



**Results Presentation
Year ended 30 June 2015**

20 August 2015

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This document should be read with the Disclaimer on page 43

OVERVIEW BUSINESS SNAPSHOT

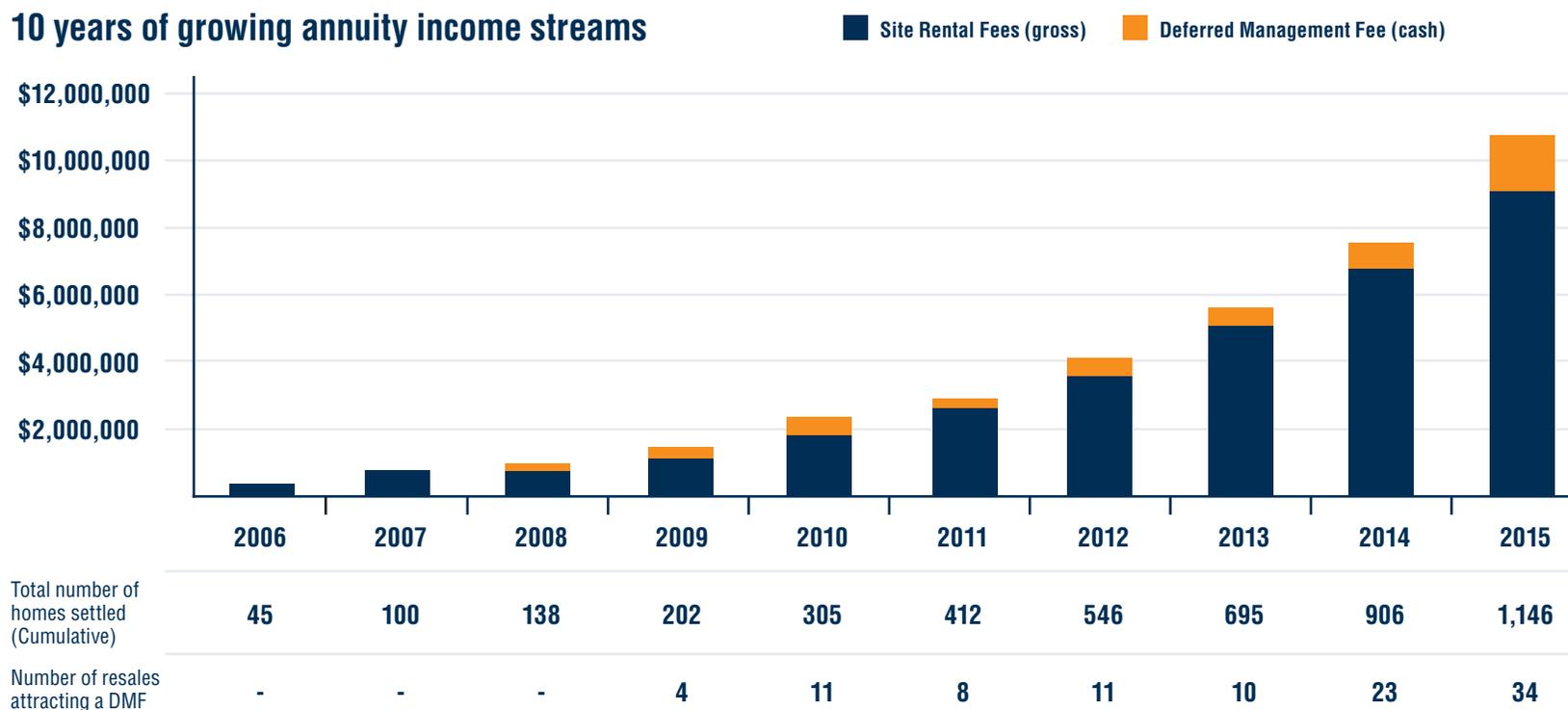
Business Snapshot

- Founded in 2003
- Develop and manage land lease communities which generate long-term sustainable revenue streams
- Focused on affordable housing for the over 55s market
- 2,315 sites either under development or management
- Residents own their home and lease the land upon which their home is located

Financial Summary

	FY2015 (\$ Million)	FY2014 (\$ Million)
Net profit after tax attributable to shareholders	\$16.7	\$12.3
Total assets	\$179.6	\$156.5
Equity	\$113.8	\$95.0
Dividends	1.5 cents per share	-
Net debt	\$23.6	\$28.9
Net debt to equity ratio	17%	23%

10 years of growing annuity income streams



OVERVIEW
BOARD OF
DIRECTORS



Tim Poole
Chairman
Non-executive, independent



James Kelly
Managing Director
Founder



Bruce Carter
Non-executive
Founder



Philippa Kelly
Non-executive
Independent



Jim Craig
Non-executive
Independent

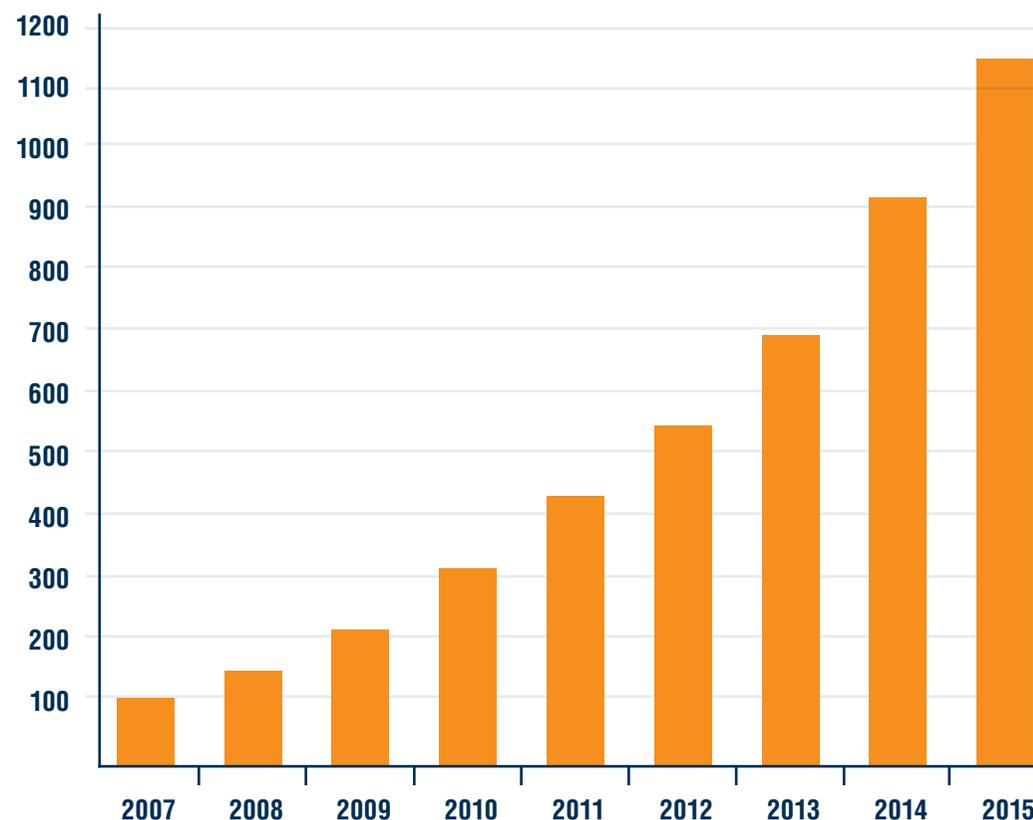
OVERVIEW FY2015 SNAPSHOT

A proven business model structured for sustainable growth

Business Snapshot

- Another strong year of settlements (240) and sales (211)⁽¹⁾
- 1,146 occupied home sites⁽¹⁾
- Over 1,700 homeowners⁽¹⁾
- Portfolio of 2,315 home sites^{(1) (2)}
- 34 resale settlements during the year
- Contracted land at Officer, Berwick Waters⁽³⁾ in the south-east of Melbourne and Rosebud⁽³⁾ and Bittern⁽³⁾ on the Mornington Peninsula
- Profit after tax attributable to shareholders increased by 36% to \$16.7 million compared to the prior year
- Dividend of 1.5 cents per share fully franked

