geelong.

The Company made good progress operationally with improvements in several key metrics. Total number of homes settled increased to 1,004 homes up by 98 settlements during the half-year. Community cash flow was $3.2 million up from $2.1 million in the prior half-year. This was driven by a $1.2 million increase in rental revenue, $0.4 million increase in deferred management fees received partly offset by a $0.6 million increase in management expenses.

Resales

Resales (sales of previously settled and occupied homes) attracting deferred management fees settled during the half were 17, an increase from the ten settled in the prior half-year. As at 31 December 2014 there were 30 resale homes available for sale across the communities.

Community	Settled 1HFY15	Settled 1HFY14	Net sales 1HFY15	Net sales 1HFY14
Brookfield	8	5	9	5
Tarneit	3	2	4	3
Warragul	4	1	5	-
Cranbourne	2	2	2	3
Total	17	10	20	11

Update on communities

Community	Settled 1HFY15	Settled 1HFY14	Net sales 1HFY15	Net sales 1HFY14	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	228	228
Tarneit	1	3	-	-	136	136
Warragul	9	12	1	17	177	182
Cranbourne	27	18	17	18	200	217
Shepparton	15	16	25	16	75	221
Chelsea Heights	6	41	11	50	103	186
Hastings	40	19	30	25	85	141
Lyndarum in Wollert	-	-	9	-	-	154
Geelong	-	-	12	-	-	164
Rosebud	-	-	-	-	-	150
Officer	-	-	-	-	-	150
Total	**98**	**109**	**105**	**126**	**1,004**	**1,929**

An update on each of the communities as at 31 December 2014 is as follows:

- Lifestyle Brookfield in Melton and Lifestyle Seasons in Tarneit are fully sold and settled.
- Lifestyle Warragul is now 97% settled. The remaining five homes are fully sold.
- Lifestyle Cranbourne is now 92% settled. Of the remaining 17 homes left to settle, 14 are sold leaving a further three to sell.
- Lifestyle Shepparton has performed well during the half-year with the community now over 33% settled and 51% sold.
- Lifestyle Chelsea Heights, including the expansion site, is now 55% settled. Settlements have fallen compared to the prior half-year due to the expansion site only settling its first homes in December 2014. Of the remaining 83 homes left to settle, 80 are sold leaving a further three to sell.
- Lifestyle Hastings is now 60% settled. Of the remaining 56 homes left to settle, there is one home left to sell.
- Lifestyle Lyndarum in Wollert commenced construction in July 2014. The Company has achieved 29 pre-sales to date which is consistent with other projects prior to typical sales milestones such as the clubhouse opening. Settlements are expected to commence in the June quarter of the 2015 financial year.
- Lifestyle Geelong commenced construction in November 2014 and has achieved 12 pre-sales to date. Settlements are expected to commence in the first quarter of the 2016 financial year.
- The land for the Lifestyle Community at Rosebud was acquired in July 2014. The acquisition of Rosebud is subject to planning approval and the planning application was lodged during October 2014.
- The land for the Lifestyle Community at Officer is contracted to settle in October 2015. The Company currently expects construction to commence in the second quarter of the 2016 financial year with settlements to commence in the 2017 financial year.

Analysis of Income Statement

Underlying net profit after tax attributable to shareholders for the half-year ended 31 December 2014 was $7.2 million compared to $6.5 million for the prior corresponding period. The table below provides an analysis of the changes:

	A$ millions	A$ millions
Underlying net profit after tax attributable to shareholders for the half-year ended 31 December 2013		**6.5**
Changes in revenues		
Home settlement revenue	(2.7)	
Rental revenue	1.2	
Utilities revenue	0.1	
Deferred management fee	0.4	
Sub-division revenue	0.2	
Finance revenue	(0.2)	**(1.0)**
Changes in cost of sales		**1.9**
Changes in gain from fair value adjustments		**0.4**
Changes in expenses		
Development expenses	0.1	
Management expenses	(0.7)	
Utilities expenses	-	
Corporate overheads	(0.1)	
Sub-division expenses	(0.1)	
Finance costs	(0.3)	**(1.1)**
Income tax expense		**(0.4)**
Decrease in profit after tax attributable to non-controlling interests		**0.9**
Underlying net profit after tax attributable to shareholders for the half-year ended 31 December 2014		**7.2**
Reconciliation to statutory net profit after tax attributable to shareholders		
Accelerated finance costs due to re-financing		(2.4)
Tax effect of the above		0.7
Statutory net profit after tax attributable to shareholders for the half-year ended 31 December 2014		**5.5**

