Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities

Half-Year Information
For the six months ended 31 December 2017

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 2017.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2017

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 2017

Previous corresponding periods: Financial year ended 30 June 2017
Half- year ended 31 December 2016

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Up	27%	to	$57,820,183
Profit from ordinary activities after tax attributable to members (*item 2.2*)	Up	32%	to	$15,847,521
Net profit for the period attributable to members *(item 2.3)*	Up	32%	to	$15,847,521

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	2.0 cents	100%
Record date for determining entitlements to the dividend *(item 2.5)*	9 March 2018	
Payment date for interim dividend	6 April 2018	

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	162.2 cents	136.0 cents

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2017	6 October 2017	$2,090,903

Amount per security

		Amount per security	Franked amount per security at % tax
Total dividend:	Current year – final 2017	2.0 cents	100%
	Previous year – final 2016	1.5 cents	100%

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	$2,090,903	$1,563,177
Total	**$2,090,903**	**$1,563,177**

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 2017

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2017.

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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 Jim Craig – Non-executive Director Philippa Kelly – Non-executive Director The Honourable Nicola Roxon – Non-executive Director Georgina Williams – 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 39, 525 Collins 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 2017 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 2018 financial year. Profit after tax attributable to shareholders was $15.8 million (1HFY2017: $12.0 million).

Financial and Operating Highlights

	Measure	1HFY2018	1HFY2017	Change	Change %
Key financial data		*31-Dec-17*	*31-Dec-16*		
Revenue	A$ millions	**57.8**	45.4	12.4	27
Earnings before interest and tax	A$ millions	**24.0**	17.8	6.2	35
Net profit before tax	A$ millions	**23.5**	17.4	6.1	35
Net profit after tax	A$ millions	**16.1**	12.0	4.0	33
Net profit attributable to shareholders	A$ millions	**15.8**	12.0	3.8	32
Operating cash flow	A$ millions	**8.2**	3.0	5.2	177
Community cash flow (1)	A$ millions	**5.7**	4.9	0.8	16
Earnings per share	A$ cents	**15.2**	11.6	3.6	31
Diluted earnings per share	A$ cents	**15.2**	11.5	3.7	32
Interim dividend per share	A$ cents	**2.0**	1.5	0.5	33
		31-Dec-17	*30-Jun-17*		
Gearing (2)	%	**18.8**	21.8	(3.0)	(14)
Return on average capital employed (3)	%	**19.7**	18.7	1.0	5
Key operational data		*31-Dec-17*	*31-Dec-16*	Change	Change %
Homes settled (gross)	No. of homes	**150**	128	22	17
Homes sold (gross)	No. of homes	**181**	140	41	29
Average realised sales price new homes (GST incl)	A$'000	**342**	311	31	10
Number of resales settled (5)	No. of homes	**26**	34	(8)	(24)
Average realised sales price resales (GST incl) (6)	A$'000	**366**	323	43	13
		31-Dec-17	*30-Jun-17*		
Total number of homes (gross)	No. of homes	**1,776**	1,626	150	9
Total number of homes (after NCI) (4)	No. of homes	**1,575**	1,425	150	11
Total number of homeowners	No. of people	**2,631**	2,418	213	9
Average age of homeowners	Years	**72**	72	-	-

(1) 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
(2) Calculated as a ratio of net debt to net debt plus equity
(3) Calculated as a ratio of EBIT (annualised) divided by average total assets less current liabilities
(4) Gross number of homes adjusted for share of communities owned by non-controlling interests
(5) Includes resales attracting a deferred management fee, there were a further 14 resales settled in 1HFY2018 (1HFY2017: four resales) that did not attract a deferred management fee as the outgoing homeowners sold their home within 12 months of initial settlement in accordance with the Company's Smart Buy Guarantee
(6) Average realised sales price of resales attracting a deferred management fee

Included in the key data on the prior page are several non IFRS measures including earnings before interest and tax, 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 2018 financial year.

The increase in profit after tax attributable to shareholders from $12.0 million in the first half of the 2017 financial year to $15.8 million in the first half of the 2018 financial year can be attributed mainly to: increased new home settlements enhanced by an increased gross margin; increased contributions from community management being partly offset by increased development expenses and corporate overheads.