Home sites (annuities) under management⁽¹⁾



Notes: (1) Represents gross numbers not adjusted for joint venture interests
(2) Settled, under development or subject to planning
(3) Settlement of purchase subject to planning approval

**Lifestyle Communities
had another positive result
during FY2015**

OVERVIEW PORTFOLIO SNAPSHOT 30 JUNE 2015

Lifestyle Communities' portfolio continues to grow

Communities	Total home sites in communities	Home sites sold & occupied	Home sites sold & awaiting settlement	Home sites occupied or sold and awaiting settlement	
				#	%
Existing Communities – Sold out					
Melton	228	228	-	228	100%
Tarneit	136	136	-	136	100%
Warragul	182	180	2	182	100%
Cranbourne ⁽¹⁾	217	215	2	217	100%
Chelsea Heights ⁽¹⁾	186	159	27	186	100%
Hastings	141	127	14	141	100%
Existing Communities – Under construction					
Shepparton	221	98	44	142	64%
Wollert	154	3	39	42	27%
Geelong	164	-	28	28	17%
New Communities – Awaiting commencement					
Rosebud ⁽²⁾	150	-	-	-	-
Officer	151	-	42	42	28%
Berwick Waters ⁽²⁾	225	-	-	-	-
Bittern ⁽²⁾⁽⁶⁾	160	-	-	-	-
Total Home Sites⁽³⁾	2,315	1,146⁽⁴⁾	198⁽⁵⁾	1,344	58%

- Notes:
- (1) Represents 100% of the development of which Lifestyle Communities will share 50%
 - (2) Commencement of construction subject to planning approval and contract becoming unconditional
 - (3) Lifestyle Communities will have an economic interest in 2,113 home sites
 - (4) Currently collecting annuity income (rent and DMF income) on these sites
 - (5) Represents sites in the sales bank awaiting settlement as at 30 June 2015
 - (6) Bittern contract executed on 14 August 2015

OVERVIEW COMMUNITY LOCATIONS

Community	Homes	Settled
Melton	228	100%
Tarneit	136	100%
Warragul	182	99%
Cranbourne	217	99%
Shepparton	221	44%
Chelsea Heights	186	87%
Hastings	141	89%
Wollert	154	1%
Geelong	164	-
Rosebud ⁽¹⁾	150	-
Officer	151	-
Berwick Waters ⁽¹⁾	225	-
Bittern ⁽¹⁾⁽²⁾	160	-
	2,315	50%

Correct as at 30 June 2015



**13 communities in
planning, development or
under management**

Notes: (1) Commencement of construction subject to planning approval the contract becoming unconditional
(2) Bittern contract executed on 14 August 2015

SECTION 2

**FINANCIAL &
OPERATIONAL RESULTS**



2.1 FINANCIAL RESULTS

10 Years of Growing Annuity Income Streams

There are two components to the annuity stream:

1. Site Rental Fee

- Approximately \$171.00 per week per home
- Indexed at greater of CPI or 3.5% p.a.
- Gross rental income for FY2015 was \$9.2 million

2. Deferred Management Fee

- Calculated as a scaled percentage of the re-sale price
- Scaling is a function of tenure and is capped at 20% of the re-sale price after 5 years of ownership
- Revenue includes selling and administration fees
- In established communities, approximately 10% - 12% of homes are estimated to re-sell in any given year as the age profile of residents matures
- 34 resales provided DMF income of \$1.5 million in FY2015⁽¹⁾

Notes: (1) Inclusive of selling and administration fees
(2) Represents gross numbers not adjusted for joint venture interests

Annuity Income



Annuity income will continue to increase through new home settlements, rental increases and resales of existing homes

2.2 SALES AND SETTLEMENTS

Referrals provided 33% of total sales

Sales Commitments

- 211 new home sales in FY2015⁽¹⁾
- Warragul, Cranbourne, Hastings and Chelsea Heights are fully sold-out
- Shepparton sales exceeded expectations during the year achieving 54 sales (compared to 27 in FY2014)
- Wollert and Geelong both achieved pre-sales as expected
- Officer commenced pre-sales in March 2015 and has exceeded expectations to date with 42 sales achieved
- Current committed sales bank as of 30 June 2015 is 198

Settlements

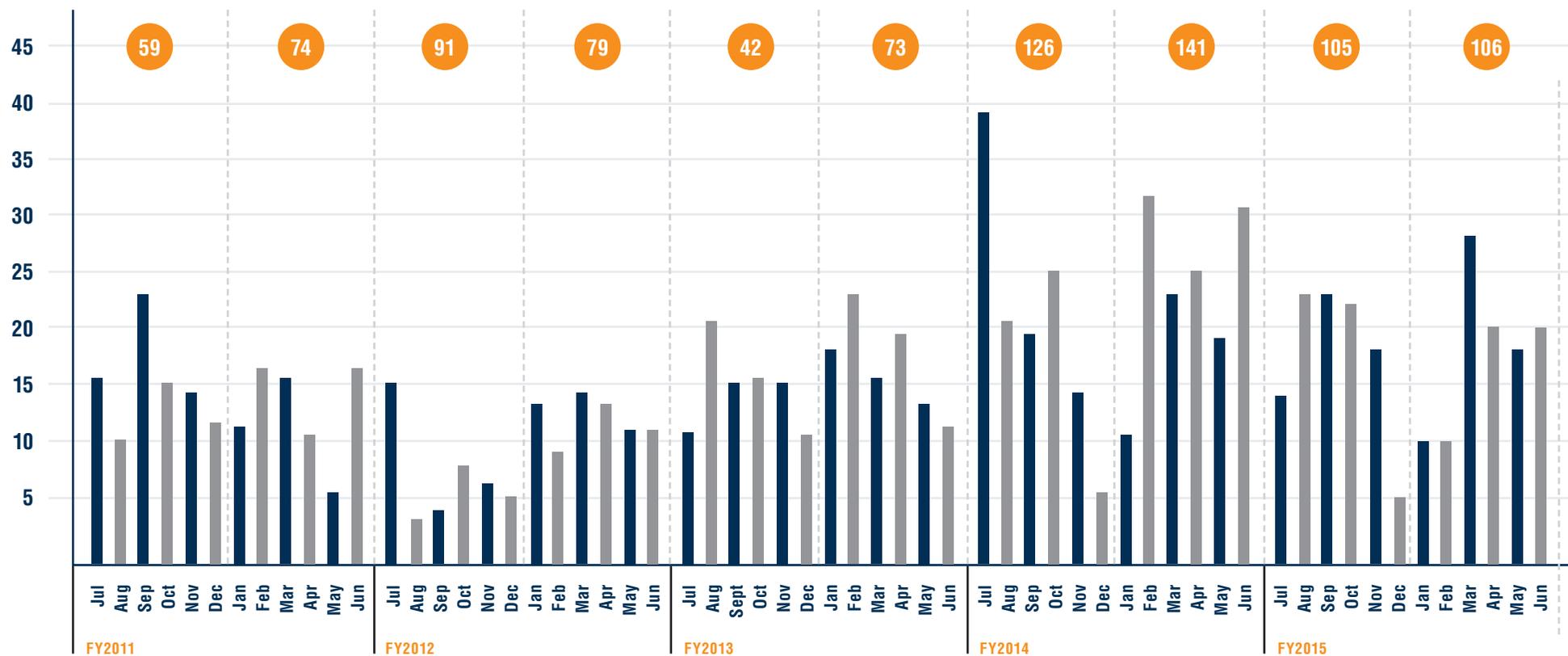
- 240 settlements in FY2015⁽¹⁾
- 62 settlements at Chelsea Heights, 82 at Hastings, 42 at Cranbourne, 38 at Shepparton, 12 at Warragul, 3 at Wollert and 1 at Tarneit
- First settlements at Wollert occurred in May 2015 and Geelong in July 2015. The first settlement at Officer is expected in the last quarter of FY2016



Notes: (1) Lifestyle Communities has an economic interest in 194 new home sales and 188 settlements after allowing for non-controlling interests