The Company's $25 million loan note facility was re-financed on 23 December 2014 (refer to Note 4 in the Company's 31 December 2014 half-year financial statements for further details). The loan note facility had a redemption option on 19 May 2016 and incurred a break-fee of $2.05 million for early redemption. The $2.4 million accelerated finance costs due to re-financing includes the break-fee as well as the accelerated write-off of transaction costs associated with the loan note facility.

The key drivers of the changes in profitability were:

Home settlement revenue and margin

- Revenue from home settlements was down $2.7 million due to a decrease in settlements to 98 from 109 in the prior half-year. The main reason for the decrease in settlements was a reduction at Chelsea Heights due to the transition from phase 1 to the phase 2 expansion site. This was partially offset by an improved performance at Cranbourne and achieving more settlements at Hastings due to having product available for the entire half-year. The average realised sales price increased slightly by 1% to $260,700.
- Gross home margin reduced from 26% in the prior half-year to 25% due to product mix.

Management income and expenses

- Revenue from homeowner rentals was \$4.5 million compared to \$3.2 million in the prior half-year due to an increase in homes under management and a rental increase of 3.5%.
- Community management expenses were \$2.1 million compared to \$1.5 million in the prior half-year. The increase in community management expenses is mainly due to an increase in operations at the Chelsea Heights and Hastings communities in addition to the increase in total homes under management.
- Deferred management fees received (cash) were \$0.79 million compared to \$0.38 million in the prior half-year. There were 17 resale settlements during the half-year compared to ten in the prior half-year.

Expenses

- Development expenses fell slightly by \$0.1 million mainly due to higher marketing expenses in the prior half-year due to the timing of marketing programs.
- Finance costs were \$1.1 million compared to \$0.9 million in the prior half-year. This was mainly due to a lower proportion of capitalised costs in this half-year compared to the prior half-year as Warragul continued to settle. The Company capitalises a proportion of finance costs to investment properties and inventories where appropriate and the balance of finance costs are expensed. Capitalised finance costs are expensed in subsequent years through cost of sales when the homes are settled.

Fair value adjustments

- Total fair value adjustments were \$6.3 million compared to \$6.0 million in the prior half-year. Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represents incremental adjustments to their fair value upon settlement of homes and reflects the discounted value of future rental and deferred management fee revenues net of expenses as well as the fair value of undeveloped land. Refer to Note 11 in the Company's 31 December 2014 half-year financial statements for further details.

Analysis of Cash Flow

A\$ millions

	1HFY2015	1HFY2014	Change
Cash flows relating to operations	**3.2**	(0.5)	3.7
***add* Project capital expenditure [(1)]**	**5.3**	5.6	(0.3)
Adjusted cash flows related to operations	**8.5**	5.1	3.4
Cash flows relating to investing activities	**(1.3)**	(1.9)	0.6
Cash flows relating to financing activities	**0.5**	(8.7)	9.2
Net movement in cash	**2.4**	(11.1)	
Cash at the beginning of the period	**2.8**	16.1	
Cash at the end of the period	**5.2**	5.0	
***Add* cash on term deposit (other financial assets)**	**6.0**	-	
Total cash at the end of the period	**11.2**		

(1) Due to the Company's legal structure, cash flows related to operations includes all gross costs of project capital infrastructure expenditure (i.e. civil works, clubhouse and other facilities). Under some differing legal structures, project capital expenditure would be an investing cash flow rather than an operating cash flow.

Cash flows relating to operations were $3.2 million compared to a deficit of $0.5 million in the prior half-year. The increase is partly attributable to a $7.9 million reduction in payments to suppliers and employees due to reduced home construction as Cranbourne and Chelsea Heights phase 1 were completed. This was partially offset by: a $1.0 million reduction in receipts from customers due to lower settlements; a $1.0 million tax payment; and the $2.05 million break-fee paid in relation to the re-finance of the loan note facility.

Cash flows relating to investing activities included the payment of land deposits at Rosebud and Officer during the half-year.