The Company continued to develop its communities at Shepparton, Geelong, Officer and Berwick Waters. During the half-year construction was completed at Lyndarum and construction commenced at Bittern and Ocean Grove.

The Company made good progress operationally with improvements in several key metrics. Total number of homes settled increased to 1,776 homes up by 150 settlements during the half-year. Community cash flows were $5.7 million up from $4.9 million in the prior half-year. This was driven by: $1.5 million increase in rental revenue; $0.1 million increase in deferred management fees received; partly offset by a $0.8 million increase in community management expenses.

The Company had 2,631 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 34 in the prior half-year. Deferred management fee revenue received (inclusive of selling and administration fees) was $1.9 million compared to $1.8 million in the prior half-year. The average deferred management fee (pre joint venture share and excluding selling and administration fees) increased to $61k compared to $44k in the prior half-year. At the end of the half-year there were 15 resale homes available for sale and 11 resale homes sold and not settled across the communities.

Update on communities

Community	New homes				Resales					
	Settled 1HFY18	Settled 1HFY17	Net sales 1HFY18	Net sales 1HFY17	Settled 1HFY18	Settled 1HFY17	Net sales 1HFY18	Net sales 1HFY17	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	8	7	4	7	228	228
Tarneit	-	-	-	-	-	2	-	1	136	136
Warragul	-	-	-	-	4	7	3	7	182	182
Casey Fields	-	-	-	-	6	8	1	7	217	217
Shepparton	20	28	21	23	1	2	4	2	219	301
Chelsea Heights	-	-	-	-	3	4	4	8	186	186
Hastings	-	-	-	-	4	4	3	3	141	141
Lyndarum	35	25	4	38	-	-	1	-	149	154
Geelong	22	21	21	18	-	-	-	-	108	164
Officer	22	54	5	21	-	-	1	-	147	151
Berwick Waters	51	-	53	40	-	-	-	-	63	216
Bittern	-	-	46	-	-	-	-	-	-	209
Ocean Grove	-	-	31	-	-	-	-	-	-	193
Armstrong Creek	-	-	-	-	-	-	-	-	-	189
Officer South	-	-	-	-	-	-	-	-	-	160
Total	150	128	181	140	26	34	21	35	1,776	2,827

An update on each of the communities as at 31 December 2017 is as follows:

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, Lifestyle Hastings, Lifestyle Lyndarum in Wollert and Lifestyle Officer are fully sold.
- Lifestyle Shepparton has continued to perform well during the half-year achieving 21 net sales and 20 settlements. The community is 73% settled and 83% sold.
- Lifestyle Geelong achieved 21 net sales and 22 settlements in the half-year. The community is now 66% settled and 88% sold.
- Lifestyle Berwick Waters achieved 53 net sales and 51 settlements in the half-year. The community is now 29% settled and 88% sold.
- Lifestyle Bittern achieved 46 net sales in the half-year. Since the project launch in March 2017 there have been 120 net sales (or 57% of total homes available). Construction has commenced with the first settlement anticipated to occur in May or June in the current financial year. The land for the site is yet to settle with construction occurring by way of formal agreement with the vendor. The early commencement of construction will enable settlements to be brought forward with the Company anticipating to settle the land during the current financial year.
- Lifestyle Ocean Grove achieved 31 net sales in the half-year. Since the project launch in March 2017 there has been 55 net sales (or 29% of total homes available). Construction has commenced with the first settlement anticipated to occur in the first quarter of the 2019 financial year. The land for the site is yet to settle with construction occurring by way of formal agreement with the vendor. The early commencement of construction will enable settlements to be brought forward with the Company anticipating to settle the land during the first quarter of the 2019 financial year.
- The land for the Lifestyle Community in Armstrong Creek was acquired in March 2017 and is contracted to settle in September 2018 with construction planned to commence soon after. The Company currently expects settlements to commence in the first-half of the 2020 financial year. The development of this community is subject to planning approval.
- The land for the Lifestyle Community in Officer South was acquired in August 2017 and is expected to settle in the second-half of the 2019 financial year with construction planned to commence soon after. The Company currently expects settlements to commence in the second-half of the 2020 financial year. The development of this community is subject to planning approval.