2.2 SALES AND SETTLEMENTS (CONTINUED)

Monthly customer commitments -
July 2010 to June 2015



2.3 PROFIT & LOSS

Profit growth in line with increased settlements

- Net profit attributable to shareholders up 36% to \$16.7 million
- Home settlement revenue up \$11.5 million to \$66.3 million; average realisation uplift of 6% to \$303k (GST inclusive)
- Cash deferred management fees up by 75% to \$1.6 million (inclusive of selling and administration fees)
- Community management expenses increased due to homeowners now residing at Lifestyle Lyndarum at Wollert, the expansion at Lifestyle Chelsea Heights and a full year of operations at Lifestyle Hastings. This is in addition to normal growth within mature communities
- Finance costs include \$2.4 million for break-fee and accelerated finance costs in relation to the \$25 million loan note re-finance completed in December 2014

Profit loss highlights	FY2014 (\$'000)	FY2015 (\$'000)	% Movement
Home settlement revenue	54,812	66,344	▲21%
Rental	6,549	9,160	▲40%
Deferred management fee	910	1,597	▲75%
Total revenue	63,718	78,790	▲24%
Cost of sales	(41,057)	(47,512)	▲16%
Home settlement margin	25%	28%	▲3%
Gross profit	22,660	31,278	▲38%
Fair value adjustments	12,254	15,051	▲23%
Development expenses	(3,263)	(3,690)	▲13%
Community management expenses	(3,462)	(4,414)	▲28%
Corporate overheads	(3,801)	(3,959)	▲4%
Finance costs	(2,228)	(1,606)	▼28%
Accelerated finance costs due to re-financing	-	(2,421)	▲-%
Net profit before tax	21,074	29,098	▲38%
Net profit after tax			
Members of the parent	12,278	16,653	▲36%
Non-controlling interests	3,852	5,222	▲36%
Total underlying net profit after tax	16,130	21,875	▲36%

2.4 BALANCE SHEET

Balance sheet remains strong

- Gearing (net debt to net debt plus equity) was 17.2% at year end
- Total project bank facilities of \$20.8 million of which \$9.5 million were drawn at year end in addition to the \$27.05 million core debt which is fully drawn
- \$5 million on term deposit representing liquidity buffer as part of risk management strategy

Balance sheet highlights	FY2014 (\$'000)	FY2015 (\$'000)	% Movement
Cash and cash on deposit	6,756	12,999	
Inventories	31,709	30,644	
Investment properties	110,652	132,757	
Total assets	156,489	179,647	▲ 15%
Trade and other payables	7,410	5,357	
Current tax payable	1,097	1,807	
Interest-bearing loans and borrowings	35,634	36,601	
Deferred tax liabilities	16,786	21,690	
Total liabilities	61,490	65,879	▲ 7%
Net assets	94,999	113,768	▲ 20%
Gearing ⁽¹⁾	23.3%	17.2%	

Balance sheet has capacity to enable the acquisition of a new site at least every 12 months

Notes: (1) Calculated as a ratio of net debt to net debt plus equity (net debt includes cash and cash on deposit)

2.5 CASH FLOW

- Cash flows from operations up by 73% to \$16.4 million, adjusted cash flows from operations (excluding project capital expenditure) up by 79% to \$33.8 million
- Net interest payments include a one-off break fee of \$2.05 million paid in respect of the early termination of the \$25 million loan note facility in December 2014
- Cash flows related to investing activities in FY2015 included the settlement of land at Officer in addition to the deposit for Berwick Waters; and in FY2014 the settlement of land at Chelsea Heights, Geelong and Wollert
- Income tax was paid in respect of FY2014 (final) and FY2015 (instalments) reflecting increased profitability (excluding fair value adjustments) and utilisation of tax losses

Cash Flow highlights	FY2014 (\$'000)	FY2015 (\$'000)
Receipts from customers	69,097	85,160
Payments to suppliers and employees ⁽¹⁾	(56,850)	(63,099)
Income taxes paid	-	(1,608)
Net interest payments	(2,788)	(4,047)
Cash flows from operations	9,459	16,406
Project capital expenditure (civil and facilities infrastructure)	9,395	17,386
Cash flow from operations (excluding project capital expenditure)	18,854	33,792
Proceeds/(payment) from/for term-deposit	(4,000)	1,000
Purchase of investment properties	(16,754)	(7,008)
Cash flows from investing activities	(21,347)	(6,622)
Net movement in borrowings	1,221	462
Proceeds from exercise of options	-	2,034
Distributions paid to non-controlling interests	(2,708)	(7,038)
Cash flows from financing activities	(1,500)	(4,542)
Net cash flows	(13,387)	5,242
Cash as at the beginning of the year	16,144	2,757
Cash as at the end of the year (excluding funds on deposit)	2,757	7,999
Add cash on term deposit	4,000	5,000
Total cash at the end of the half-year	6,757	12,999

Notes: (1) Due to Lifestyle Communities' accounting policies and legal structure, payments to suppliers and employees includes all gross costs of infrastructure construction (i.e. civil works, clubhouse and other facilities). Under some other structures these costs may be classified as investing cash flows. Therefore cash flows from operations will be negatively impacted when Lifestyle Communities is in the cash intensive development phase of a community.

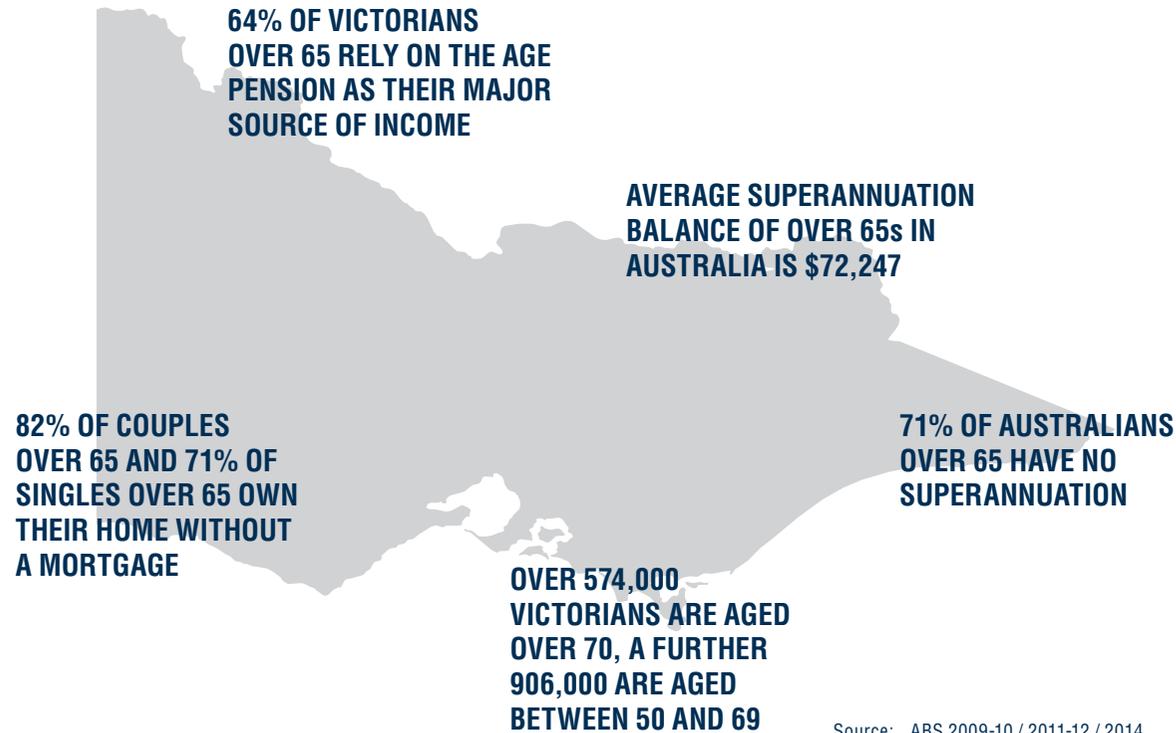
To assist with further understanding of cash flows, please refer to Appendix 3 for a detailed break-down of development and management cash flows per community for FY2015 and FY2014.