Cash flows relating to financing activities are represented by: $1 million received upon exercise of options; $2.4 million net receipts from bank borrowings; and $2.9 million distributions paid to joint ventures. Cash flows relating to financing activities in the prior-half included significant net payments of bank borrowings as the Company was utilising surplus cash.

Analysis of Balance Sheet

Net assets and total equity

A$ millions	31-Dec-14	30-Jun-14	Change	Change %
Assets				
Cash and cash equivalents	**5.2**	2.8	2.4	88
Trade and other receivables	**1.4**	2.6	(1.2)	(46)
Inventories	**33.4**	34.1	(0.7)	(2)
Land held for sale	**-**	0.1	(0.1)	(100)
Property, plant and equipment	**2.7**	2.4	0.3	12
Investment properties	**122.6**	110.7	11.9	11
Other financial assets (term deposits)	**6.0**	6.0	-	-
Other assets	**0.4**	0.2	0.2	94
Total Assets	**171.6**	158.9	12.7	8
Liabilities				
Trade and other payables	**(10.6)**	(9.8)	(0.8)	(8)
Interest-bearing loans and borrowings	**(38.6)**	(35.6)	(3.0)	(8)
Current tax liability	**(0.7)**	(1.1)	0.4	39
Provisions	**(0.4)**	(0.6)	0.2	25
Deferred tax liabilities	**(18.6)**	(16.8)	(1.8)	(11)
Total Liabilities	**(68.9)**	(63.9)	(5.0)	(8)
Net Assets	**102.7**	95.0	7.7	8
Equity				
Equity – Lifestyle Communities interest	**101.6**	95.0	6.6	7
Non-controlling interests	**1.1**	-	1.1	-
Equity	**102.7**	95.0	7.7	8

During the half-year the Company's total equity attributable to shareholders increased by 7% to $101.6 million as a result of profit during the period and $1 million provided due to the exercise of share options.

Included in trade and other payables is an amount payable of $4.7 million for the purchase of land at Officer due to settle in October 2014. The corresponding asset is included within investment properties.

Debt, gearing and liquidity

As at 31 December 2014 the Company had net debt (total borrowings less cash and term deposits) of $27.4 million. This is $1.5 million lower than the 30 June 2014 position of $28.9 million.

A$ millions

Net debt at 30 June 2014	28.9
Net increase in bank borrowings	2.5
Increase in term deposits	(2.0)
Write-off of loan note capitalised costs of finance	0.4
Increase in cash balances	(2.4)
Net movement in the period	**(1.5)**
Net debt at 31 December 2014	**27.4**

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2014 was 21.1% (30 June 2014: 23.3%). Net debt includes cash on term deposits of $6 million as at 31 December 2014 ($4 million as at 30 June 2014).

The Company's long-term loan note facility was re-financed with Westpac in December 2014. The facility has been increased from $25.0 million to $27.05 million with the proceeds used to fund the $2.05 million break-fee. This facility has a three year term with an expiry date of December 2017.

As at 31 December 2014 the Company has committed development debt facilities with Westpac of $20.7 million of which $11.5 million were drawn.

Outlook

The Company has been pleased with the rate of construction, sales and settlements across the communities currently under development during the first half of the 2015 financial year. The Company was particularly pleased with the sales achieved at Shepparton and an improvement in settlements achieved at Cranbourne.

The Company has a focused strategy to dominate the niche of affordable housing to the over 55's market and is currently funded and resourced to roll out a new community every 12 months subject to identification of appropriate sites. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities but will remain disciplined in its assessment of these opportunities.

Assuming market conditions do not change materially, the Company continues to expect settlements to be on or around 230 for the 2015 financial year.

Subject to the continued performance of the business in the second half of the 2015 financial year the Company forecasts to pay a final dividend in respect of the 2015 financial year.

Significant changes in the state of affairs

Refer to the Operating and Financial Review for the significant changes in the state of the affairs of the Company.

