Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities

Half-Year Information
For the six months ended 31 December 2015

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 2015.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2015

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 2015

Previous corresponding periods: Financial year ended 30 June 2015
Half- year ended 31 December 2014

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Up	18%	to	$37,491,828
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	Up	61%	to	$ 8,859,759
Net profit (loss) for the period attributable to members *(item 2.3)*	Up	61%	to	$ 8,859,759

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	1.0 cent	100%
Record date for determining entitlements to the dividend *(item 2.5)*	11 March 2016	
Payment date for interim dividend	8 April 2016	

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	118.6 cents	110.5 cents

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2015	9 October 2015	$1,554,741
Final dividend – year ended 30 June 2014	N/A	Nil

Amount per security

		Amount per security	Franked amount per security at % tax
Total dividend:	Current year – final 2015	1.5 cents	100%
	Previous year – final 2014	Nil	N/A

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	$1,554,741	N/A
Total	**$1,554,741**	**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 2015

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2015.

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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 – Non-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 Level 7, 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 (the Group), for the half-year ended 31 December 2015 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 2016 financial year. Profit after tax attributable to shareholders was $8.9 million (1H 2015: $5.5 million).

Financial and Operating Highlights

	Measure	1H FY2016	1H FY2015	Change	Change %
Key financial data		*31-Dec-15*	*31-Dec-14*		
Revenue	A$ millions	**37.5**	31.8	5.7	18
Earnings before interest and tax	A$ millions	**14.1**	12.5	1.6	13
Net profit before tax	A$ millions	**13.7**	9.1	4.6	51
Net profit after tax	A$ millions	**10.2**	6.6	3.6	55
Net profit attributable to shareholders	A$ millions	**8.9**	5.5	3.4	61
Underlying profit attributable to shareholders (1)	A$ millions	**8.9**	7.2	1.7	24
Operating cash flow	A$ millions	**(9.6)**	3.2	(12.8)	(400)
Community cash flow (2)	A$ millions	**3.9**	3.2	0.7	22
Earnings per share	A$ cents	**8.6**	5.5	3.1	56
Diluted earnings per share	A$ cents	**8.5**	5.4	3.1	57
Interim dividend per share	A$ cents	**1.0**	-	1.0	nm
		31-Dec-15	*30-Jun-15*		
Gearing (3)	%	**23.7**	17.2	6.5	38
Return on average capital employed (4)	%	**15.5**	20.8	(5.3)	(25)
Key operational data		*31-Dec-15*	*31-Dec-14*	Change	Change %
Homes settled (gross)	No. of homes	**110**	98	12	12
Homes settled (after NCI) (5)	No. of homes	**95**	82	13	16
Homes sold (gross)	No. of homes	**82**	105	(23)	(22)
Homes sold (after NCI) (5)	No. of homes	**82**	91	(9)	(10)
Average realised sales price (GST excl.)	A$'000	**271**	261	10	4
Number of resales settled	No. of homes	**26**	17	9	53
Average realised sales price of resales	A$'000	**247**	250	(3)	(1)
		31-Dec-15	*30-Jun-15*		
Total number of homes (gross)	No. of homes	**1,256**	1,146	110	10
Total number of homes (after NCI) (5)	No. of homes	**1,054**	959	95	10
Total number of homeowners	No. of people	**1,884**	1,701	183	11
Average age of homeowners	Years	**72**	72	-	-

(1) Underlying profit attributable to shareholders excludes the accelerated finance costs due to debt 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 $5 million of term deposits)
(4) Calculated as a ratio of EBIT (annualised) divided by average total assets less current liabilities
(5) Gross number of homes adjusted for share of communities owned by non-controlling interests

Included in the key data on the prior page are several non IFRS measures including earnings before interest and tax, underlying net profit attributable to shareholders, 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 2016 financial year.

The increase in profit after tax attributable to shareholders from $5.5 million in the first half of the 2015 financial year to $8.9 million in the first half of the 2016 financial year can be attributed mainly to: increased new home settlements offset by a reduced gross margin (in line with expectations); increased contributions from net rental income and deferred management fees received; reduced finance costs due to a reduced average cost of borrowings and prior half-year re-financing; being partly offset by increased development expenses and corporate overheads.