SECTION 3
MARKET



3.1 THE MARKET

Lifestyle Communities operates in an under-serviced sector of the over 55s housing market with a focus in Victoria



The affordable housing market for over 55s in Victoria continues to grow

3.2 KEY MARKET DRIVERS

Affordability

- More than 27% of total households (aged 65+) have net worth between \$250,000 and \$500,000
- 72% of people (over 65) retire on the pension. 64% of people (over 65) in Victoria rely on the pension as their main source of income
- Of the 82% of couples over 65 who own their home, superannuation represents less than 17% of their net worth

The ageing population

- The number of people aged over 65 is projected to double between 2005 and 2021, and then double again by 2051
- Within a generation, 1/3 of Australians are going to be aged over 55 and close to 1/4 will be over 65
- Between 2001 and 2011 Victoria's over 55 population grew by 30%, compared to a total population increase of 15%

Ageing in place

- Due to cost pressures, shortages of beds and government policies, ageing in place is a theme that will become more prevalent over the coming years
- This is anticipated to result in additional government initiatives to assist people stay in their primary residence for longer

Source: ABS 2010-2012

Demographic changes are driving an increase in the size of the potential market

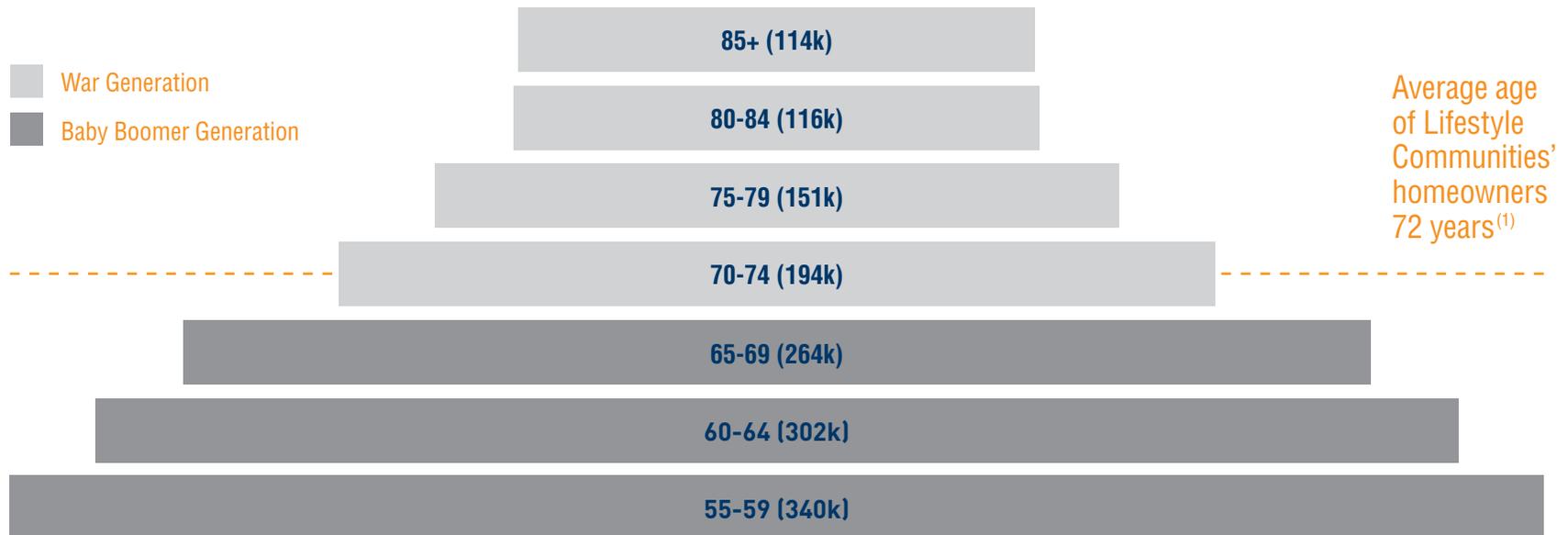
The Lifestyle Communities offer addresses these key market themes



3.3 VICTORIAN POPULATION GROWTH

As at 30 June 2013 there were over 574,000 Victorians aged over 70 and over 906,000 aged between 55 and 69

Lifestyle Communities is well positioned to meet the needs of the baby boomer age wave



Source: ABS 2014 Catalogue 3235.0

Notes: (1) As at 30 June 2015

3.4 MARKET STRATEGY

**Straddling two segments
but focusing on the ageing
baby boomer**

**Lifestyle Communities' business
model is well placed to capitalise
on this emerging customer**



War Generation (1925-1945)

- Aged 70+
- Negative trigger buyers
- Characterised by:
 - Conservative
 - Frugal
 - 'Bear the burden'
 - Experienced in hardship

Key Message

Health & Security

Key Channels

Traditional media



Baby Boomer Generation (1946-1964)

- Aged 51-69
- Ageing into the retirement space
- Positive trigger buyers
- Characterised by wanting to:
 - Maintain Control
 - Free up equity to enjoy
 - Want to own their home
- Greater expectations

Key Message

Downsize to a bigger life

Key Channels

Digital & below-the-line

MARKETING TRANSITION

MESSAGING CHANNELS

3.5 WHO IS OUR CUSTOMER?

Roadblocks

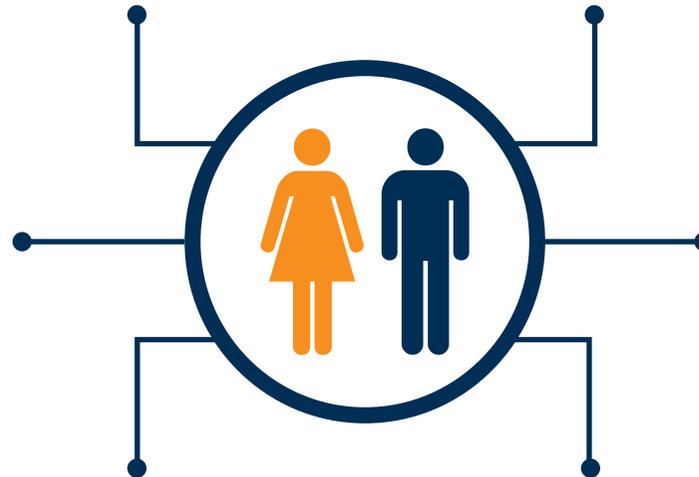
- Getting rid of stuff
- The cost of a bad decision
- Fear of losing independence
- Retirement Village stigma
- Magnitude of decision

Triggers

- Security - Financial
- Safety - Personal
- Fear of being unable
- Maintenance (time and cost)
- Health/physical state

Drivers

- Independence
- Maintaining control
- Social interaction



Buyer Behavior

- Transparency & Openness
- Detail
- Trusted information sources
- Straight talking
- No pressure
- Demonstrate value for money

Socio/Economic Profile

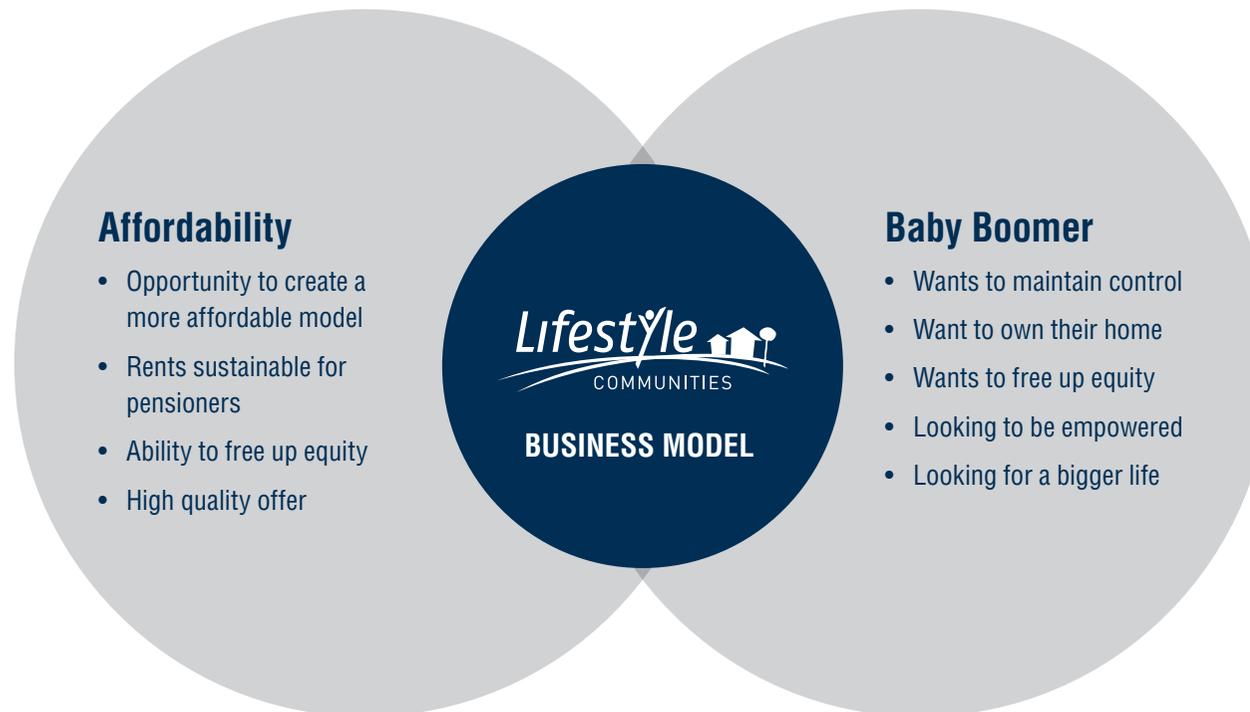
- Majority on pension/benefit
- Located outer urban Melbourne
- Low levels of superannuation
- Accept pension will be part of life
- 66% couples, 28% single women, 6% single men homeowners

