



Business for Purpose

Results Presentation

Year ended 30 June 2018

15 August 2018



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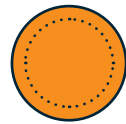
This document should be read with the Disclaimer on page 36



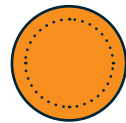
Our Story



2003
James Kelly, Dael Perlov
and Bruce Carter develop
business plan



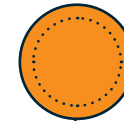
2004
Development of first
community at Brookfield -
Opened in June 2005



2007
Listed on the Australian
Stock Exchange



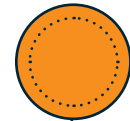
2012
Major capital raising
of \$36m



2014
1,000th
homeowner
moves in



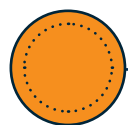
2016
2,000th homeowner
moves in/
10th Community
Clubhouse opens



2018
Acquired 16th
community site

“Lifestyle Communities
redefines the way Australians
can downsize in a resort-style
community, while still having
all the benefits of owning
your home and having total
independence.”

A Business for Purpose



An affordable housing option for the 50% of Australians aged over 50 who have less than \$550,000 in total equity



An affordable and sustainable financial model where homeowners can prosper



An empowering and engaging customer service strategy



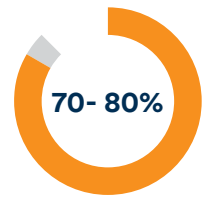
High quality resort style facilities that exceed expectation



Community Overview

How does the Lifestyle Communities model of living work?

Homeowners at Lifestyle Communities own their own home and lease the land upon which their homes are located, via a weekly site fee.



Homes typically priced at 70- 80% of the median house price.

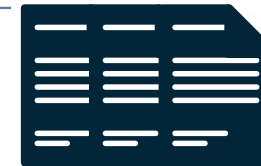
90 YEAR LEASE

A 90 year lease provides security of tenure.



AFFORDABLE LIVING

The weekly site fee is approximately 20 - 22% of the Age Pension after receipt of Commonwealth Rental Assistance.



Homeowners at Lifestyle Communities are protected by the Residential Tenancies Act.



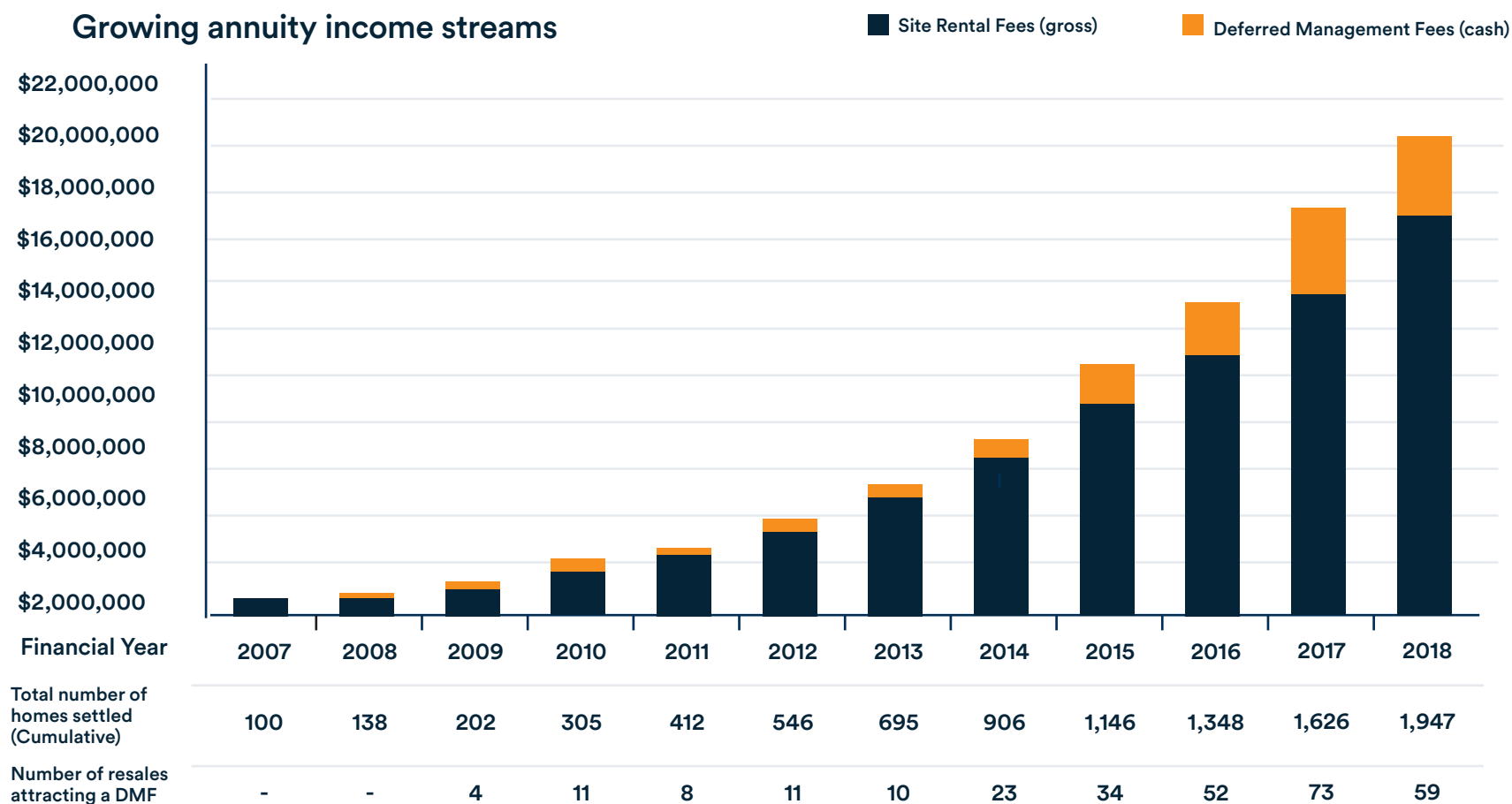
Release of equity upon sale of existing home.