The Company commenced construction at Officer, continued to develop its communities at Shepparton, Wollert and Geelong, and completed construction at Chelsea Heights during the half-year.

The Company made good progress operationally with improvements in several key metrics. Total number of homes settled increased to 1,256 homes up by 110 settlements during the half-year. Community cash flows were $3.9 million up from $3.2 million in the prior half-year. This was driven by a $1.0 million increase in rental revenue, $0.4 million increase in deferred management fees received partly offset by a $0.5 million increase in community management expenses and a reduction in utilities surplus by $0.2 million (mainly due to timing of expenses).

The Company had 1,884 people living in its communities as at the end of the half-year with an average age of 72 years.

Resales (sales of previously settled and occupied homes) during the half-year were 26 compared to 17 in the prior half-year. Deferred management fee revenue received (inclusive of selling and administration fees) was $1.2 million compared to $0.8 million in the prior half-year. As at the end of the half-year there were eight resale homes available for sale across the communities.

Update on communities

Community	New homes				Resales					
	Settled 1HFY16	Settled 1HFY15	Net sales 1HFY16	Net sales 1HFY15	Settled 1HFY16	Settled 1HFY15	Net sales 1HFY16	Net sales 1HFY15	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	16	8	9	9	228	228
Tarneit	-	1	-	-	3	3	4	4	136	136
Warragul	1	9	-	1	2	4	3	5	181	182
Cranbourne	2	27	-	17	1	2	1	2	217	217
Shepparton	27	15	32	25	1	-	-	-	125	268
Chelsea Heights	27	6	-	11	2	-	2	-	186	186
Hastings	11	40	-	30	1	-	-	-	138	141
Wollert	25	-	12	9	-	-	-	-	28	154
Geelong	17	-	18	12	-	-	-	-	17	164
Officer	-	-	20	-	-	-	-	-	-	151
Berwick Waters	-	-	-	-	-	-	-	-	-	225
Bittern	-	-	-	-	-	-	-	-	-	208
Total	**110**	**98**	**82**	**105**	**26**	**17**	**19**	**20**	**1,256**	**2,260**

An update on each of the communities as at 31 December 2015 is as follows:

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Cranbourne and Lifestyle Chelsea Heights are fully sold and settled.
- Lifestyle Warragul has one home remaining to settle and this is scheduled to settle in the second-half of the 2016 financial year.
- Lifestyle Hastings has three homes remaining to settle and these are scheduled to settle in the second-half of the 2016 financial year.
- Lifestyle Shepparton has continued to perform well during the half-year with both sales and settlements exceeding the prior period. As announced in November 2015 the Shepparton community has been expanded by 47 homes taking the total homes to 268. The expanded community is 47% settled and 65% sold.
- Lifestyle Lyndarum in Wollert has achieved 54 sales to date, representing 35% of total homes available. With the clubhouse now open and a consistent level of enquiry the Company is confident of increased sales in the second-half of the 2016 financial year.
- Lifestyle Geelong welcomed its first settlement in the first-half of the 2016 financial year. Lifestyle Geelong has achieved 46 sales, representing 28% of total homes available. The clubhouse opened in January 2016 and this has historically been an indicator of increased sales activity.
- Lifestyle Officer commenced construction in July 2015. 62 sales have been achieved to date with the first settlements expected in the fourth quarter of the 2016 financial year.
- The land for the Lifestyle Community at Berwick Waters is contracted to settle in the fourth quarter of the 2016 financial year with construction planned to commence soon after. The Company currently expects settlements to commence in the second-half of the 2017 financial year.
- The land for the Lifestyle Community at Bittern is contracted to settle in two parcels: the first parcel providing approximately 160 homes is expected to settle in the first-half of the 2017 financial year; and the second parcel providing an additional 48 homes is expected to settle in the first-half of the 2018 financial year. The Company currently expects settlements to commence in the first-half of the 2018 financial year. The development of this community is subject to planning approval although the Company does not believe this is a material risk for this site.
- During the half-year the Company exercised a contractual right not to proceed with the acquisition of a site in Rosebud. This decision was based on further due diligence identifying unacceptable development risks.