Analysis of Income Statement

Net profit after tax attributable to shareholders for the half-year ended 31 December 2017 was $15.8 million compared to $12.0 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 2016		**12.0**
Changes in revenues		
Home settlement revenue	10.5	
Rental revenue	1.5	
Utilities revenue	0.2	
Deferred management fee	0.1	
Sub-division revenue	0.1	
Finance revenue	-	**12.4**
Changes in cost of sales		**(6.6)**
Changes in gain from fair value adjustments		**3.0**
Changes in expenses		
Development expenses (sales and marketing)	(0.6)	
Management rental expenses	(0.2)	
Management deferred management fee expenses	(0.6)	
Utilities expenses	(0.3)	
Corporate overheads	(0.8)	
Sub-division expenses	(0.1)	
Finance costs	(0.1)	**(2.7)**
Income tax expense		**(2.1)**
Increase in profit after tax attributable to non-controlling interests		**(0.2)**
Net profit after tax attributable to shareholders for the half-year ended 31 December 2017		**15.8**

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements increased to $46.6 million (1HFY2017: $36.2 million) due to an increase in settlements to 150 from 128 in the prior half-year in addition to a 10% increase in the average realised sales price.
- Gross home margin increased to 23.3% from 19.4% in the prior half-year mainly due to a change in product mix with more settlements coming from higher margin communities and a trend towards bigger product in some communities. 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 increased to $8.1 million compared to $6.6 million in the prior half-year due to an increase in homes under management and a rental increase of 3.5%.
- Community management expenses increased to $3.6 million compared to $3.4 million in the prior half-year. The increase is due to: an increase in operations at Shepparton, Lyndarum, Geelong and Officer; and commencement of management at Berwick Waters.
- Deferred management fee expenses increased to $0.9 million compared to $0.3 million in the prior half-year. The increase being due to: increased joint venture share of deferred management fees and an increase in sales and marketing activity.

- Deferred management fees received (inclusive of selling and administration fees) increased to $1.9 million compared to $1.8 million in the prior half-year. There were 26 resale settlements during the half-year compared to 34 in the prior half-year. It is anticipated that there will be increased settlements in the second-half of the 2018 financial year. The average realised sales price of resales increased to $366k (GST inclusive) compared to $323k in the prior half-year. The average deferred management fee (pre joint venture share and excluding selling and administration fees) increased to $61k compared to $44k in the prior half-year. The 26 resale settlements achieved an average price growth of 7.4% per annum (prior half-year: 5.5%) from their initial acquisition date and had an average tenure of 5.6 years (prior half-year: 4.1 years).

Other expenses

- Development expenses (new home sales and marketing) increased to $3.1 million compared to $2.5 million in the prior half-year. The increase being due to: increased employee costs due to the sales and settlement activity; and increased marketing support required to achieve sales and settlements.
- Corporate overheads increased to $3.6 million compared to $2.8 million in the prior half year. The increase being mainly due to: $0.5 million of employee costs, including new salaries, the new employee incentive plan and recruitment due to additional and replacement executive resources to provide organisational capability for medium term growth.
- Finance costs increased to $0.5 million compared to $0.4 million in the prior half-year. The Company capitalises a proportion of finance costs to inventories where appropriate and the balance of finance costs are expensed. Capitalised finance costs are expensed in subsequent years through cost of sales.

Fair value adjustments

- Total fair value adjustments increased to $14.3 million compared to $11.3 million in the prior half-year. Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represent 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 10 in the Company's 31 December 2017 half-year financial statements for further details.

Analysis of Cash Flow

A$ millions

	1HFY2018	1HFY2017	Change
Cash flows relating to operations	**8.2**	**3.0**	5.2
***add* Project capital expenditure (1)**	**12.8**	**7.8**	5.0
Adjusted cash flows related to operations	**21.0**	**10.8**	10.2
Cash flows relating to investing activities	**(2.3)**	**(11.3)**	9.0
Cash flows relating to financing activities	**(8.9)**	**8.0**	(16.9)
Net movement in cash	**(3.0)**	**(0.4)**	
Cash at the beginning of the period	**3.6**	**0.8**	
Cash at the end of the period	**0.6**	**0.4**	

(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 other legal structures, project capital expenditure may be classified within investing cash flows rather than an operating cash flows.