Overview

FY2018 results snapshot

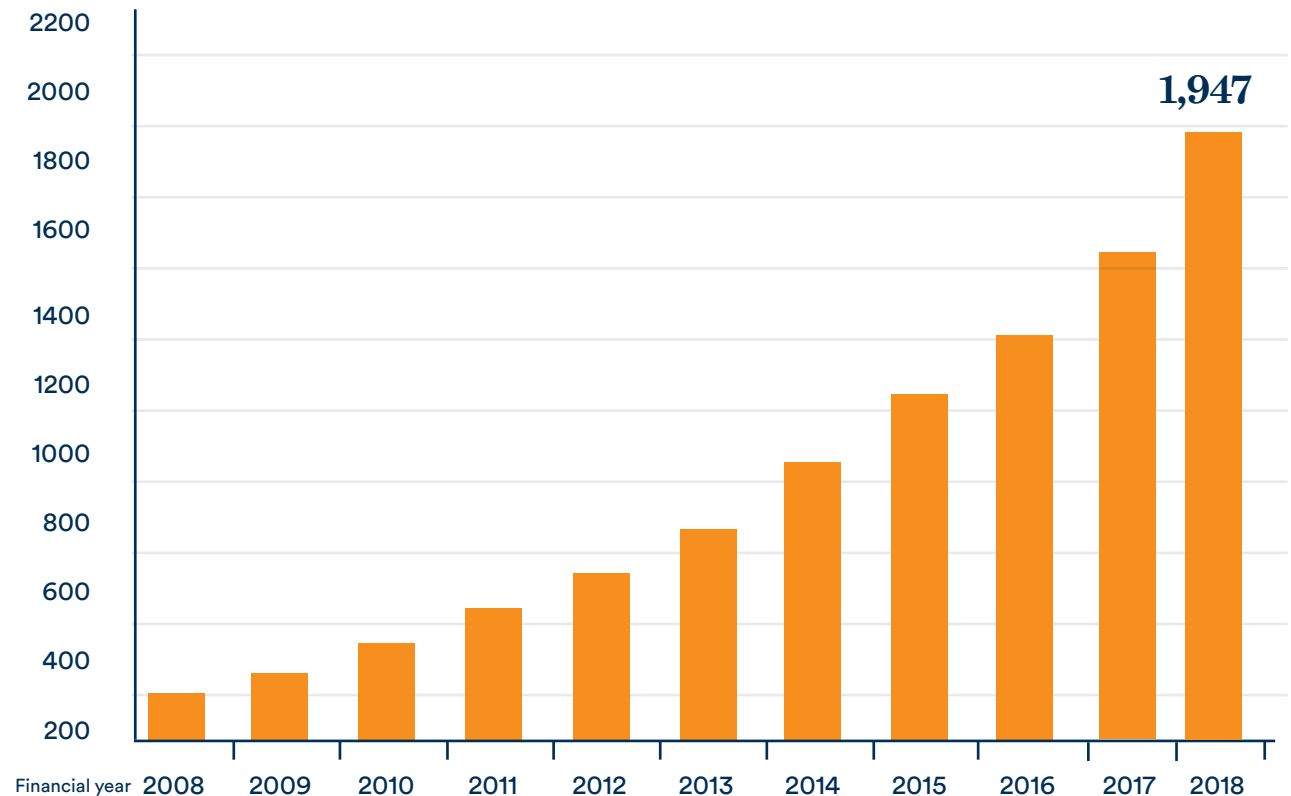
Financial Summary	FY2018 (\$ Million)	FY2017 (\$ Million)
Net profit after tax attributable to shareholders	\$52.7	\$27.7
Underlying net profit after tax attributable to shareholders	\$33.8	\$25.0
Total assets	\$358.2	\$266.1
Equity	\$204.6	\$155.5
Dividends (interim and final)	4.5 cents per share	3.5 cents per share
Net debt	\$31.4	\$43.4
Net debt to net debt plus equity	13.3%	21.8%

Growing annuity income streams



- 344 new homes sold and 321 settled
- 1,947⁽¹⁾ occupied home sites
- 2,859 homeowners
- Portfolio of 2,995⁽²⁾ homes and home sites
- 59 resale settlements during the year⁽³⁾
- Contracted land at Kaduna Park⁽⁴⁾, Wollert North and an additional 1.3ha at Ocean Grove⁽⁵⁾
- Underlying profit after tax attributable to shareholders increased to \$33.8 million compared to \$25.0 million in the prior year
- Dividend of 4.5 cents per share fully franked (2.0 cents per share interim paid and 2.5 cents per share final declared).