Analysis of Income Statement

Net profit after tax attributable to shareholders for the half-year ended 31 December 2015 was $8.9 million compared to $5.5 million for the prior corresponding period. The table below provides an analysis of the changes:

	A$ millions	A$ millions
Net profit after tax attributable to shareholders for the half-year ended 31 December 2014		**5.5**
Changes in revenues		
Home settlement revenue	4.5	
Rental revenue	1.0	
Utilities revenue	0.1	
Deferred management fee	0.4	
Sub-division revenue	(0.2)	
Finance revenue	(0.1)	**5.7**
Changes in cost of sales		**(3.9)**
Changes in gain from fair value adjustments		**1.3**
Changes in expenses		
Development expenses	(0.2)	
Management expenses	(0.6)	
Utilities expenses	(0.3)	
Corporate overheads	(0.4)	
Sub-division expenses	0.1	
Finance costs	0.6	
Accelerated finance costs due to re-financing in prior period	2.4	**1.6**
Income tax expense		**(1.0)**
Decrease in profit after tax attributable to non-controlling interests		**(0.3)**
Net profit after tax attributable to shareholders for the half-year ended 31 December 2015		**8.9**

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements increased by $4.5 million due to an increase in settlements to 110 from 98 in the prior half-year in addition to a 4% increase in the average realised sales price.
- Gross home margin reduced from 25% in the prior half-year to 23% due to a change in product mix. This trend is expected to continue into the second-half of the 2016 financial year as the product mix transitions from high margin projects such as Hastings and Chelsea Heights to projects expected to generate normalised margins being Wollert, Geelong and Officer. Shepparton is the Company's lowest margin generating project and given its higher contribution to settlements this is also impacting the gross home margin. The gross home margin represents home settlement revenue less a pro-rata share of project capital infrastructure, housing and capitalised finance costs expensed as each home settles.

Annuity income and expenses

- Revenue from homeowner rentals was $5.5 million compared to $4.5 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 $2.7 million compared to $2.1 million in the prior half-year. The increase in community management expenses is mainly due to an increase in operations at the Chelsea Heights, Geelong and Wollert communities in addition to the increase in total homes under management.

- Deferred management fees received (cash) were $1.2 million compared to $0.8 million in the prior half-year. There were 26 resale settlements during the half-year compared to 17 in the prior half-year. The increase was mainly attributable to Brookfield, the Company's most mature community, where 16 resale settlements were achieved compared to eight in the prior half-year. As at the end of the half-year there were eight resales available for sale compared to 18 as at the end of the prior half-year.
- The Company is committed to paying dividends from "community cash flows" (cash flows received from site rental plus deferred management fees less a defined set of costs and taxes). During the half-year and the Company has declared an interim fully franked dividend of 1.0 cent per share.

Other expenses

- Development expenses increased by $0.25 million mainly due to $0.13 million of costs associated with the Rosebud project that were written-off during the half-year due to the Company deciding not to proceed with the acquisition.
- Corporate overheads increased by $0.4 million mainly due to: $0.17 million of expenses associated with the re-finance of the Company's banking facilities; and $0.13 million of staff redundancies and retirements during the half-year.
- Finance costs were $0.5 million compared to $1.1 million in the prior half-year. This was due to the re-financing of the loan note facility in the prior half-year and the re-financing of all facilities in the current half-year resulting in a lower cost of borrowings. 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 $7.7 million compared to $6.3 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 12 in the Company's 31 December 2015 half-year financial statements for further details.