Cash flows relating to operations were $8.2 million surplus compared to a surplus of $3.0 million in the prior half-year. The increase is mainly attributable to a $14.6 million increase in receipts from customers partly offset by an $8.9 million increase in payments to suppliers and employees. Receipts from customers are in line with increased home settlements, rental and deferred management fee revenue. Payments to suppliers and employees reflect increased spend on infrastructure in new communities partly offset by a decrease in housing construction; with 120 homes constructed in the first-half of the 2018 financial year compared to 133 homes in the prior half-year. Project capital expenditure was $12.8 million in the first-half of the 2018 financial year compared to $7.8 million in the prior-half year reflecting increased activity at Berwick Waters, Bittern and Ocean Grove.

Cash flows relating to investing activities included the initial deposit for land at Officer South and an access deposit for Ocean Grove.

Cash flows relating to financing activities are largely represented by: $7.0 million repayments of bank borrowings; and $2.1 million payment of dividends.

Analysis of Balance Sheet

Net assets and total equity

A$ millions	31-Dec-17	30-Jun-17	Change	Change %
Assets				
Cash and cash equivalents	**1.8**	3.7	(1.9)	(50)
Trade and other receivables	**0.4**	1.3	(0.9)	(72)
Inventories	**41.7**	44.9	(3.2)	(7)
Property, plant and equipment	**4.7**	4.6	0.1	1
Investment properties	**226.5**	211.3	15.2	7
Other assets	**0.7**	0.3	0.4	128
Total Assets	**275.8**	266.1	9.7	4
Liabilities				
Bank overdraft	**(1.2)**	-	(1.2)	(9439)
Trade and other payables	**(23.7)**	(26.8)	3.1	12
Interest-bearing loans and borrowings	**(40.0)**	(47.0)	7.0	15
Provisions	**(0.7)**	(0.7)	-	-
Current tax	**(1.1)**	(0.6)	(0.5)	(95)
Deferred tax liabilities	**(39.6)**	(35.5)	(4.1)	(12)
Total Liabilities	**(106.3)**	(110.6)	4.3	4
Net Assets	**169.5**	155.5	14.0	9
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	**65.2**	65.0	0.2	-
Retained earnings	**104.3**	90.5	13.8	15
Non-controlling interests	**-**	-	-	-
Total Equity	**169.5**	155.5	14.0	9

During the half-year the Company's total equity attributable to shareholders increased by 9% to $169.5 million.

Debt, gearing and liquidity

As at 31 December 2017 the Company had net debt (total borrowings less cash) of $39.4 million (30 June 2017: $43.4 million).

A$ millions	
Net debt at 30 June 2017	43.4
Net decrease in bank borrowings	(7.0)
Decrease in cash balances/(increase in overdraft)	3.0
Net movement in the period	**(4.0)**
Net debt at 31 December 2017	**39.4**

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2017 was 18.8% (30 June 2017: 21.8%).

As at 31 December 2017 the Company has a committed facility with Westpac of $120.0 million of which $41.2 million was drawn.

Outlook

The Board is pleased with the level of sales and settlements achieved at all communities during the first-half. The Company enters the second-half of the 2018 financial year with a record 376 sales waiting for settlement (up from 345 as at 30 June 2017).

The Company has a focused strategy to dominate the niche of affordable housing to the over 50's market. 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.

The Board reconfirms that new home settlements for the 2018 financial year are forecast to be in the range of 260 to 290. The Company currently expects to settle approximately 25 homes at Bittern during the final quarter of the 2018 financial year although the exact timing still has some uncertainty. If the 25 homes settle at Bittern during the 2018 financial year then the forecast settlement range for the 2018 financial year should be increased by 25 homes to 285 to 315. Guidance for new home settlements in the 2019 financial year remains unchanged and are forecast to be in the range of 300 to 340. The Board also confirms previous guidance that underlying net profit after tax attributable to shareholders and total dividends are both expected to increase in the 2018 financial year compared to the 2017 financial year.

Dividends

The directors have resolved to pay an interim fully franked dividend of 2.0 cents per ordinary share (1H2017: 1.5 cents). The Company continues to expect that total dividends in respect of the 2018 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)
Jim Craig, Non-Executive Director (director since December 2012)
Philippa Kelly, Non-Executive Director (director since September 2013)
The Honourable Nicola Roxon, Non-Executive Director (appointed in September 2017)
Georgina Williams, Non-Executive Director (appointed in September 2017)
Bruce Carter, Non-Executive Director (resigned in August 2017)

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.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, amounts in the directors' report have been rounded to the nearest $1, unless otherwise indicated.