Directors

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

Tim Poole, Non-Executive Chairman (director since November 2007)
James Kelly, Managing Director (director since September 2007)
Bruce Carter, Executive Director (director since September 2007)
Jim Craig, Non-Executive Director (director since December 2012)
Philippa Kelly, Non-Executive Director (director since 18 September 2013)

Geoff Hollis, Company Secretary

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Tim Poole	James Kelly
Chairman	Managing Director
18 February 2015	18 February 2015

PITCHER PARTNERS

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
LIFESTYLE COMMUNITIES LIMITED

In relation to the independent auditors review for the half-year ended 31 December 2014, to the best of my knowledge and belief there have been:

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

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

This declaration is in respect of Lifestyle Communities Limited and the entities it controlled during the period.

P A JOSE
Partner

18 February 2015

PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2014

	Note	Half-year 31-Dec-14 $	31-Dec-13 $
Revenue			
Home settlement revenue		25,549,173	28,266,270
Rental revenue		4,481,597	3,246,304
Utilities revenue		560,690	443,389
Deferred management fee		788,580	382,780
Sub-division revenue		213,636	-
Finance revenue		179,154	389,315
Total revenue		31,772,830	32,728,058
Cost of sales		(19,140,078)	(21,033,007)
Gross profit		12,632,752	11,695,051
Fair value adjustments	3	6,346,659	5,988,006
less Expenses			
Development expenses		(1,671,314)	(1,744,412)
Management expenses		(2,100,196)	(1,461,477)
Utilities expenses		(494,523)	(497,710)
Corporate overheads		(1,935,696)	(1,828,200)
Sub-division expenses		(126,619)	-
Finance costs		(1,140,711)	(878,666)
Accelerated finance costs due to re-financing	4	(2,421,488)	-
Profit before income tax		9,088,864	11,272,592
Income tax expense		(2,459,389)	(2,782,252)
Net profit from continuing operations		6,629,475	8,490,340
Profit is attributable to:			
Members of the parent		5,517,721	6,483,156
Non-controlling interests		1,111,754	2,007,184
		6,629,475	8,490,340
Total comprehensive income for the half-year		6,629,475	8,490,340
Total comprehensive income attributable to:			
Members of the parent		5,517,721	6,483,156
Non-controlling interests		1,111,754	2,007,184
		6,629,475	8,490,340
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
		cents	cents
Basic earnings per share		5.514	6.485
Diluted earnings per share		5.409	6.391

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2014

	Note	31-Dec-14	30-Jun-14
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		5,172,125	2,756,639
Trade and other receivables		1,412,381	2,640,137
Inventories		24,942,791	22,515,591
Land held for sale		-	126,619
Other financial assets		1,000,000	1,000,000
Other current assets		342,982	176,598
Total current assets		32,870,279	29,215,584
Non-current assets			
Inventories		8,424,252	11,569,266
Property, plant and equipment		2,711,082	2,428,443
Other financial assets		5,000,000	5,000,000
Investment properties		122,563,950	110,652,212
Total non-current assets		138,699,284	129,649,921
TOTAL ASSETS		171,569,563	158,865,505
LIABILITIES			
Current liabilities			
Trade and other payables		10,602,741	9,786,090
Interest-bearing loans and borrowings		3,559,855	5,099,862
Current tax payable		669,537	1,096,751
Provisions		176,116	302,112
Total current liabilities		15,008,249	16,284,815
Non-current liabilities			
Interest-bearing loans and borrowings		35,012,902	30,533,873
Provisions		246,406	261,568
Deferred tax liabilities		18,630,093	16,785,999
Total non-current liabilities		53,889,401	47,581,440
TOTAL LIABILITIES		68,897,650	63,866,255
NET ASSETS		102,671,913	94,999,250
EQUITY			
Contributed equity	5	61,993,959	60,993,959
Reserves		1,454,687	1,411,499
Retained earnings	6	38,111,513	32,593,792
Members' interest in equity		101,560,159	94,999,250
Non-controlling interest	7	1,111,754	-
TOTAL EQUITY		102,671,913	94,999,250