Influences

- Global and local economy
- The housing market and affordability
- Children, family and friends
- Brand credibility

3.6 THE EMERGING MARKET GAP

The two key emerging trends come together to create the Lifestyle business model



Current housing solutions are not satisfying the new emerging customer

3.7 MARKETING

Lifestyle Communities' marketing targets the emerging baby boomer

Digital marketing is driving future growth with 50% of leads coming from our website

**FACEBOOK FRIENDS?
I HAVE 300 REAL ONES.**

**EASY LOW MAINTENANCE
HOMES FROM \$169,000
YOUR NEW COMMUNITY
COMING SOON TO OFFICER**

Get connected into the most exciting new community in Officer. Because at Lifestyle Officer you're not just buying a new home, you're buying into a vibrant new lifestyle. One that comes with free garden maintenance, a heated swimming pool, bowling green, gym and new private Clubhouse.

Not to mention the peace of mind that comes with living in a secure and welcoming community of like-minded people over 55. And with no body corporate fees, rates or stamp duty to pay, it makes good financial sense too.

So what's stopping you?

Lifestyle OFFICER
Downsize to a Bigger Life

OFFICER DISPLAY SUITE COMING SOON
114 RIX ROAD, OFFICER OPEN 7 DAYS 11AM - 6PM
REGISTER TODAY 1300 50 55 60 lifestylecommunities.com.au

PRESS

THE UP SIDE

**TO DOWN SIZING
YOU CAN INVITE
YOUR FRIENDS
TO POOL PARTIES!**

**YOUR NEW COMMUNITY COMING SOON TO OFFICER
LOW MAINTENANCE HOMES FROM \$169,000**

There are plenty of other benefits to downsizing at Lifestyle Officer besides low property maintenance. With new homes starting at just \$169,000 the profit from selling your family residence can give you the kind of financial freedom you've been waiting for. You also gain access to heated swimming pool, bowling green, fully equipped gym and even a private clubhouse. Not to mention the luxury you'll have from having no body corporate fees, rates or stamp duty to pay. Plus, you'll be buying into a warm and welcoming community of like minded people over 55. So what's stopping you?

Register Today 1300 50 55 60
lifestylecommunities.com.au

Lifestyle OFFICER
Downsize to a Bigger Life

OFFICER DISPLAY SUITE COMING SOON
114 RIX ROAD, OFFICER OPEN 7 DAYS 11AM - 6PM

PRESS

Lifestyle Communities added 3 new photos to the album: Construction at Lifestyle Geelong.
July 5 at 3:41pm

Like · Comment · Share

Sue Hazelwood, Laarena Alchin, Susanne Sexton and 59 others like this.

Joan Tolliday Everyone who moves in to a Lifestyle community will be SO happy - trust me!
👍 5 · June 15 at 2:15am

Les Ronda Johnson I'm with you Joan, I have been here at Hasting Lifestyle now for over 18 months and love every minute of it, so much do here.
👍 3 · June 18 at 3:32pm

Lyn Andruszko Love living at Chelsea Heights!!
👍 2 · June 18 at 4:36pm

Joan Tolliday Well I have been at Lifestyle Lyndarum for one whole week now.....my cup of happiness continues to run over.....My smile is so broad that people look at me rather strangely at times. I happily tell them the reason why, - because life is great at Lifestyle Lyndarum. Have a wonderful weekend all you Lifestylers.....
👍 4 · June 18 at 10:43pm

Colleen Nielson Getting closer, can't wait to move in!!
👍 2 · July 6 at 11:55am

Adele Echter 😊
July 6 at 2:12pm

Leslie McCreath People are cottoning-on as to how good a Lifestyle Community really is!
👍 2 · July 6 at 4:59pm

Les Ronda Johnson No other place like Lifestyle Communities, mine is Hastings. Love it love it
👍 1 · July 6 at 7:03pm

Catherine O'Hagan The best place to live. Love Lifestyle Hastings.
👍 1 · July 7 at 2:43am

FACEBOOK

SECTION 4
**BUSINESS
MODEL**



4.1 BUSINESS STRATEGY

Lifestyle Communities will continue rolling out affordable housing for the over 55s

- Focused strategy to dominate the niche of affordable housing to the over 55s market
- Lifestyle Communities' brand is now clearly differentiated in the consumer's mind against traditional retirement communities
- Funded and resourced to roll-out a new community at least every 12 months subject to identification of appropriate sites
- Presently focused in Melbourne's growth corridors as well as key Victorian regional centres



Lifestyle Communities
will continue to grow its
portfolio of affordable
communities

4.2 BUSINESS MODEL

Lifestyle Communities has a sustainable business model

The growing level of free cash flow from the community management business provides the basis for future dividends