Home sites (annuities) under management⁽¹⁾



Notes: (1) Represents gross numbers not adjusted for joint venture interests
 (2) Settled, under development or subject to planning
 (3) Total resales were 87, of which 59 attracted a DMF
 (4) Settlement of purchase subject to planning approval
 (5) 1.3 ha contracted in April 2018 and due to settle with the rest of the site in Q2 of FY2019

Overview

Portfolio snapshot

30 June 2018

Lifestyle Communities' portfolio continues to grow organically

Communities	Total homes in communities	Homes sold & occupied	Homes sold & awaiting settlement	Homes occupied or sold and awaiting settlement	
				#	%
Existing Communities – Sold out					
Brookfield at Melton	228	228	-	228	100%
Seasons at Tarneit	136	136	-	136	100%
Warragul	182	182	-	182	100%
Casey Fields at Cranbourne ⁽¹⁾	217	217	-	217	100%
Chelsea Heights ⁽¹⁾	186	186	-	186	100%
Hastings	141	141	-	141	100%
Lyndarum at Wollert	154	154	-	154	100%
Officer	151	151	-	151	100%
Existing Communities – Under construction					
Shepparton	301	247	21	268	89%
Geelong	164	143	17	160	98%
Berwick Waters	216	137	72	209	97%
Bittern	209	25	163	188	90%
Ocean Grove	221	-	96	96	43%
New Communities – Awaiting commencement					
Mount Duneed	191	-	-	-	-
Kaduna Park at Officer South ⁽²⁾	165	-	-	-	-
Wollert North	133	-	-	-	-
Total Home Sites⁽³⁾	2,995	1,947	369	2,316	77%

Notes: (1) Represents 100% of the development of which Lifestyle Communities shares 50%

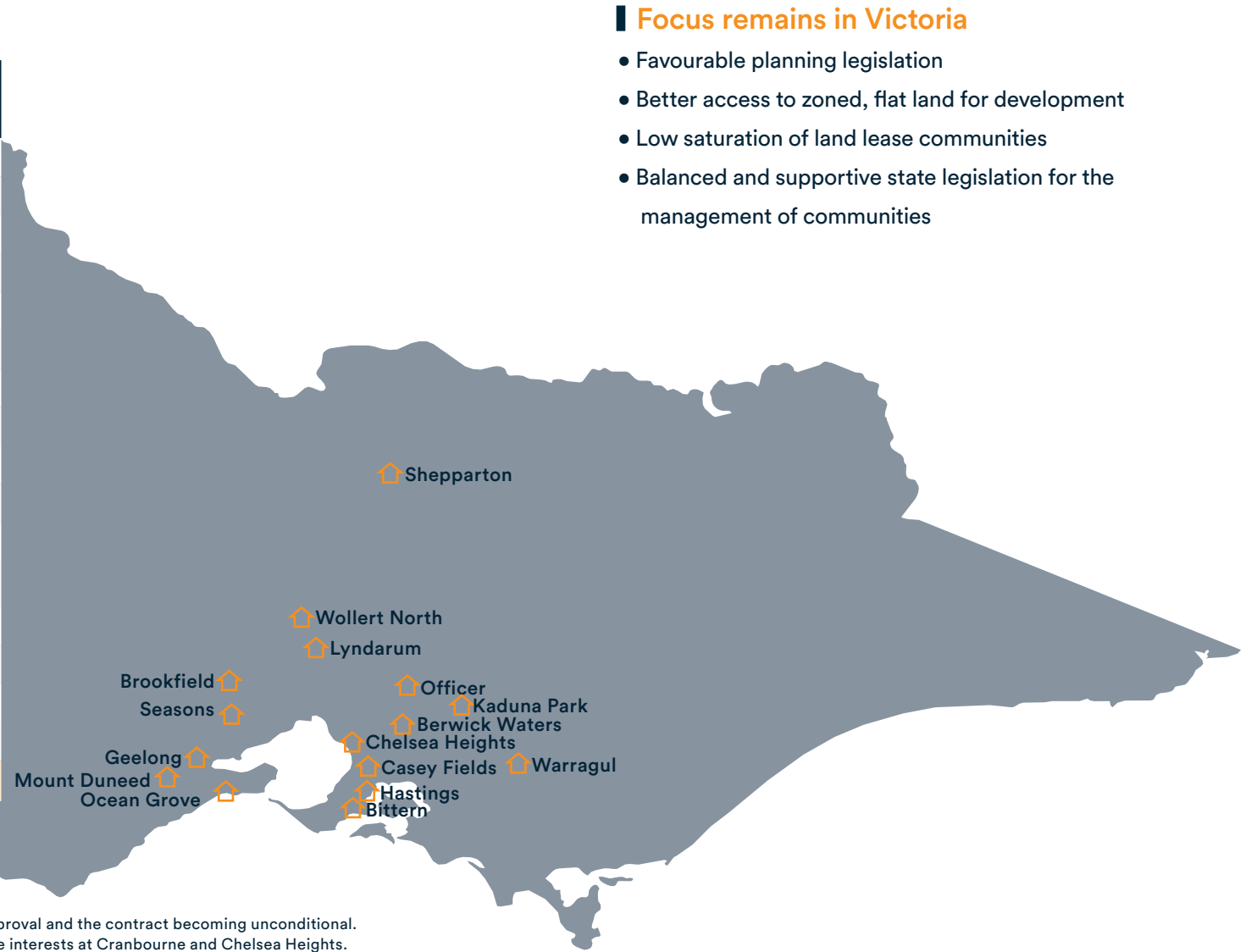
(2) Commencement of construction subject to planning approval and contract becoming unconditional

(3) Lifestyle Communities will have an economic interest in 2,794 home sites

Portfolio Overview

16 communities in planning, development or under management

Community	Homes	Settled
Brookfield at Melton	228	100%
Seasons at Tarneit	136	100%
Casey Fields at Cranbourne	217	100%
Chelsea Heights	186	100%
Warragul	182	100%
Hastings	141	100%
Officer	151	100%
Lyndarum at Wollert	154	100%
Shepparton	301	82%
Geelong	164	87%
Berwick Waters	216	63%
Bittern	209	12%
Ocean Grove	221	-
Mount Duneed	191	-
Kaduna Park at Officer South ⁽¹⁾	165	-
Wollert North	133	-
Total	2,995⁽²⁾	65%



Focus remains in Victoria

- Favourable planning legislation
- Better access to zoned, flat land for development
- Low saturation of land lease communities
- Balanced and supportive state legislation for the management of communities

Correct as at 30 June 2018

Notes: (1) Commencement of construction subject to planning approval and the contract becoming unconditional.
 (2) Represents gross numbers not adjusted for joint venture interests at Cranbourne and Chelsea Heights.