Analysis of Cash Flow

A$ millions

	1HFY2016	1HFY2015	Change
Cash flows relating to operations	**(9.6)**	3.2	(12.8)
add **Project capital expenditure** (1)	**16.3**	5.3	11.0
Adjusted cash flows related to operations	**6.7**	8.5	(1.8)
Cash flows relating to investing activities	**(0.7)**	(1.3)	0.6
Cash flows relating to financing activities	**2.0**	0.5	1.5
Net movement in cash	**(8.3)**	2.4	(10.7)
Cash at the beginning of the period	**8.0**	2.8	5.2
Cash at the end of the period	**(0.3)**	5.2	(5.5)
Add **cash on term deposit (other financial assets)**	**5.0**	6.0	(1.0)
Total cash at the end of the period	**4.7**	11.2	(6.5)

(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 $9.6 million in deficit compared to a surplus of $3.2 million in the prior half-year. The reduction is mainly attributable to a $20.4 million increase in payments to suppliers and employees partly offset by a $6.7 million increase in receipts from customers. Payments to suppliers and employees increased due to increased project capital infrastructure and housing payments at Wollert, Geelong and Officer as these projects increased activity. Housing construction increased to 123 homes in the first-half of the 2016 financial year compared to 77 homes in the prior half-year. In the prior half-year construction at Cranbourne and Chelsea Heights was tapering down as the projects approached completion. Project capital expenditure was $16.3 million in the first-half of the 2016 financial year compared to $5.3 million in the prior-half year.

Cash flows relating to investing activities included the payment of a land deposit at Bittern during the half-year.

Cash flows relating to financing activities are represented by: $0.5 million received upon exercise of options; $6.4 million net receipts from bank borrowings; $1.6 million payment of dividends; and $3.4 million distributions paid to joint venture partners at Cranbourne and Chelsea Heights.

Analysis of Balance Sheet

Net assets and total equity

A$ millions	31-Dec-15	30-Jun-15	Change	Change %
Assets				
Cash and cash equivalents	-	8.0	(8.0)	(100)
Other financial assets (term deposits)	5.0	5.0	-	-
Trade and other receivables	2.1	-	2.1	-
Inventories	42.3	30.6	11.7	38
Property, plant and equipment	3.1	2.8	0.3	11
Investment properties	151.0	132.8	18.2	14
Other assets	0.7	0.4	0.3	75
Total Assets	204.2	179.7	24.5	14
Liabilities				
Trade and other payables	(13.2)	(5.4)	(7.8)	(144)
Interest-bearing loans and borrowings	(43.3)	(36.6)	(6.7)	(18)
Provisions	(0.5)	(0.4)	(0.1)	(25)
Current tax liability	(0.2)	(1.8)	1.6	89
Deferred tax liabilities	(24.0)	(21.7)	(2.3)	(11)
Total Liabilities	(81.2)	(65.9)	(15.3)	(23)
Net Assets	123.0	113.8	9.2	8
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	65.1	64.6	0.5	1
Retained earnings	56.6	49.2	7.4	15
Equity attributable to shareholders	121.7	113.8	7.9	7
Non-controlling interests	1.3	-	1.3	-
Equity	123.0	113.8	9.2	8

During the half-year the Company's total equity attributable to shareholders increased by 7% to $121.7 million as a result of $8.9 million net profit after tax attributable to shareholders, $0.5 million due to the exercise of share options, partly offset by dividends paid of $1.6 million.

Included in trade and other payables is an amount payable of $10.3 million for the purchase of land at Berwick Waters due to settle in the fourth quarter of the 2016 financial year. The corresponding asset is included within investment properties.

Debt, gearing and liquidity

As at 31 December 2015 the Company had net debt (total borrowings less cash and term deposits) of $38.3 million (30 June 2015: $23.6 million).

A$ millions	
Net debt at 30 June 2015	23.6
Net increase in bank borrowings	6.4
Decrease in cash balances / overdraft	8.3
Net movement in the period	**14.7**
Net debt at 31 December 2015	**38.3**

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2015 was 23.7% (30 June 2015: 17.2%). Net debt includes cash on term deposits of $5 million as at 31 December 2015 ($5 million as at 30 June 2015).

The Company's bank facilities were re-financed during the half-year with the execution of a five-year, $80 million facility agreement with Westpac in August 2015. The new facility provides greater flexibility and will result in lower finance costs. The facility includes financial and reporting undertakings but shifts away from project specific development undertakings previously in place.