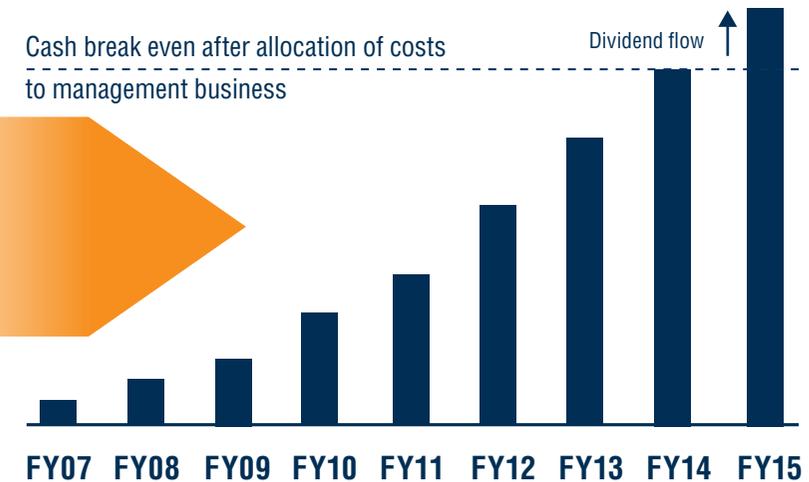
Development Business



Settled homes are transferred to the Community Management Business

Community Management Business

Total annuities at year end



Note: Not to scale

As at 30 June 2015

Total home sites in portfolio ^{(1) (2)}
2,315

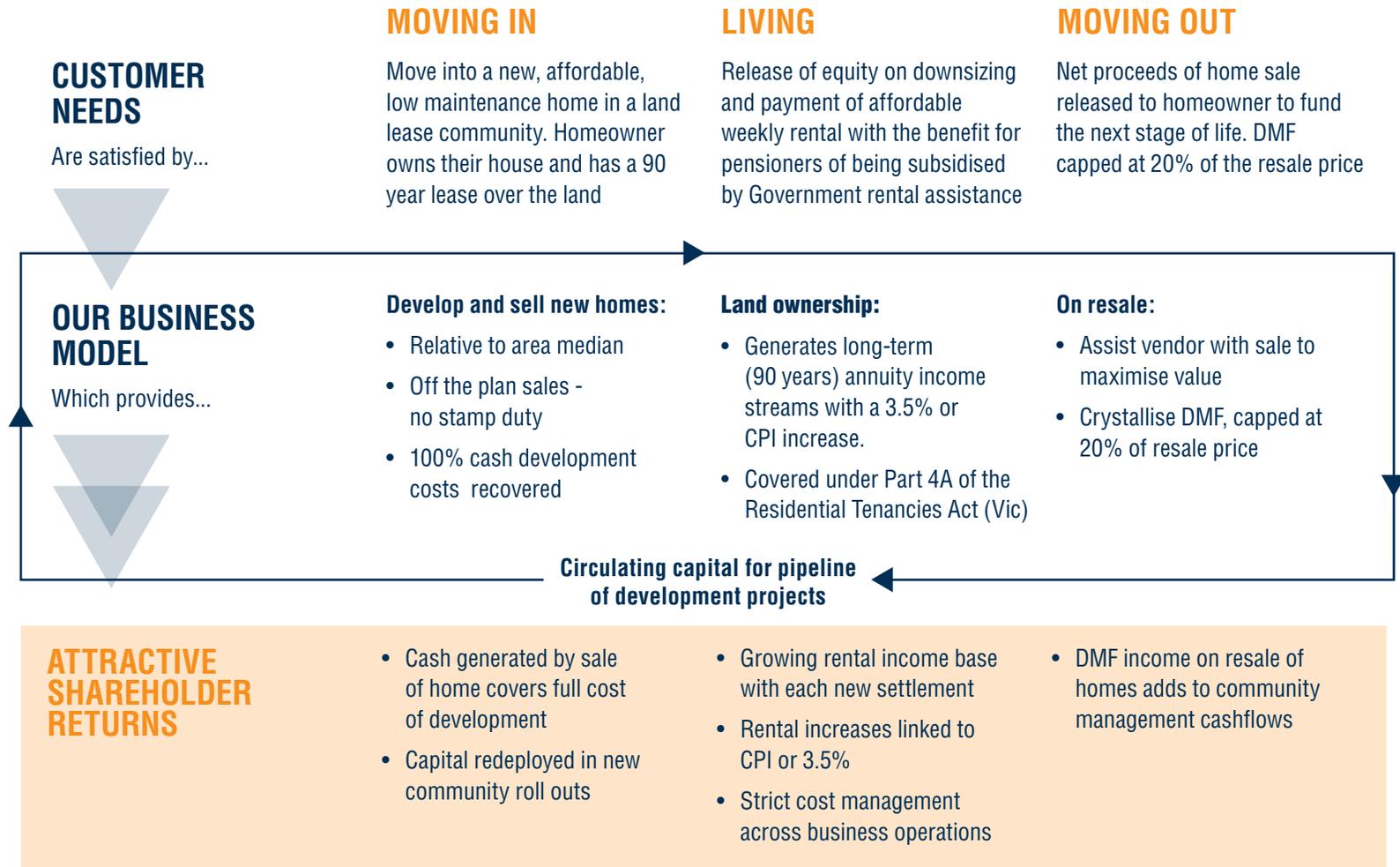
Total Occupied home sites ⁽²⁾
1,146

As at 30 June 2015 the gross rental annualised at \$10 million per annum

Source: (1) Settled, under development or subject to planning
(2) Represents gross numbers not adjusted for joint venture interests

4.2 BUSINESS MODEL (CONTINUED)

Lifestyle Communities develops and manages affordable land lease communities delivering long term annuities from home site fees and resales



4.2 BUSINESS MODEL (CONTINUED)

FEATURES

Lifestyle Communities is the developer, sales agent and manager of its affordable communities

Lifestyle Communities operates a “Land Lease” model whereby homeowners purchase their home but not the underlying land. Lifestyle Communities retains long-term ownership of the land

Homeowners enter a 90 year lease agreement with Lifestyle Communities

Communities are regulated under the Residential Tenancies Act (VIC) 2011

Focus on greenfield opportunities

BENEFITS

Lifestyle Communities control all touch points with its customers which translates into high levels of service delivery and brand recognition

Lifestyle Communities control all touch points with its customers which translates into high levels of service delivery and brand recognition

Lifestyle Communities is the beneficiary of long term CPI linked income stream as well as a share of the resale proceeds when homeowners sell their home

Reduces operating costs through exemptions on land tax, stamp duty and ability to access land that is not necessarily Residential Zone 1

A greenfield development reduces sales risk assuming the site location is well positioned. Returns are maximised as all capital is able to be recycled and therefore providing annuity returns from a ‘nil’ capital base

Lifestyle Communities has a differentiated business model that produces long-term growing CPI indexed annuity streams for its investors

4.3 AFFORDABILITY

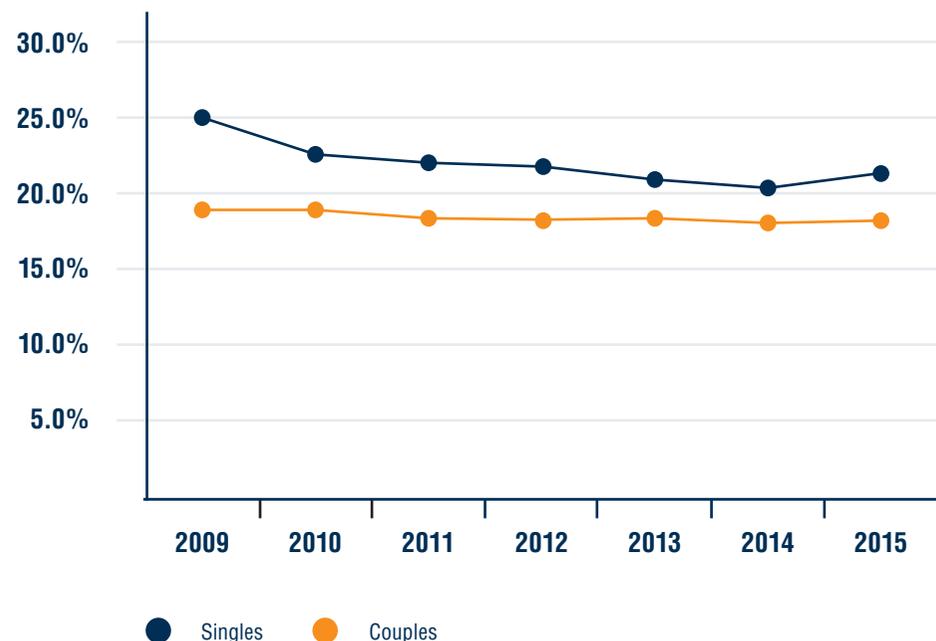
Rent as a percentage of the pension remains affordable

Attributes

- Lifestyle Communities' homeowners who receive the age pension and rent assistance are paying approximately:
 - 18.5% of their pension as rental (for couples) net of rental assistance, reduced from 19.8% seven years ago
 - 21.4% of their pension as rental (for singles) net of rental assistance, reduced from 25.3% seven years ago

The Lifestyle Communities model creates a long-term sustainable financial solution for homeowners