Section 2
Financial
& operational results



2.1

FY 2018 Sales and Settlements

Sales Commitments

- Shepparton and Geelong continued to perform well achieving 41 and 37 net sales respectively. Geelong has only 4 display homes left to sell
- Berwick Waters is 97% sold out with 72 homes awaiting settlement
- Bittern sold 116 homes in FY2018 and has 163 homes sold awaiting settlement
- Ocean Grove has achieved 96 sales since the project was launched in late March 2017. Construction has commenced and first homeowners are expected to move in during the second quarter of FY2019

Settlements

- 321 settlements in FY2018
- 48 settlements at Shepparton, 40 at Lyndarum, 57 at Geelong, 26 at Officer, 125 at Berwick Waters and 25 at Bittern
- Lyndarum and Officer have completely settled.



* Photograph above shows Suzi and Brendan, the Community Managers at Lifestyle Ocean Grove

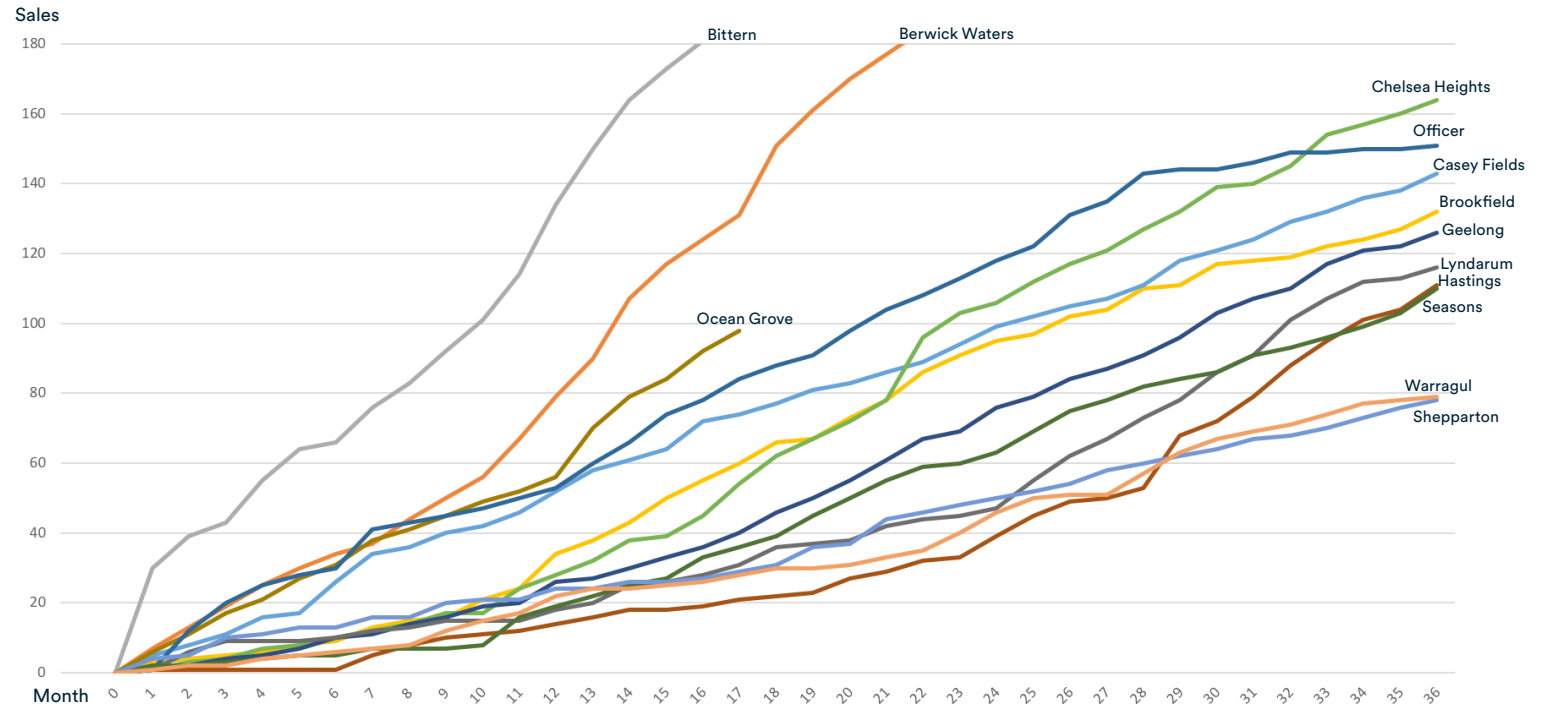
Referrals provided 54% of 344 net sales and 321 settlements

2.2

Sales rates

- Lifestyle Communities has continued to evolve our pre-sales process. This reduces risk by supporting a more aggressive construction program to enable faster capital recycling
- Evolution in the sales launch process has provided improved early sales at Berwick Waters, Bittern and Ocean Grove
- Both Bittern and Ocean Grove were launched in March 2017. Bittern has achieved 163 homes sold and awaiting settlement in FY2019
- Ocean Grove has achieved 96 sales with settlements due to commence in the second quarter of FY2019.