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
		$	$	$	$	$
Balance as at 1 July 2013		60,993,959	1,325,123	20,315,853	-	82,634,935
Profit for the half year		-	-	6,483,156	2,007,184	8,490,340
Total comprehensive income for the half-year		60,993,959	1,325,123	26,799,009	2,007,184	91,125,275
Transactions with owners in their capacity as owners:						
Employee share options		-	43,188	-	-	43,188
		-	43,188	-	-	43,188
Balance as at 31 December 2013		60,993,959	1,368,311	26,799,009	2,007,184	91,168,463
Balance at 1 July 2014		60,993,959	1,411,499	32,593,792	-	94,999,250
Profit for the half year		-	-	5,517,721	1,111,754	6,629,475
Total comprehensive income for the half-year		60,993,959	1,411,499	38,111,513	1,111,754	101,628,725
Transactions with owners in their capacity as owners:						
Employee share options		-	43,188	-	-	43,188
Issue of shares - exercise of options	5	1,000,000				1,000,000
		1,000,000	43,188	-	-	1,043,188
Balance as at 31 December 2014		61,993,959	1,454,687	38,111,513	1,111,754	102,671,913

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2014

	Half-Year	
	31-Dec-14	**31-Dec-13**
	$	**$**
Cash flow from operating activities		
Receipts from customers	34,212,841	35,206,286
Payments to suppliers and employees	(26,529,380)	(34,406,154)
Income taxes paid	(1,042,509)	-
Interest received	179,154	376,364
Interest paid	(1,579,604)	(1,645,124)
Loan notes break-fee paid	(2,051,125)	-
Net cash flows (used in) / provided by operating activities	3,189,377	(468,628)
Cash flow from investing activities		
Purchase of property, plant and equipment	(407,010)	(323,601)
Purchase of investment properties and capitalised costs	(895,362)	(1,641,325)
Net cash flows used in investing activities	(1,302,372)	(1,964,926)
Cash flow from financing activities		
Proceeds from exercise of options	1,000,000	-
Proceeds from external borrowings	16,842,615	6,086,034
Repayment of external borrowings	(14,409,169)	(14,792,107)
Distributions paid to non-controlling interests	(2,904,965)	-
Repayments of hire purchase	-	(11,532)
Net cash flows (used in) / provided by financing activities	528,481	(8,717,605)
Net (decrease) / increase in cash held	2,415,486	(11,151,159)
Cash at the beginning of the half-year	2,756,639	16,143,921
Cash at the end of the half-year	5,172,125	4,992,762

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Lifestyle Communities Limited during the half-year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

Lifestyle Communities Limited is a for-profit entity for the purpose of preparing the financial statements.

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

(a) Basis of preparation

This financial report is a general purpose half-year financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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 accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2014 and the corresponding half-year.

(b) Accounting standards issued but not yet operative

(i) AASB 15: Revenue from Contracts with Customers
AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element

(ii) AASB 9: Financial Instruments
AASB 9 Financial Instruments improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged.

The directors have not yet assessed the impact (if any) of changes in the standards above.

(c) Restatement of investment properties, trade and other receivables and trade and other payables

Previously the Company has disclosed the gross value of investment properties separately on the balance sheet within trade and other receivables (deferred management fee receivables), trade and other payables (joint venture share of deferred management fee receivables) and investment properties. The gross value of investment properties is now all disclosed within investment properties. This change has no impact on net profit or total equity. Comparative information has been updated to reflect the restatement. Please refer to Note 12 for further details.

NOTE 2: SEGMENT INFORMATION

Operating segments are reported based on internal reporting provided to the Managing Director who is the Group's chief operating decision maker.

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

	Half-year 31-Dec-14 $	Half-year 31-Dec-13 $
NOTE 3: FAIR VALUE ADJUSTMENTS		
Net gain from fair value adjustments - investment properties (a)	6,346,659	5,988,006

(a) Fair value adjustment results from restating Brookfield, Seasons, Warragul, Cranbourne, Shepparton, Chelsea Heights and Hastings Communities to their fair value at balance date. This income represents incremental adjustments to the fair value of investment properties upon settlement of units and reflects the discounted value of future rental and deferred management fee revenues net of expenses as well as the fair value of undeveloped land. Refer to Note 11 for a reconciliation of investment property fair value adjustments.

NOTE 4: ACCELERATED FINANCE COSTS DUE TO RE-FINANCING

Loan notes break-fee	2,051,125	-
Accelerated amortisation of capitalised costs of loan note finance	370,363	-
	2,421,488	-

The $25,000,000 loan note facility was re-financed on 23 December 2014 (refer Note 8 for further details). The loan note facility had an early redemption option on 19 May 2016. The $2,051,125 break-fee represents the cost of redeeming the loan note facility early. The accelerated amortisation of capitalised costs of loan note finance of $370,363 represents the write-off of all transactions costs associated with the loan note facility.