Due to the tenure provided by the facility coupled with the strong and growing annuity income being generated by the Company, the Company considers that a 30% gearing ceiling is appropriate. This level of gearing may allow a faster roll-out of new communities rather than solely relying on recycled capital from completed communities. Continued utilisation of the debt facility is subject to internal gearing disciplines and Westpac covenant requirements.

As at 31 December 2015 the Company has a committed facility with Westpac of $80.0 million of which $43.9 million was 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 2016 financial year.

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 at least 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.

As per previous guidance, the Company expects settlements for the 2016 financial year to be lower than the 240 achieved in the 2015 financial year due to timing of community developments. Also consistent with previous guidance the Company reconfirms that profit after tax attributable to shareholders in the 2016 financial year is expected to be similar to the 2015 financial year – 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.

Dividends

The directors have resolved to pay an interim fully franked dividend of 1.0 cent per ordinary share (1H2015: nil). The Company continues to expect that total dividends in respect of the 2016 financial year will be higher than the prior 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, Non-Executive Director (director since September 2007)
Jim Craig, Non-Executive Director (director since December 2012)
Philippa Kelly, Non-Executive Director (director since 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
Chairman
18 February 2016

James Kelly
Managing Director
18 February 2016

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 auditor's review for the half-year ended 31 December 2015, 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 2016

PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2015

	Note	Half-year 31-Dec-15 $	31-Dec-14 $
Development revenue			
Home settlement revenue		30,025,250	25,549,173
Cost of sales		(23,178,821)	(19,140,078)
Gross profit from home settlements		6,846,429	6,409,095
Management and other revenue			
Rental revenue		5,452,010	4,481,597
Utilities revenue		710,087	560,690
Deferred management fee		1,197,220	788,580
Sub-division revenue		-	213,636
Finance revenue		107,261	179,154
Total management and other revenue		7,466,578	6,223,657
Fair value adjustments	3	7,693,455	6,346,659
less Expenses			
Development expenses		(1,925,238)	(1,671,314)
Management expenses		(2,733,957)	(2,100,196)
Utilities expenses		(820,137)	(494,523)
Corporate overheads		(2,331,695)	(1,935,696)
Sub-division expenses		-	(126,619)
Finance costs	4	(457,235)	(1,140,711)
Accelerated finance costs due to re-financing	4	-	(2,421,488)
Profit before income tax		13,738,200	9,088,864
Income tax expense		(3,492,530)	(2,459,389)
Net profit from continuing operations		10,245,670	6,629,475
Profit is attributable to:			
Members of the parent		8,859,759	5,517,721
Non-controlling interests		1,385,911	1,111,754
		10,245,670	6,629,475
Total comprehensive income for the half-year		10,245,670	6,629,475
Total comprehensive income attributable to:			
Members of the parent		8,859,759	5,517,721
Non-controlling interests		1,385,911	1,111,754
		10,245,670	6,629,475

Earnings per share for profit attributable to the ordinary equity holders of the parent entity:

	cents	cents
Basic earnings per share	8.567	5.514
Diluted earnings per share	8.505	5.409

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2015

	Note	31-Dec-15	30-Jun-15
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		-	7,999,152
Trade and other receivables		2,099,624	19,767
Inventories		25,507,366	17,962,778
Other financial assets		5,000,000	5,000,000
Other current assets		693,450	432,736
Total current assets		33,300,440	31,414,433
Non-current assets			
Inventories		16,856,697	12,680,744
Property, plant and equipment		3,109,316	2,794,430
Investment properties		151,006,012	132,757,442
Total non-current assets		170,972,025	148,232,616
TOTAL ASSETS		204,272,465	179,647,049
LIABILITIES			
Current liabilities			
Bank overdraft		289,410	-
Trade and other payables		13,244,602	5,357,176
Current tax payable		193,101	1,807,369
Provisions		241,312	148,865
Total current liabilities		13,968,425	7,313,410
Non-current liabilities			
Interest-bearing loans and borrowings		43,000,000	36,601,219
Provisions		253,287	274,921
Deferred tax liabilities		24,012,279	21,689,826
Total non-current liabilities		67,265,566	58,565,966
TOTAL LIABILITIES		81,233,992	65,879,376
NET ASSETS		123,038,473	113,767,673
EQUITY			
Contributed equity	6	63,572,710	63,027,710
Reserves		1,528,352	1,493,481
Retained earnings	7	56,551,500	49,246,482
Members' interest in equity		121,652,562	113,767,673
Non-controlling interest	8	1,385,911	-
TOTAL EQUITY		123,038,473	113,767,673