Sales profile from date of first sale



The higher the sales rate, the faster capital is recycled to undertake more communities

2.3

Financial results

There are two components to the annuity stream:

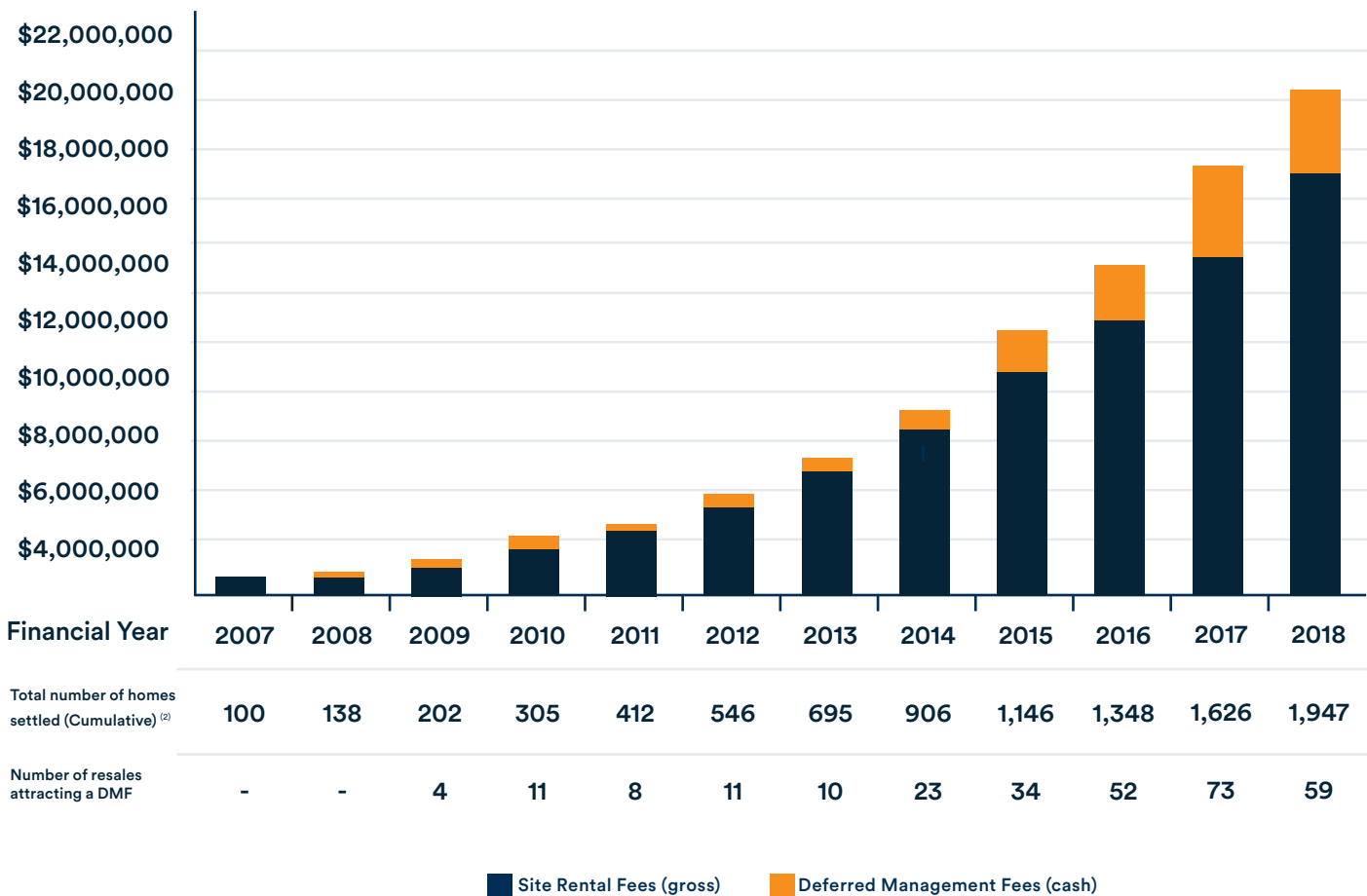
1. Site Rental Fee

- \$179 per single and \$207 per couple per week per home
- Indexed at greater of CPI or 3.5% p.a.
- Gross rental income for FY2018 was \$17.0 million

2. Deferred Management Fee

- Calculated as a scaled percentage of the re-sale price
- Scaling is a function of tenure and is capped at 20% of the re-sale price after five years of ownership
- In established communities, approximately 10% - 12% of homes are estimated to re-sell in any given year as the age profile of residents matures
- 59 resales provided DMF income of \$4.3 million in FY2018⁽¹⁾.

Annuity Income



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

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

2.4

Income statement

- Net profit attributable to shareholders up 90% to \$52.7 million (on an underlying basis up 35% to \$33.8 million after adjusting for favourable investment property valuations)
- Gross profit from home settlements increased to \$20.3 million due to a 25.2% increase in settlements revenue and receiving better margins from the sale of bigger homes
- Rental income up 23% to \$17 million and cash deferred management fees up 6% to \$4.3 million (inclusive of \$0.8 million selling and administration fees)
- Management rental expenses increased by 24% predominantly due to more homes under management
- Corporate overheads and DMF expenses have increased due to additional staff resources required to provide additional organisational capabilities for medium term growth.