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Tim Poole Chairman 14 February 2018	James Kelly Managing Director 14 February 2018

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 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

P A JOSE
Partner

14 February 2018

PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2017

	Note	Half-year 31-Dec-17	31-Dec-16
		$	$
Development revenue			
Home settlement revenue		46,637,140	36,159,184
Cost of sales		(35,762,066)	(29,159,507)
Gross profit from home settlements		10,875,074	6,999,677
Management and other revenue			
Rental revenue		8,124,438	6,594,293
Deferred management fees		1,943,337	1,841,061
Utilities revenue		1,058,354	828,239
Sub-division revenue		50,087	-
Finance revenue		6,827	9,120
Total management and other revenue		11,183,043	9,272,713
Fair value adjustments	3	14,289,745	11,284,537
less expenses			
Development expenses (sales and marketing)		(3,063,918)	(2,456,495)
Management rental expenses		(3,638,848)	(3,423,708)
Management deferred management fee expenses		(875,841)	(298,137)
Utilities expenses		(1,015,890)	(744,091)
Corporate overheads		(3,613,129)	(2,814,071)
Sub-division expenses		(111,406)	-
Finance costs	4	(532,049)	(434,534)
Profit before income tax		23,496,781	17,385,892
Income tax expense		(7,428,039)	(5,341,557)
Net profit from continuing operations		16,068,742	12,044,335
Profit is attributable to:			
Members of the parent		15,847,521	12,042,342
Non-controlling interests		221,221	1,993
		16,068,742	12,044,335
Total comprehensive income for the half-year		16,068,742	12,044,335
Total comprehensive income attributable to:			
Members of the parent		15,847,521	12,042,342
Non-controlling interests		221,221	1,993
		16,068,742	12,044,335

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

	cents	cents
Basic earnings per share	15.159	11.552
Diluted earnings per share	15.159	11.526

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31-Dec-17	30-Jun-17
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		1,824,274	3,653,118
Trade and other receivables		368,486	1,324,805
Inventories		33,210,269	34,368,842
Other current assets		730,207	320,888
Total current assets		36,133,236	39,667,653
Non-current assets			
Inventories		8,509,005	10,564,461
Property, plant and equipment		4,651,757	4,590,889
Investment properties	10	226,522,029	211,294,274
Total non-current assets		239,682,791	226,449,624
TOTAL ASSETS		275,816,027	266,117,277
LIABILITIES			
Current liabilities			
Bank overdraft		1,179,406	12,364
Trade and other payables		23,659,140	26,844,367
Current tax payable		1,119,139	574,467
Provisions		306,512	316,016
Total current liabilities		26,264,197	27,747,214
Non-current liabilities			
Interest-bearing loans and borrowings		40,000,000	47,000,000
Provisions		419,073	374,094
Deferred tax liabilities		39,603,647	35,471,964
Total non-current liabilities		80,022,720	82,846,058
TOTAL LIABILITIES		106,286,917	110,593,272
NET ASSETS		169,529,110	155,524,005
EQUITY			
Contributed equity	7	63,820,985	63,204,070
Reserves		1,433,888	1,801,816
Retained earnings	8	104,274,737	90,518,119
Members' interest in equity		169,529,610	155,524,005
Non-controlling interest	9	(500)	-
TOTAL EQUITY		169,529,110	155,524,005