NOTE 5: CONTRIBUTED EQUITY

101,220,131 Ordinary shares (2013: 99,970,131)	61,993,959	60,993,959

	Number	**$**
2013		
Balance as at 1 July 2013	99,970,131	60,993,959
Movement in ordinary shares on issue	-	-
Balance as at 31 December 2013	99,970,131	60,993,959
2014		
Balance as at 1 July 2014	99,970,131	60,993,959
Issue of shares - exercise of options (a)	1,250,000	1,000,000
Balance as at 31 December 2014	101,220,131	61,993,959

(a) On 17 December 2014 the company issued 1,250,000 ordinary shares upon the exercise of options.

	Half-year 31-Dec-14 $	Half-year 31-Dec-13 $
NOTE 6: RETAINED EARNINGS		
Movements in retained earnings were as follows:		
Balance 1 July	32,593,792	20,315,853
Net profit	5,517,721	6,483,156
	38,111,513	26,799,009

NOTE 7: NON-CONTROLLING INTERESTS

Interest in:		
Retained earnings	1,111,754	2,007,184

NOTE 8: BORROWINGS

(i) Current secured loans

(a) As at reporting date the company has drawn down $3,559,855 on its Chelsea Heights development facility. The facility has an expiry date of greater than one year, expiring on 28 February 2016, however the liability has been classified as current as the company expects to fully repay this debt within the next 12 months based upon the expected cash flows. The facility has a total capacity of $7.5 million.

(ii) Non-current secured loans

(b) As at reporting date the company has a fully drawn facility of $27,055,000. This facility re-financed the $25,000,000 loan note facility on 23 December 2014. The surplus funds were used to pay the break-fee referred to in Note 4. The facility has an expiry of greater than one year, expiring on 22 December 2017.
The new facility is secured by:
- Fully interlocking guarantee and indemnity supported by general security agreement by Lifestyle Investments 1 Pty Ltd, Lifestyle Developments 1 Pty Ltd, Lifestyle Management 1 Pty Ltd, Brookfield Village Development Pty Ltd and Brookfield Village Management Pty Ltd.
- Mortgage by Lifestyle Investments 1 Pty Ltd over Melton, Warragul and Tarneit properties.
- Guarantee provided by Lifestyle Communities Limited for $27,055,000.

(c) As at reporting date the company has drawn down $5,651,639 on its Shepparton development facility. The facility has an expiry date of greater than one year, expiring on 28 February 2016. The facility has a total capacity of $6.0 million.
(d) As at reporting date the company has drawn down $2,306,263 on its Wollert development facility. The facility has an expiry date of greater than one year, expiring on 28 February 2016. The facility has a total capacity of $7.2 million.
(e) The company fully repaid its Hastings development facility during the half-year.

All the company's debt facilities are held with Westpac Institutional Bank.

NOTE 9: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2014 that has significantly affected or may significantly affect:
(a) the operations, in financial periods subsequent to 31 December 2014, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2014, of the consolidated entity.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Below are the changes in commitments and contingent liabilities since 30 June 2014:

(a) Bank guarantees as at 31 December 2014 are $253,900.

(b) A contract was executed on 8 October 2014 to purchase land in Officer for $5,200,000. At balance date a deposit of $520,000 has been paid. This contract is now unconditional and the balance owing of $4,680,000 is due upon settlement during October 2015 and has been recorded within current trade and other payables.

(c) A contract was executed on 29 July 2014 to purchase land in Rosebud for $7,500,000. At balance date $375,000 has been paid. The contract is conditional on receiving planning approval to develop the site, settlement will occur after planning approval has been received. No liability has been recorded for this land as the contract is still conditional.

The company expects to fund these commitments via cash reserves, liquidity within bank borrowings and future net development cash inflows from the developments at Warragul, Cranbourne, Hastings and Chelsea Heights.