Income statement	FY2018 (\$'000)	FY2017 (\$'000)	% Movement	
Home settlement revenue	100,115	79,942	▲	25.2%
Cost of sales	(79,816)	(64,360)	▲	24.0%
Gross profit	20,299	15,582	▲	30.3%
Home settlement margin	20.3%	19.5%		
Management and other revenue				
Site rental	16,964	13,752	▲	23.4%
Deferred management fees	4,347	4,112	▲	5.7%
Other revenue	2,183	2,604	▼	16.2%
Total management and other revenue	23,494	20,468	▲	14.8%
Fair value adjustments	57,397	26,664	▲	115.3%
Development expenses	(5,836)	(5,039)	▲	15.8%
Management rental expenses	(7,753)	(6,264)	▲	23.8%
DMF expenses	(1,677)	(1,231)	▲	36.2%
Corporate overheads	(7,772)	(5,775)	▲	34.6%
Finance costs	(307)	(1,182)	▼	74.0%
Other expenses	(2,365)	(2,890)	▼	18.2%
Net profit before tax	75,480	40,333	▲	87.1%
Net profit after tax	52,903	27,697	▲	91.0%
Profit is attributable to:				
Non-controlling interests	221	2	▼	>100%
Members of the parent	52,682	27,695	▲	90.2%
Underlying net profit after tax	33,785	25,028	▲	35.0%

Another solid year of profitability

2.5

Balance sheet

- The gearing ratio⁽¹⁾ has decreased to 13.3% at year end due to the timing of settlements for land at Ocean Grove and Bittern
- Total bank facility of \$120 million of which \$40 million was utilised at year end
- Trade and other payables includes \$48.9 million payable on five parcels of land for contracts entered into prior to 30 June 2018 which are expected to settle during FY2019
- Deferred tax liabilities increased in line with the increased fair value. This tax liability would only be realised if a community was sold, which is highly unlikely.

Balance sheet highlights	FY2018 (\$'000)	FY2017 (\$'000)	% Movement	
Cash and cash on deposit	8,585	3,653		
Inventories	39,439	44,933		
Investment properties	303,573	211,294		
Other assets	6,619	6,237		
Total assets	358,216	266,117	▲	34.6%
Bank overdraft	-	12		
Trade and other payables	59,808	26,844		
Current tax payable	1,132	574		
Interest-bearing loans and borrowings	40,000	47,000		
Deferred tax liabilities	51,889	35,472		
Other liabilities	833	691		
Total liabilities	153,662	110,593	▲	38.9%
Net assets	204,554	155,524	▲	31.5%
Gearing ⁽¹⁾	13.3%	21.8%		

Balance sheet has capacity to enable continued growth of the pipeline

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

2.6

Cash flow

- Cash flows from operations increased to \$20.6 million
- Receipts from customers increased by \$27.0 million to \$134.8 million due to increased home settlements and management revenue
- Purchase of investment properties includes deposits at Kaduna Park (\$1.3 million), Wollert North (\$0.5 million) and additional deposit at Ocean Grove (\$0.6 million)
- Delayed settlements of land at Bittern and Ocean Grove has resulted in a higher year end cash result.

Continued strong operational cashflows in line with development activity

Cash Flow highlights	FY2018 (\$'000)	FY2017 (\$'000)
Receipts from customers	134,791	107,773
Payments to suppliers and employees ⁽¹⁾	(107,247)	(83,352)
Income taxes paid	(5,068)	(4,271)
Net interest payments	(1,925)	(1,790)
Cash flows from operations	20,551	18,360
Purchase of PP&E	(1,530)	(769)
Purchase of investment properties	(2,430)	(11,998)
Cash flows from investing activities	(3,960)	(12,767)
Net movement in borrowings	(7,000)	1,000
Proceeds from exercise of options	604	96
Purchase of Treasury shares	(1,069)	(715)
Dividends paid	(4,182)	(3,127)
Cash flows from financing activities	(11,647)	(2,746)
Net cash flows	4,944	2,847
Cash at the beginning of the year	3,641	794
Cash at the end of the year	8,585	3,641

Notes: (1) Due to Lifestyle Communities' accounting policies and legal structure, payments to suppliers and employees includes all gross costs of infrastructure construction (i.e. civil works, clubhouse and other facilities). Under some other structures these costs may be classified as investing cash flows. Therefore cash flows from operations will be negatively impacted when Lifestyle Communities is in the cash intensive development phase of a community. To assist with further understanding of cash flows, please refer to Appendix 5 for a detailed break-down of development and management cash flows per community for FY2018 and FY2017.

Lifestyle
COMMUNITIES

Section 3
Outlook



3.1

Settlement goals - new sales

- Settlements in FY2019 expected to be in the range of 310 to 350 settlements
- Underlying NPAT and dividends in FY2019 are expected to increase
- Expect to see increasing land opportunities as credit gets tighter
- The settlement ranges constitute a forecast for FY2019 and a projection for FY2020 which is indicative only. They are dependent on having approvals and/or construction commencement dates for sites not yet settled at Mount Duneed, Wollert North and Kaduna Park and market conditions.