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2017

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
		$	$	$	$	$
Balance as at 1 July 2016		63,822,710	1,561,850	65,920,305	-	131,304,865
Profit for the half year		-	-	12,042,342	1,993	12,044,335
Total comprehensive income for the half-year		63,822,710	1,561,850	77,962,647	1,993	143,349,200
Transactions with owners in their capacity as owners:						
Employee share schemes		-	23,142	-	-	23,142
Repayment of employee share scheme loans	7	52,560	-	-	-	52,560
Dividends paid	5	-	-	(1,563,177)	-	(1,563,177)
		52,560	23,142	(1,563,177)	-	(1,487,475)
Balance as at 31 December 2016		63,875,270	1,584,992	76,399,470	1,993	141,861,725
Balance at 1 July 2017		63,204,070	1,801,816	90,518,119	-	155,524,005
Profit for the half year		-	-	15,847,521	221,221	16,068,742
Total comprehensive income for the half-year		63,204,070	1,801,816	106,365,640	221,221	171,592,747
Transactions with owners in their capacity as owners:						
Net distributions to non-controlling interests		-	-	-	(221,721)	(221,721)
Employee share schemes		-	(367,928)	-	-	(367,928)
Movement in treasury shares	7	441,715	-	-	-	441,715
Repayment of employee share scheme loans	7	175,200	-	-	-	175,200
Dividends paid	5	-	-	(2,090,903)	-	(2,090,903)
		616,915	(367,928)	(2,090,903)	(221,721)	(2,063,637)
Balance as at 31 December 2017		63,820,985	1,433,888	104,274,737	(500)	169,529,110

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	Half-Year 31-Dec-17 $	31-Dec-16 $
Cash flow from operating activities		
Receipts from customers	63,683,396	49,117,339
Payments to suppliers and employees	(51,837,821)	(42,899,081)
Income taxes paid	(2,751,681)	(2,494,415)
Interest received	6,827	9,120
Interest paid	(926,417)	(777,839)
Net cash flows provided by operating activities	8,174,304	2,955,124
Cash flow from investing activities		
Purchase of property, plant and equipment	(324,487)	(327,751)
Purchase of investment properties and capitalised costs	(1,930,000)	(10,997,725)
Net cash flows used in investing activities	(2,254,487)	(11,325,476)
Cash flow from financing activities		
Proceeds from exercise of options / repayment of employee share scheme loans	175,200	52,560
Proceeds from external borrowings	2,000,000	9,500,000
Repayment of external borrowings	(9,000,000)	-
Dividends paid	(2,090,903)	(1,563,177)
Net cash flows provided by / (used in) financing activities	(8,915,703)	7,989,383
Net (decrease) / increase in cash held	(2,995,886)	(380,969)
Cash at the beginning of the half-year	3,640,754	793,553
Cash at the end of the half-year	644,868	412,584

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 2017 and any public announcements made by Lifestyle Communities Limited during the half-year in accordance with any 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* . Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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 2017 and the corresponding half-year.

(b) Rounding amounts

The parent entity and the consolidated entity have applied relief available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest dollar.

(c) 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 (applicable for annual reporting periods commencing on or after 1 January 2018)
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 obligation 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 changes in revenue recognition requirements in AASB 15 are not expected to materially impact the timing and amount of revenue recorded in the financial statements. There may be additional disclosure requirements which have not yet been quantified.

(ii) AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)
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 changes in AASB 9 are not expected to materially impact the measurement of financial instruments recorded in the financial statements. There may be additional disclosure requirements which have not yet been quantified.

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

(c) Accounting standards issued but not yet operative

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

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-17 $	Half-year 31-Dec-16 $
Net unrealised gain from fair value adjustments - investment properties (a)	13,927,755	11,284,537
Other fair value adjustments (b)	361,990	-
	14,289,745	11,284,537

(a) Fair value adjustment results from restating 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.

(b) Other fair value adjustments relate to transactions incurred that are not directly relating to investment properties but are fair value in nature.

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

	Half-year 31-Dec-17 $	Half-year 31-Dec-16 $
NOTE 4: FINANCE COSTS		
(i) Finance costs expensed		
Bank loans	477,825	361,223
Other	15,201	35,783
Amortisation of loan facility fees	39,023	37,527
	532,049	434,534
(ii) Finance costs capitalised		
Finance costs expensed excludes interest capitalised as part of inventory:		
Bank loans (b)	450,496	603,854

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) The Company has a $120,000,000 facility with Westpac Banking Corporation. 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 2017 debt was $40,000,000 (plus overdraft of $1,179,406) with $23,090,775 allocated to development debt and $16,909,225 allocated to pre-development debt (as at 30 June 2017 debt was $47,000,000 (plus overdraft of $12,364) with $19,222,215 allocated to development debt, and $27,777,785 allocated to pre-development debt).