Site rental as a % of pension

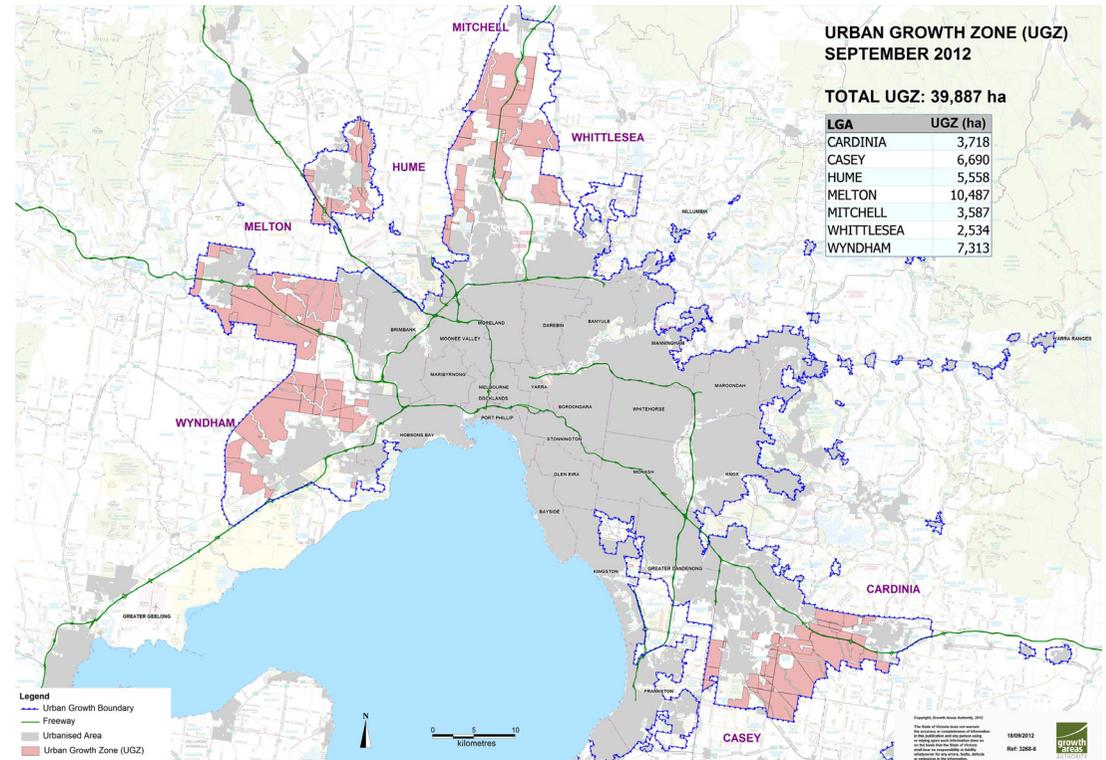


Source: Australian Government Centrelink Website, March 2015

4.4 FOCUSED ACQUISITION STRATEGY

Lifestyle Communities continually performs detailed due diligence on Victoria's growth corridors

- Focusing on opportunities in Victoria to capitalise on the lack of supply of affordable housing, forecast population growth and brand equity
- Target sites in Melbourne's key growth corridors and major regional centres which are assessed against the following criteria:
 - Demographics of immediate catchment including number of over 55s
 - The forecast rate of population growth in the area
 - Proposed house prices within the community relative to the local median house price
- Undertake assessment of multiple sites within each growth corridor to ensure the most suitable location
- Securing sites in a premium location results in optimum sales rate with achievable realisations



**A rigorous acquisition strategy
de-risks community roll-outs**

4.5 LAND ACQUISITION

In FY2015 and subsequent to year-end we have secured:

1. A new site located in Rosebud, on Melbourne's Mornington Peninsula. This site has added 150 homes to the pipeline. The acquisition of Rosebud is subject to planning approval. This is the only site in our portfolio where the planning issues have been more challenging. We remain hopeful that a planning permit will be received.



2. A new site located in Officer between Berwick and Pakenham in the south-eastern suburbs of Melbourne. This site has added 150 homes to the pipeline. A planning permit has been received for this site. Settlement of land occurred in June 2015 and construction has commenced.

3. A new site located in Australand's Berwick Waters estate in Clyde North in the south-eastern suburbs of Melbourne. This site has added 225 homes to the pipeline. The settlement of the land is subject to planning although the Company does not believe this is a material risk for this site. Settlement of land is contracted to occur in April 2016 and construction is planned to commence soon after.



4. A new site in Bittern, on Melbourne's Mornington Peninsula. This site has added 160 homes to the pipeline. The settlement of the land is subject to planning although the Company does not believe this is a material risk for this site. This site is in close proximity to Lifestyle Hastings which sold out during FY2015. Settlement of land is contracted to occur in September 2016 and construction is planned to commence soon after.



**We are continuing to assess
a number of new sites**

4.6 KEY RISKS

The company ensures diligent risk management at each stage of the development cycle



**Disciplined approach
to each stage mitigates risk**

SECTION 5
OUTLOOK



5.1 OUTLOOK

Lifestyle Communities capitalises on the solid base established for future growth

- Emerging baby boomer driving increased customer interest
- 33% of sales are coming from customer referrals
- Settlements in FY2016 are likely to be lower than FY2015 due to the timing of community developments
- Profit after tax attributable to shareholders in FY2016 will be largely similar to FY2015 - the reduction due to lower settlements will be approximately offset by increased contributions from rental and deferred management fees and a reduction in profit attributable to non-controlling interests
- It is expected that current communities in development combined with the recent site acquisitions will have a positive impact on settlements beyond FY2016
- Dividend in FY2016 will be higher - and the Company expects to pay an interim and final dividend

Lifestyle Communities' model is driven by affordability, the aging population and the emerging baby boomer



5.3 DIVIDEND POLICY

Lifestyle Communities intends to pay dividends out of operating cash flow from the community management business

The growing level of free cash flow from the annuities provides the basis for increasing dividends over time

As a general principle, the Board of Lifestyle Communities intends to pay dividends out of post tax, operating cash flow generated from community management.

Considerations in determining the level of free cash flow from which to pay dividends will include:

- Operating cash flow generated from community management
- The projected tax liability of Lifestyle Communities Limited
- The level of corporate overheads attributable to the roll out of communities (currently 50%)
- 50% of development fees derived from joint ventures (matching the 50% of corporate overheads incurred)
- The level of interest to be funded from free cash flow
- Additional capital needs of the development pool
- A final fully franked dividend of 1.5 cents per share was declared in respect of FY2015. The dividend has a record date of 11 September 2015 and a payment date of 9 October 2015
- Subject to the performance of the business forecast to pay an interim and final dividend in respect of FY2016



6.0 SUMMARY

- FY2015 delivered another strong result for home settlements (240)⁽¹⁾
- The recently announced Berwick Waters and Bittern acquisitions, along with the Rosebud and Officer acquisitions has increased the total portfolio to 2,315 homes⁽²⁾
- Annuity income from homeowner rentals grew by \$2.6 million to \$9.2 million as a result of having 1,146 settled homes
- Net profit attributable to shareholders up 36% to \$16.7 million
- Dividend of 1.5 cents per share fully franked
- Funded and resourced to roll-out a community at least every 12 months subject to identification of appropriate sites

**A proven business
that is structured
for sustainable growth**

Notes: (1) Represents gross numbers not adjusted for joint venture interests
(2) Settled, under development or subject to planning



APPENDIX



A.1 SALES AND SETTLEMENTS

	New Home Settlements		New homes - net sales commitments		Resale homes settlements		Resale homes - net sales commitments	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Brookfield	-	-	-	-	15	12	20	16
Tarneit	1	3	-	1	5	4	4	4
Warragul	12	32	1	26	7	2	10	(1)
Cranbourne ⁽¹⁾	42	38	20	34	5	4	5	3
Shepparton	38	28	54	27	-	1	1	1
Chelsea Heights ⁽¹⁾	62	65	13	85	2	-	2	-
Hastings	82	45	31	74	-	-	1	-
Wollert	3	-	22	20	-	-	-	-
Geelong	-	-	28	-	-	-	-	-
Officer	-	-	42	-	-	-	-	-
Rosebud	-	-	-	-	-	-	-	-
Berwick Waters	-	-	-	-	-	-	-	-
Bittern	-	-	-	-	-	-	-	-
Total	240	211	211	267	34	23	43	23

Notes: (1) Represents gross numbers not adjusted for joint venture interests

A.2 INVESTMENT PROPERTY ANALYSIS

Community Valuation Summary				
30 June 2015				Investment properties per financials 30 June 2015
	Total Homes	Homes Occupied	Investment properties at cost ⁽¹⁾ (\$m)	At fair value (\$m)
Mature Communities				
Brookfield	228	228	6.85	24.98
Tarneit	136	136	3.68	14.19
Warragul	182	182	2.53	20.29
Cranbourne [^]	217	215	3.87	15.17
Communities under development				
Shepparton	221	98	3.16	12.65
Chelsea Heights [^]	186	159	6.19	11.36
Hastings	141	127	7.36	13.54
Wollert	154	3	7.13	6.87
Geelong	164	-	6.95	6.85
Rosebud ⁽²⁾	150	-	0.37	0.37
Officer	151	-	5.49	5.35
Berwick Waters ⁽²⁾	225	-	1.15	1.15
Bittern ⁽³⁾	160	-	-	-
Total	2,315	1,146	54.73	132.76