NOTE 11: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement heirarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Inputs for the asset or liability that are not based on observable market data

31-Dec-14 **Recurring Fair Value Measurements**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Investment properties	-	-	122,563,950	122,563,950
Total assets measured at fair value	-	-	122,563,950	122,563,950

30-Jun-14 **Recurring Fair Value Measurements**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Investment properties	-	-	110,652,212	110,652,212
Total assets measured at fair value	-	-	110,652,212	110,652,212

(b) Valuation techniques and inputs used in level 3 fair value measurements

(i) Investment properties

The fair value of investment properties is determined by a combination of inputs from independent valuations and directors' valuations. Fair value is determined by a combination of the discounted annuity streams associated with the completed home units and the fair value of the undeveloped land. Inputs, including capitalisation rates, discount rates and deferred management fee annuity value are derived from independent valuations. Some inputs relating to the rental annuity streams are adjusted to reflect appropriate data relating to the rental and expenses at each community. The fair value of undeveloped land is based on directors' valuations. Inputs from independent valuations are provided by property valuers who are industry specialists in valuing these types of investment properties.

Investment properties have been classified as level 3 as it is an internally generated calculation that contains some non-observable market inputs. The company does not adjust the major inputs obtained from the independent valuations such as rental capitalisation rates, discount rates and the deferred management fee annuity values.

(c) Significant unobservable inputs used in level 3 fair value measurements

(i) Investment properties

Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.

Rental annuity - the valuers use a standard rate for rental income and expenses across the portfolio. The rate is adjusted to reflect actual rental income rates and anticipated expenses upon maturity of each community. The valuers use standardised weekly rental income rates which assume an on-completion split of singles and couples. The directors adjust the weekly rental rate to actuals.
Undeveloped land - the valuation for this component is a directors' valuation.

Below is a summary of the siginifcant unobservable inputs utilised across the portfolio, including the inputs obtained from the independent valuations:

	Adopted	**Per valuations**
Weekly rentals ($)	163.89 - 173.17	162.51 - 171.37
Anticipated % expenses (as a percentage of rental income)	28% - 36%	27% - 36%
Rental capitalisation rates (%)	8.5% - 9%	8.5% - 9%
Rental values per unit ($)	66,569 - 75,216	67,702 - 74,936
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit ($)	22,624 - 42,057	22,624 - 42,057
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.58	N/A

NOTE 11: FAIR VALUE MEASUREMENTS (continued)

	Half-year 31-Dec-14	Full-year 30-Jun-14
	$	$
(d) Reconciliation of recurring level 3 fair value movements		
(i) Investment properties		
Opening balance	110,652,212	81,651,068
Additions (contracted land and capitalised costs)	5,565,079	16,747,707
Net gain from fair value adjustments (a)	6,346,659	12,253,437
Closing balance	**122,563,950**	**110,652,212**

Gains and losses are recognised in the statement of comprehensive income within fair value adjustments.

(e) Valuation processes used for level 3 fair value measurements

(ii) Investment properties

The Company obtains independent valuations of each community at least every two years. The Company uses the independent valuers' inputs in relation to the rental and deferred management fee annuity streams apart from making adjustments to the weekly rental income and level of expenses. These adjustments are assessed each period end. The directors assess the value attributed to undeveloped land annually. Land contracted in any period is recognised at cost until the first valuation is obtained.

(f) Sensitivity analysis for recurring level 3 fair value measurements

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	$	$	$	$

(ii) Investment properties

The impact of changes to the inputs that derive the valuation of investment properties is assessed below:

Rental income

Rental is contractually fixed to increase by the greater of CPI or 3.5% annually. Therefore it is unlikely that there will be any material sensitivities in relation to rental income.

	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Rental expense rate				
+1%	(642,355)	(719,557)	(642,355)	(719,557)
-1%	642,355	719,557	642,355	719,557
Rental capitalisation rate				
+0.25%	(1,265,857)	(1,430,846)	(1,265,857)	(1,430,846)
-0.25%	1,341,866	1,517,032	1,341,866	1,517,032
Deferred management fee per unit				
+5%	1,102,322	1,272,472	1,102,322	1,272,472
-5%	(1,102,322)	(1,272,472)	(1,102,322)	(1,272,472)
Land prices (undeveloped land)				
+10%	1,741,473	1,156,596	1,741,473	1,156,596
-10%	(1,741,473)	(1,156,596)	(1,741,473)	(1,156,596)