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
		$	$	$	$	$
Balance as 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	6	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
Balance at 1 July 2015		63,027,710	1,493,481	49,246,482	-	113,767,673
Profit for the half year		-	-	8,859,759	1,385,911	10,245,670
Total comprehensive income for the half-year		63,027,710	1,493,481	58,106,241	1,385,911	124,013,343
Transactions with owners in their capacity as owners:						
Employee share options		-	34,871	-	-	34,871
Issue of shares - exercise of options	6	545,000	-	-	-	545,000
Dividends paid	5	-	-	(1,554,741)	-	(1,554,741)
		545,000	34,871	(1,554,741)	-	(974,870)
Balance as at 31 December 2015		63,572,710	1,528,352	56,551,500	1,385,911	123,038,473

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2015

	Half-Year 31-Dec-15 $	31-Dec-14 $
Cash flow from operating activities		
Receipts from customers	40,952,462	34,212,841
Payments to suppliers and employees	(46,910,831)	(26,529,380)
Income taxes paid	(2,784,345)	(1,042,509)
Interest received	107,261	179,154
Interest paid	(923,097)	(1,579,604)
Loan notes break-fee paid	-	(2,051,125)
Net cash flows (used in) / provided by operating activities	(9,558,550)	3,189,377
Cash flow from investing activities		
Purchase of property, plant and equipment	(459,586)	(407,010)
Purchase of investment properties and capitalised costs	(250,115)	(895,362)
Net cash flows used in investing activities	(709,701)	(1,302,372)
Cash flow from financing activities		
Proceeds from exercise of options	545,000	1,000,000
Proceeds from external borrowings	20,110,819	16,842,615
Repayment of external borrowings	(13,712,038)	(14,409,169)
Distributions paid to non-controlling interests	(3,409,351)	(2,904,965)
Dividends paid	(1,554,741)	-
Net cash flows provided by financing activities	1,979,689	528,481
Net (decrease) / increase in cash held	(8,288,562)	2,415,486
Cash at the beginning of the half-year	7,999,152	2,756,639
Cash at the end of the half-year	(289,410)	5,172,125

The accompanying notes form part of these financial statements.

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

This condensed consolidated 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 2015 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 condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* as appropriate for for-profit entities, 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 2015 and the corresponding half-year.

(b) Accounting standards issued but not yet operative

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(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. The five step approach is as follows: step 1 - identify the contracts with the customer; step 2 - identify the separate performance obligations; step 3 - determine the transaction price; step 4 - allocate the transaction price; and step 5 - recognise revenue when a performance obligations is satisfied.

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 arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

(ii) AASB 9: Financial Instruments
Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Revised disclosures about an entity's hedge accounting have also been added to *AASB 7 Financial Instruments: Disclosures* .

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure: the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

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.

NOTE 3: FAIR VALUE ADJUSTMENTS

	Half-year 31-Dec-15 $	Half-year 31-Dec-14 $
Net gain from fair value adjustments - investment properties (a)	7,693,455	6,346,659

(a) Fair value adjustment results from restating Brookfield, Seasons, Warragul, Cranbourne, Shepparton, Chelsea Heights, Hastings, Wollert and Geelong 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 12 for a reconciliation of investment property fair value adjustments.

The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in these condensed financial statements.