- Notes: [^] Represents LIC's share in the on-completion assets
 (1) Cost includes land value, land holding costs and for Brookfield, Tarneit and Warragul civills retained by LIC under home purchase agreements entered into prior to 1 January 2009
 (2) Rosebud and Berwick Waters contracts are conditional as at 30 June 2015 and therefore only the deposit is reflected in the balance sheet
 (3) Contract entered into on 14 August 2015

A.2.2 INVESTMENT PROPERTY ANALYSIS

Community Valuation Summary (On Completion)						
	Rental Metrics			DMF metrics (extracts from valuations)		
	Last valuation date	Rental cap. rate (from valuation)	Net rental per home (management assessment)	DMF discount rate	DMF terminal cap. rate	Average sale value (GST excl.)
Existing Communities - sold out						
Brookfield	Dec-14	8.50%	6,182	13.0%	10%	218,188
Tarneit	Dec-14	8.50%	5,497	13.0%	10%	243,690
Warragul	Dec-14	8.50%	6,431	13.0%	10%	235,715
Cranbourne [^]	Jan-14	8.50%	6,543	13.5%	10%	277,123
Chelsea Heights [^]	May-14	8.75%	6,310	14.0%	N/A	276,409
Hastings	May-15	8.25%	6,103	14.0%	N/A	276,130
Existing Communities - selling and settling						
Shepparton	May-15	8.50%	6,680	14.0%	10%	199,294
Wollert	Mar-14	8.75%	6,011	14.0%	N/A	282,307
Geelong	Oct-14	8.50%	N/A	14.0%	10%	267,091
Officer	May-15	8.25%	N/A	14.0%	N/A	286,996

Notes: [^] Represents 100% of the development of which LIC will share 50%
 Valuer's Rental calculation methodology: capitalisation rate on annual rental income
 Valuer's DMF calculation methodology: NPV of 20 year cash flows with terminal value at year 21 or NPV of 40 year cash flows with no terminal value

A.3.1 CASHFLOW ANALYSIS FY2015

Supplementary Cash Flow Analysis for FY2015	Melton	Tarneit	Warragul	Cranbourne ⁽³⁾	Shepparton	Chelsea Heights ⁽³⁾	Hastings	Wollert	Geelong	Rosebud	Officer	Berwick Waters	Total
Total Number of Homes	228	136	182	217	221	186	141	154	164	150	151	225	2,155
Settled FY2015*	-	1	12	42	38	62	82	3	-	-	-	-	240
Remaining homes available to settle	-	-	2	2	123	27	14	151	164	150	151	225	1,009
Development Cash Flows (\$million)													
Land	-	-	-	-	-	-	-	-	-	(0.37)	(5.49)	(1.15)	(7.01)
Development Expenditure (development and sales)	-	-	(0.14)	(0.57)	(1.86)	(2.16)	(1.02)	(6.80)	(6.22)	(0.05)	(0.52)	(0.02)	(19.36)
Home Construction	-	(0.01)	(0.02)	(0.74)	(3.94)	(4.42)	(8.42)	(2.97)	(0.58)	-	-	-	(21.12)
Home Settlements	-	0.24	2.75	6.05	7.35	10.38	22.34	0.79	-	-	-	-	49.92
Net Development Cash Flows	-	0.23	2.59	4.74	1.55	3.80	12.90	(8.98)	(6.80)	(0.42)	(6.01)	(1.17)	2.43
Annuity Cash Flows (\$million)													
Site Rentals (incl. Management Fees)	1.96	1.23	1.63	1.81	0.71	1.03	0.79	-	-	-	-	-	9.16
Deferred Management Fees Received	0.54	0.20	0.31	0.23	-	0.09	0.01	-	-	-	-	-	1.38
Community Operating Costs	(0.53)	(0.46)	(0.59)	(0.50)	(0.44)	(0.33)	(0.30)	(0.06)	(0.02)	-	-	-	(3.23)
Net result from utilities	0.01	0.03	0.03	0.03	(0.01)	0.03	(0.02)	(0.01)	-	-	-	-	0.09
Share to non-controlling interests ⁽²⁾	-	-	-	(0.59)	-	(0.30)	-	-	-	-	-	-	(0.89)
Net Annuity Cash Flows	1.98	1.00	1.38	0.98	0.26	0.52	0.48	(0.07)	(0.02)	-	-	-	6.51
Head Office Costs													(3.83)
Net Operating Cash Flows													5.11
Reconciliation to statutory cash flows													
Less – Interest													(4.05)
Less – Income taxes paid													(1.61)
Add – Land (investing cash flow)													7.01
Add – Movement in inventory, creditors and JV fees owing													1.41
Add – Non-controlling interests													8.54
Statutory Cash Flows from Operations (\$million)													16.41

Notes: * LIC's economic interest is 188 units after allowing for Joint Venture interests

(1) Deferred management fees received are inclusive of selling and administration fees as well as wages and marketing costs

(2) Lifestyle Communities record 100% rental income and pay out 50% (after management fees) to non-controlling interest

(3) 50% of development cash flows for joint venture are reflected above

A.3.2 CASHFLOW ANALYSIS FY2014

Supplementary Cash Flow Analysis for FY2014	Melton	Tarneit	Warragul	Cranbourne ⁽³⁾	Shepparton	Chelsea Heights ⁽³⁾	Hastings	Wollert	Geelong	Total
Total Number of Homes	228	136	182	217	221	186	141	154	164	1,629
Settled FY2014	-	3	32	38	28	65	45	-	-	211
Remaining homes and lots available to settle	-	1	14	44	161	89	96	154	164	723
Development Cash Flows (\$million)										
Land	-	-	-	-	-	(2.65)	-	(7.13)	(6.95)	(16.73)
Development Expenditure (Development and sales)	-	(0.11)	(0.58)	(0.68)	(2.24)	(1.02)	(6.18)	(0.32)	(0.12)	(11.24)
Home Construction	-	(0.04)	(2.82)	(2.77)	(5.65)	(3.35)	(9.38)	-	-	(24.01)
Home Settlements	-	0.73	7.53	5.28	5.46	9.23	12.02	-	-	40.25
Net Development Cash Flows	-	0.58	4.13	1.83	(2.43)	2.22	(3.54)	(7.46)	(7.06)	(11.73)
Annuity Cash Flows (\$million)										
Site Rentals (incl. Management Fees)	1.84	1.11	1.27	1.25	0.39	0.57	0.10	-	-	6.55
Deferred Management Fees Received ⁽¹⁾	0.32	0.16	0.08	0.14	0.03	0.01	-	-	-	0.74
Community Operating Costs	(0.61)	(0.50)	(0.41)	(0.47)	(0.35)	(0.23)	(0.17)	-	-	(2.75)
Net result from utilities	0.00	(0.01)	(0.02)	(0.02)	(0.04)	(0.03)	(0.03)	-	-	(0.16)
Share to non-controlling interests ⁽²⁾	-	-	-	(0.30)	-	(0.10)	-	-	-	(0.39)
Net Annuity Cash Flows	1.55	0.76	0.91	0.60	0.04	0.22	(0.10)	-	-	3.99
Head Office Costs										(3.62)
Net Operating Cash Flows										(11.36)
Reconciliation to statutory cash flows										
Less – Interest										(2.79)
Add – Land (investing cash flow)										16.73
Less – Movement in inventory, creditors and JV fees owing										0.18
Add - Non-controlling interests in cash flows										6.69
Statutory Cash Flows from Operations (\$million)										9.46

Notes: * LIC's economic interest is 159 units after allowing for Joint Venture interests
(1) Deferred management fees received are inclusive of selling and administration fees as well as wages and marketing costs
(2) Lifestyle Communities record 100% rental income and pay out 50% (after management fees) to non-controlling interest
(3) 50% of development cash flows for joint venture are reflected above

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