Settlements of 630-695 expected to be delivered over the next two years


	FY2018 settlements (actual)	FY2019 settlement range	FY2020 settlement range
TOTAL	321	310-350	300-345
Shepparton	48	25-35	20-25
Lyndarum	40	-	-
Geelong	57	20	-
Officer	26	-	-
Berwick Waters	125	65-70	5-10
Bittern	25	135-145	40-50
Ocean Grove	-	65-80	90-100
Mount Duneed ⁽¹⁾	-	-	55-60
Kaduna Park ⁽¹⁾	-	-	50-55
Wollert North ⁽¹⁾	-	-	40-45

Notes: (1) Settlement goals dependent on construction commencement date and planning approvals

3.2

Likely home settlement program

Community	FY19				FY20				FY21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Shepparton												
Geelong												
Berwick Waters												
Bittern												
Ocean Grove												
Mount Duneed												
Kaduna Park ⁽¹⁾												
Wollert North ⁽¹⁾												

 Represents tail of development which is often a slower settlement rate

Notes: (1) Subject to planning approval

3.3

Dividend policy

As a general principle, the Board of Lifestyle Communities intends to pay dividends out of post tax, operating cashflow generated from community management including:

- Operating cash flow generated from community management (net rental and DMF)
- Apportionment of corporate overheads attributable to management of the communities (currently 50%)
- Interest on average pre-development debt
- Tax attributed to the above

Dividend

- A final fully franked dividend of 2.5 cents per share was declared in respect of FY2018. The dividend has a record date of 7 September 2018 and a payment date of 5 October 2018

Surplus franking credits

- As at 30 June 2018 the franking account balance was 13.3 million (after allowing for the final dividend and tax payable for FY2018).



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



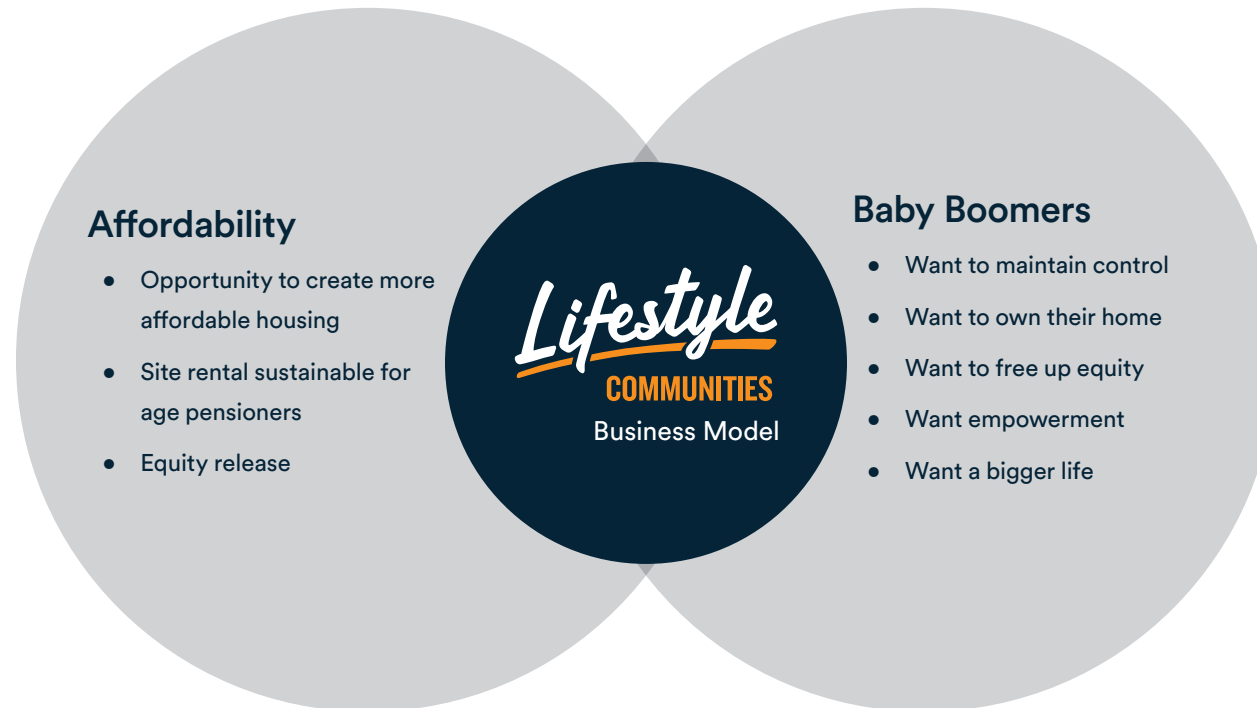
Section 4
Business model



4.1

Key themes

Two key emerging trends come together to create the Lifestyle Communities business model