NOTE 12: RESTATEMENT OF INVESTMENT PROPERTIES, TRADE AND OTHER RECEIVABLES AND TRADE AND OTHER PAYABLES

Previously the Company has disclosed the gross value of investment properties separately on the balance sheet within trade and other receivables (deferred management fee receivables), trade and other payables (joint venture share of deferred management fee receivables) and investment properties. The gross value of investment properties is now all disclosed within investment properties. This change has no impact on net profit or total equity. The impact of the restatement is presented below:

Consolidated Statement of Financial Position	**Prior period 30 June 2013 $**	**Increase / (Decrease) $**	**Restated 30 June 2013 $**	**Prior period 30 June 2014 $**	**Increase / (Decrease) $**	**Restated 30 June 2014 $**
Cash and cash equivalents	16,143,921	-	16,143,921	2,756,639	-	2,756,639
Trade and other receivables	1,184,861	(210,678)	974,183	3,279,030	(638,893)	2,640,137
Inventories	21,279,703	-	21,279,703	22,515,591	-	22,515,591
Land held for sale	126,619	-	126,619	126,619	-	126,619
Other financial assets	-	-	-	1,000,000	-	1,000,000
Other current assets	242,707	-	242,707	176,598	-	176,598
Total current assets	38,977,811	(210,678)	38,767,133	29,854,477	(638,893)	29,215,584
Trade and other receivables	8,343,628	(7,033,040)	1,310,588	11,675,809	(11,675,809)	-
Inventories	14,253,221	-	14,253,221	11,569,266	-	11,569,266
Property, plant and equipment	975,507	-	975,507	2,428,443	-	2,428,443
Other financial assets	2,000,000	-	2,000,000	5,000,000	-	5,000,000
Investment properties	74,974,188	6,676,880	81,651,068	99,626,182	11,026,030	110,652,212
Total non-current assets	100,546,544	(356,160)	100,190,384	130,299,700	(649,779)	129,649,921
Total assets	**139,524,355**	**(566,838)**	**138,957,517**	**160,154,177**	**(1,288,672)**	**158,865,505**
Trade and other payables	9,565,279	(566,838)	8,998,441	11,074,762	(1,288,672)	9,786,090
Interest-bearing loans and borrowings	5,691,695	-	5,691,695	5,099,862	-	5,099,862
Current tax payable	-	-	-	1,096,751	-	1,096,751
Provisions	295,219	-	295,219	302,112	-	302,112
Total current liabilities	15,552,193	(566,838)	14,985,355	17,573,487	(1,288,672)	6,340,991
Interest-bearing loans and borrowings	28,181,602	-	28,181,602	30,533,873	-	30,533,873
Provisions	216,636	-	216,636	261,568	-	261,568
Deferred tax liabilities	12,938,989	-	12,938,989	16,785,999	-	16,785,999
Total non-current liabilities	41,337,227	-	41,337,227	47,581,440	-	47,581,440
Total liabilities	**56,889,420**	**(566,838)**	**56,322,582**	**65,154,927**	**(1,288,672)**	**53,922,431**
Net assets	**82,634,935**	**-**	**82,634,935**	**94,999,250**	**-**	**94,999,250**
Contributed equity	60,993,959	-	60,993,959	60,993,959	-	60,993,959
Reserves	1,325,123	-	1,325,123	1,411,499	-	1,411,499
Retained earnings	20,315,853	-	20,315,853	32,593,792	-	32,593,792
Members' interest in equity	82,634,935	-	82,634,935	94,999,250	-	94,999,250
Non-controlling interest	-	-	-	-	-	-
Total equity	**82,634,935**	**-**	**82,634,935**	**94,999,250**	**-**	**94,999,250**

The consolidated statement of comprehensive income was not impacted by the restatement.

The consolidated statement of cash flows was not impacted by the restatement.

Earnings per share was not impacted by the restatement.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 11 to 20 in accordance with the C*orporations Act 2001;*

(a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* , and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance 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.

Tim Poole
Chairman

James Kelly
Managing Director

Melbourne, 18 February 2015

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LIFESTYLE COMMUNITIES LIMITED

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 half-year 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 2014 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

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LIFESTYLE COMMUNITIES LIMITED

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 2014 and of its performance for the half-year ended on that date; and

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

Peter Jose

Pitcher Partners

P A JOSE
Partner

18 February 2015

PITCHER PARTNERS
Melbourne