NOTE 4: FINANCE COSTS

	31-Dec-15	31-Dec-14
(i) Finance costs expensed		
Accelerated finance costs due to re-financing		
Loan notes break-fee (a)	-	2,051,125
Accelerated amortisation of capitalised costs of loan note finance (a)	-	370,363
	-	2,421,488
Other finance costs		
Loan notes	-	993,017
Bank loans (b)	387,139	-
Amortisation of capitalised costs of loan note finance	-	135,212
Amortisation of bank loan facility fees	70,096	12,482
	457,235	1,140,711
Total finance costs	457,235	3,562,199

(a) The $25,000,000 loan note facility was re-financed on 23 December 2014. 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.

(ii) Finance costs capitalised
Finance costs expensed excludes interest capitalised as part of inventory:

	31-Dec-15	31-Dec-14
Loan notes	-	638,510
Bank loans (b)	587,860	360,154
	587,860	998,664

Interest has been capitalised at the prevailing facility interest rate and is expensed through cost of sales as a pro-rata amount per home settled.

(b) On 26 August 2015 the company re-financed its bank facilities with Westpac Banking Corporation securing an $80,000,000 facility with the first drawdown occurring on 25 September 2015. This facility is subject to internal credit management procedures whereby funds drawn are allocated between development debt (capitalised to inventory) and pre-development debt (expensed). Development debt includes funding for inventory and pre-development debt includes funding for undeveloped land. As at 31 December 2015 total debt was $43,000,000 with $33,115,143 allocated to development debt and $9,884,857 allocated to pre-development debt (as at 30 June 2015 total debt was $36,601,219 with $15,127,077 allocated to development debt and $21,474,142 allocated to pre-development debt).

	Half-year 31-Dec-15 $	Half-year 31-Dec-14 $
NOTE 5: DIVIDENDS		
(a) Final dividends		
Dividends paid 1.5 cents per share (2014: $nil per share) fully franked at 30%	1,554,741	-
(b) Interim dividends declared after balance date and not recognised		
Since balance date the directors have declared an interim dividend of 1.0 cent per share fully franked at 30%	1,036,993	-

NOTE 6: CONTRIBUTED EQUITY

	31-Dec-15	31-Dec-14
103,699,299 Ordinary shares (2014: 101,220,131)	63,572,710	61,993,959

	Number	$
2014		
Balance as at 1 July 2014	99,970,131	60,993,959
Issue of shares - exercise of options	1,250,000	1,000,000
Balance as at 31 December 2014	101,220,131	61,993,959
2015		
Balance as at 1 July 2015	102,961,799	63,027,710
Issue of shares - exercise of options	737,500	545,000
Balance as at 31 December 2015	103,699,299	63,572,710

NOTE 7: RETAINED EARNINGS

Movements in retained earnings were as follows:

	31-Dec-15	31-Dec-14
Balance 1 July	49,246,482	32,593,792
Net profit	8,859,759	5,517,721
Dividends paid	(1,554,741)	-
	56,551,500	38,111,513

NOTE 8: NON-CONTROLLING INTERESTS

	31-Dec-15	31-Dec-14
Interest in:		
Retained earnings	1,385,911	1,111,754

NOTE 9: BORROWINGS

(i) Bank overdraft

(a) As at reporting date the company has a net bank overdraft of $289,410 (total cash at bank is $611,892 and total bank overdraft is $901,302). The bank overdraft is provided as part of the $80,000,000 facility with Westpac Banking Corporation.

(ii) Non-current secured loans

(b) As at reporting date the company has drawn $43,000,000, in addition to the bank overdraft of $901,302, of the $80,000,000 facility with Westpac Banking Corporation. The $80,000,000 facility agreement was signed on 26 August 2015. This facility re-financed the $27,055,000 fully-drawn Westpac facility and $8,577,183 of Westpac development facilities relating to Shepparton, Wollert and Geelong. The facility has an expiry of greater than one year, expiring on 26 August 2020.
The new facility is secured by:
- General Security Deeds between Westpac Banking Corporation and Lifestyle Communities Limited, Lifestyle Investments 1 Pty Ltd, Lifestyle Developments 1 Pty Ltd, Lifestyle Management 1 Pty Ltd, Brookfield Village Development Pty Ltd, Brookfield Village Management Pty Ltd, Lifestyle Investments 2 Pty Ltd, Lifestyle Developments 2 Pty Ltd, Lifestyle Management 2 Pty Ltd and Lifestyle Communities Investments Cranbourne Pty Ltd.
- Mortgage by Lifestyle Investments 1 Pty Ltd over Melton, Warragul and Tarneit properties.
- Mortgage by Lifestyle Investments 2 Pty Ltd over Shepparton, Hastings, Wollert, Geelong and Officer properties.