NOTE 5: DIVIDENDS

	31-Dec-17 $	31-Dec-16 $
(a) Final dividends		
Dividends paid 2.0 cents per share (2016: 1.5 cents per share) fully franked at 30%	2,090,903	1,563,177
(b) Interim dividends declared after balance date and not recognised		
Since balance date the directors have declared an interim dividend of 2.0 cents per share (2016 1.5 cent per share) fully franked at 30%	2,090,903	1,564,177

NOTE 6: BORROWINGS

(i) Bank overdraft

(a) As at reporting date the company has a bank overdraft of $1,179,406 (total cash at bank is $1,824,274 and total bank overdraft is $1,179,406 providing net cash of $644,868). Cash at bank exists at 31 December 2017 due to timing of cleared funds from home settlements. The bank overdraft is provided as part of the $120,000,000 facility with Westpac Banking Corporation.

(ii) Non-current secured loans

(b) As at reporting date the company has drawn $40,000,000, in addition to the bank overdraft of $1,179,406, of the $120,000,000 facility with Westpac Banking Corporation. On 29 November 2017 the company executed an agreement with Westpac to add a $40,000,000 tranche to the existing $80,000,000 facility. The $40,000,000 tranche has the same covenants and other requirements as the original $80,000,000 facility. The $120,000,000 facility has an expiry of greater than one year, with the original $80,000,000 expiring on 26 August 2020 and the $40,000,000 expiring on 29 November 2020.
The 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, Officer, and Berwick Waters properties.

	Half-year 31-Dec-17 $	30-Jun-17 $
NOTE 7: CONTRIBUTED EQUITY		
104,545,131 Ordinary shares (30 June 2017: 104,545,131)	64,094,270	63,919,070
76,906 Treasury shares (30 June 2017: 174,086)	(273,285)	(715,000)
	63,820,985	63,204,070

(i) Reconciliation of Ordinary shares	**Number**	**$**
31 December 2016 half-year		
Balance as at 1 July 2016	104,211,800	63,822,710
Issue of shares - conversion of CRES to ordinary shares	66,667	-
Repayment of CRES loans	-	52,560
Balance as at 31 December 2016	104,278,467	63,875,270
30 June 2017 half-year		
Balance as at 1 January 2017	104,278,467	63,875,270
Issue of shares - conversion of CRES to ordinary shares	266,664	-
Repayment of CRES loans	-	43,800
Balance as at 30 June 2017	104,545,131	63,919,070
31 December 2017 half-year		
Balance as at 1 July 2017	104,545,131	63,919,070
Repayment of CRES loans	-	175,200
Balance as at 31 December 2017	104,545,131	64,094,270

(ii) Reconciliation of Treasury shares	**Number**	**$**
30 June 2017 half-year		
Balance as at 1 January 2017	-	-
Purchase of treasury shares	174,086	(715,000)
Balance as at 30 June 2017	174,086	(715,000)
31 December 2017 half-year		
Balance as at 1 January 2017	174,086	(715,000)
Purchase of treasury shares	-	(915)
Vesting of employee shares	(97,180)	442,630
Balance as at 30 June 2017	76,906	(273,285)

There were no treasury shares on issue in the first-half of the 2017 financial year.

	Half-year 31-Dec-17 $	30-Jun-17 $
NOTE 8: RETAINED EARNINGS		
Movements in retained earnings were as follows:		
Balance 1 July	90,518,119	65,920,305
Net profit	15,847,521	27,695,112
Transfer from reserves	-	30,058
Dividends paid	(2,090,903)	(3,127,356)
	104,274,737	90,518,119

NOTE 9: NON-CONTROLLING INTERESTS		
Interest in:		
Retained earnings	(500)	-

NOTE 10: 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-17	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Fair Value Measurements	**$**	**$**	**$**	**$**
Investment properties	-	-	226,522,029	226,522,029
Total assets measured at fair value	-	-	226,522,029	226,522,029

30-Jun-17	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Fair Value Measurements	**$**	**$**	**$**	**$**
Investment properties	-	-	211,294,274	211,294,274
Total assets measured at fair value	-	-	211,294,274	211,294,274

(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 discount rates, deferred management fee annuity value, and management expense rates are derived from independent valuations. Rental capitalisation rates are derived from a combination of independent and Directors' valuations. Some inputs relating to the rental annuity streams are adjusted to reflect appropriate data relating to the rental at those communities that weren't valued in the current year. The fair value of undeveloped land is based on inputs from independent 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 some of the major inputs obtained from the independent valuations such as discount rates, the deferred management fee annuity values, and the management expense rates.

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

(i) Investment properties

Rental capitalisation rates - rates were taken directly from the valuations for the six communities independently valued in the 2017 financial year. In relation to the remaining seven communities (independently value in the 2016 financial year) the Directors have adjusted the rental capitalisation rates to reflect those adopted by the independent valuers.
Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.
Rental annuity - for all communities the Directors have adjusted the weekly rental rates adopted in prior year valuations by inflation to reflect annual rent increases.
Undeveloped land - the valuation for this component is taken from inputs within the independent valuations.

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 ($)	183.37 - 191.41	174.13 - 188.12
Anticipated % expenses (as a percentage of rental income)	30.0% - 41.5%	30.0% - 41.5%
Rental capitalisation rates (%)	7.75%	7.75%
Rental values per unit ($)	73,818 - 89,003	72,549 - 87,472
Deferred management fee discount rates (%)	13.00% - 14.25%	13.00% - 14.25%
Deferred management fee values per unit ($)	21,262 - 46,083	21,262 - 46,083
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.75	0.17 - 1.75

NOTE 10: FAIR VALUE MEASUREMENTS (continued)

	Half-year 31-Dec-17	Full-year 30-Jun-17
	$	$
(d) Reconciliation of recurring level 3 fair value movements		
(i) Investment properties		
Opening balance	211,294,274	163,676,707
Additions (contracted land and capitalised costs)	1,300,000	19,818,775
Net unrealised gain from fair value adjustments	13,927,755	27,798,792
Closing balance	**226,522,029**	**211,294,274**

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

(i) 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 for communities valued in the current year. For those communities valued in the prior year the Directors utilise inputs from independent valuations to assess whether rental capitalisation rates and weekly rental income should be adjusted. 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

(i) Investment properties

The impact of changes to the inputs that affect the valuation of investment properties is assessed below.

(ii)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.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	$	$	$	$
Rental expense rate				
+2%	(2,895,127)	(2,190,518)	(2,895,127)	(2,190,518)
-2%	2,895,127	2,190,518	2,895,127	2,190,518
Rental capitalisation rate				
+0.50%	(5,778,186)	(4,240,597)	(5,778,186)	(4,240,597)
-0.50%	6,575,177	4,798,389	6,575,177	4,798,389
Deferred management fee per unit				
+5%	2,211,054	1,579,455	2,211,054	1,579,455
-5%	(2,211,054)	(1,579,455)	(2,211,054)	(1,579,455)
Land prices (undeveloped land)				
+10%	2,447,827	1,690,333	2,447,827	1,690,333
-10%	(2,447,827)	(1,690,333)	(2,447,827)	(1,690,333)

NOTE 11: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2017 that has significantly affected or may significantly affect:
(a) the operations, in financial periods subsequent to 31 December 2017, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2017, of the consolidated entity.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Below are the changes in commitments and contingent liabilities since 30 June 2017:

(a) The Australian Taxation Office is continuing to undertake a GST Business Systems Review with the Company as part of their usual review process. The Company has made a voluntary disclosure upon review of its lodgements with the ATO. The ATO is yet to finalise its review and as a result, the Directors remain unable to form a view on whether any additional GST liability will be incurred.

(b) A contract was executed on 23 August 2017 to purchase land in Officer South for $13,000,000. At balance date a deposit of $1,300,000 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 this commitment via liquidity within bank borrowings and future net development cash inflows.

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 11 to 21, are in accordance with the *Corporations Act 2001* , including:

   (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001;and*

   (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds at the date of this declaration 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, 14 February 2018

PITCHER PARTNERS

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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 Group's financial position as at 31 December 2017 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 the Group, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lifestyle Communities Limited and controlled entities, would be in the same terms if given to the directors as at the time of this auditor's report.

An independent Victorian Partnership ABN 27 975 255 196
Level 19, 15 William Street, Melbourne VIC 3000

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMEBERS OF
LIFESTYLE COMMUNITIES LIMITIED

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 the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Peter Jose

Pitcher Partners

P A JOSE
Partner

PITCHER PARTNERS
Melbourne

14 February 2018