NOTE 10: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2015 that has significantly affected or may significantly affect:
(a) the operations, in financial periods subsequent to 31 December 2015, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2015, of the consolidated entity.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Below are the changes in commitments and contingent liabilities since 30 June 2015:

(a) Bank guarantees as at 31 December 2015 are $210,204.

(b) A contract was executed on 28 April 2015 to purchase land in Berwick Waters for $11,450,000. At balance date a deposit of $1,145,000 has been paid. This contract is now unconditional and the balance owing of $10,305,000 is due upon settlement during the second-half of FY2016 and has been recorded within investment properties and current trade and other payables.

(c) A contract was executed on 14 August 2015 to purchase land in Bittern for $5,000,000. At balance date a deposit of $250,000 has been paid. The contract is conditional on receiving planning approval to develop the site. No liability has been recorded for this land as the contract is still conditional.
The company expects to fund these commitments via liquidity within bank borrowings and future net development cash inflows.

NOTE 12: 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 hierarchy:
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-15 Recurring Fair Value Measurements	Level 1 $	Level 2 $	Level 3 $	Total $
Investment properties	-	-	151,006,012	151,006,012
Total assets measured at fair value	-	-	151,006,012	151,006,012

30-Jun-15 Recurring Fair Value Measurements	Level 1 $	Level 2 $	Level 3 $	Total $
Investment properties	-	-	132,757,442	132,757,442
Total assets measured at fair value	-	-	132,757,442	132,757,442

(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 significant unobservable inputs utilised across the portfolio, including the inputs obtained from the independent valuations:

	Adopted	Per valuations
Weekly rentals ($)	171.25 - 180.95	162.69 - 171.37
Anticipated % expenses (as a percentage of rental income)	28% - 39%	27% - 34.5%
Rental capitalisation rates (%)	8.25% - 8.75%	8.25% - 8.75%
Rental values per unit ($)	65,596 - 79,160	67,704 - 75,729
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit ($)	25,446 - 39,706	25,446 - 39,706
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.58	N/A

NOTE 12: FAIR VALUE MEASUREMENTS (continued)

	Half-year 31-Dec-15	Full-year 30-Jun-15
	$	$
(d) Reconciliation of recurring level 3 fair value movements		
(i) Investment properties		
Opening balance	132,757,442	110,652,212
Additions (contracted land and capitalised costs)	10,555,115	7,054,681
Net gain from fair value adjustments	7,693,455	15,050,549
Closing balance	**151,006,012**	**132,757,442**

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-15	31-Dec-14	31-Dec-15	31-Dec-14
	$	$	$	$

(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-15	31-Dec-14	31-Dec-15	31-Dec-14
Rental expense rate				
+2%	(1,683,989)	(1,284,710)	(1,683,989)	(1,284,710)
-2%	1,683,989	1,284,710	1,683,989	1,284,710
Rental capitalisation rate				
+0.50%	(3,222,929)	(2,467,154)	(3,222,929)	(2,467,154)
-0.50%	3,625,935	2,772,600	3,625,935	2,772,600
Deferred management fee per unit				
+5%	1,522,564	1,102,322	1,522,564	1,102,322
-5%	(1,522,564)	(1,102,322)	(1,522,564)	(1,102,322)
Land prices (undeveloped land)				
+10%	2,225,408	1,741,473	2,225,408	1,741,473
-10%	(2,225,408)	(1,741,473)	(2,225,408)	(1,741,473)

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 11 to 20 in accordance with the *Corporations 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 2015 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 2016

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS 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 2015, 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.

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 2015 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*.

LIFESTYLE COMMUNITIES LIMITED
ABN

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 2015 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*.

P A JOSE
Partner

18 February 2016

PITCHER PARTNERS
Melbourne