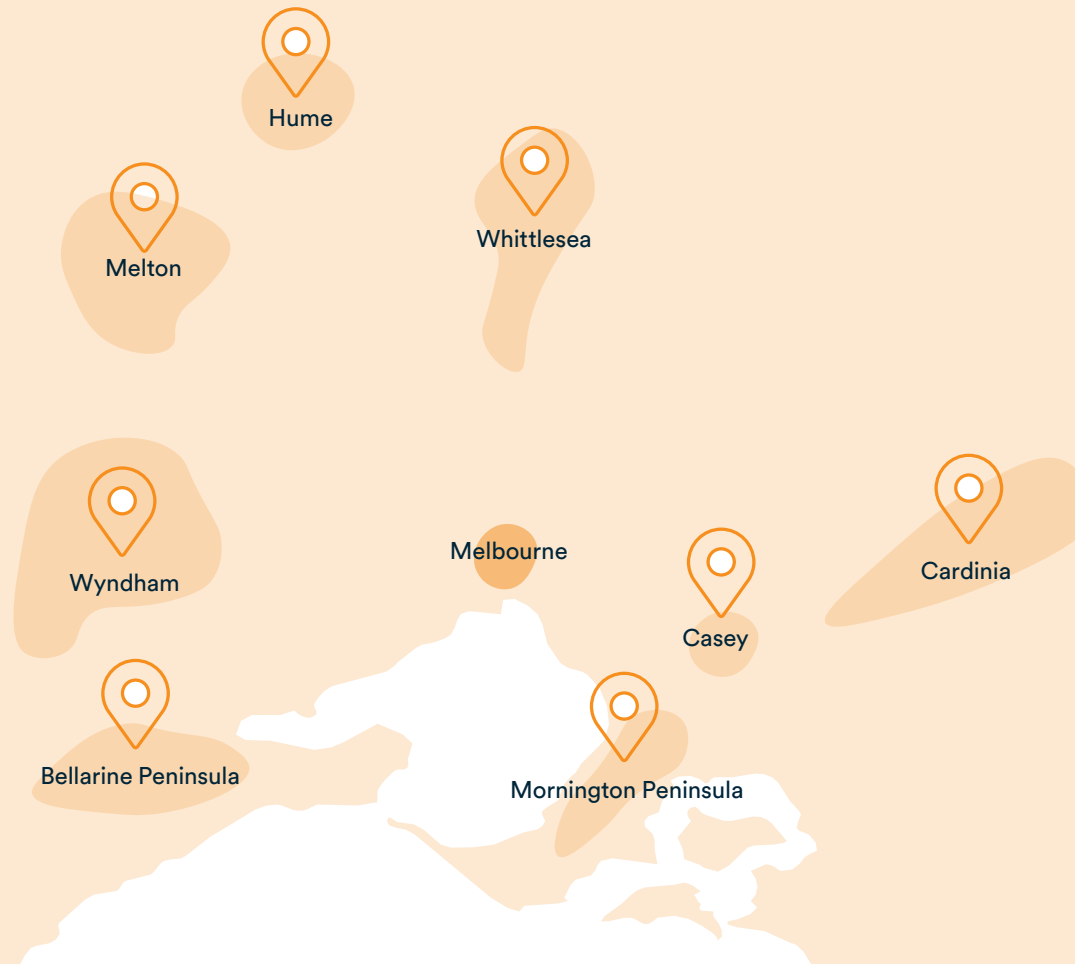
The Lifestyle Communities model better matches the needs of the baby boomer

4.2

Acquisition strategy

Focused on Melbourne and Geelong's growth corridors

- Targeting zoned land in Melbourne and Geelong's growth corridors
- Increasing opportunities to buy superlots from land developers
- Melbourne has the strategic benefit of flat topography which increases site choice
- Multiple communities can be built in each growth corridor.



Plan to acquire one or two new sites every 12 months

4.3

Recent land acquisitions

Lifestyle Ocean Grove

- Construction commenced in the second quarter of the 2018 financial year
- Additional 1.3ha purchased in April 2018
- The expansion will include an Aqua Club and outdoor pool, along with an additional 27 homes, bringing the total number of homes within the community to 221

Lifestyle Mount Duneed

- Planning to commence construction in the second quarter of FY2019
- Sales launched in August 2018

Lifestyle Kaduna Park

- Contract signed August 2017
- Sales expected to launch in the 2nd half of FY2019

Lifestyle Wollert North

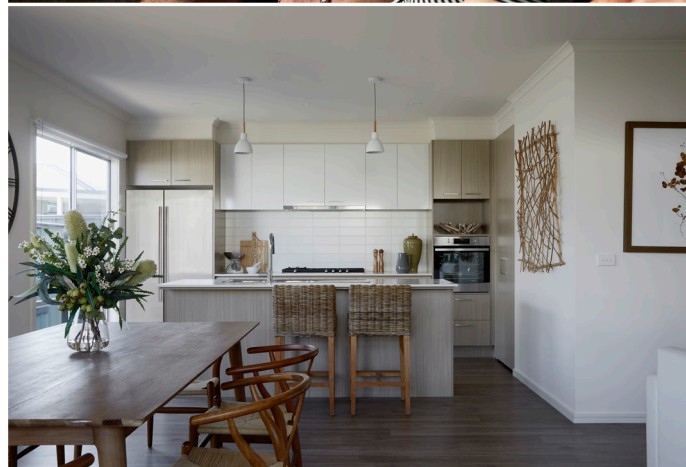
- Contract signed in April 2018
- Settlement is expected to occur in the 4th quarter of FY2019 with construction anticipated to commence soon after.



4.4

Community evolution

- Community layouts and designs have continued to evolve with the changing needs of the baby boomers
- Home sizes are increasing and we are now building 3 bedroom homes
- Wellness programme has become more valued and community design is evolving to incorporate these programmes
- Refining our service strategy to meet the baby boomer's needs to be empowered and in control.





Section 5
Summary



5.1

Summary

- FY2018 delivered 321 settlements
- The recently announced Mount Duneed, Kaduna Park and Wollert North acquisitions, as well as the Shepparton and Ocean Grove expansion has increased the total portfolio to 2,995 homes⁽¹⁾
- Annuity income from site rental fees grew by \$3.2 million to \$17.0 million as a result of having 1,947 settled homes
- Underlying net profit attributable to shareholders up 35% to \$33.8 million
- Total dividends for FY2018 of 4.5 cents per share fully franked (up from 3.5 cents per share in FY2017)
- Funded and resourced to roll-out a new community at least every 12 months subject to identification of appropriate sites.

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



Notes: (1) Settled, under development or subject to planning



Appendix



A.1

Sales and settlements

	New home settlements		New homes		Resale home settlements	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Mature Communities						
Brookfield at Melton	-	-	-	-	15	12
Seasons at Tarneit	-	-	-	-	4	3
Warragul	-	-	-	-	14	16
Casey Fields at Cranbourne ⁽¹⁾	-	-	-	-	11	12
Chelsea Heights ⁽¹⁾	-	-	-	-	9	12
Hastings	-	-	-	-	9	13
Lyndarum at Wollert	40	68	1	69	1	-
Officer	26	98	5	53	12	-
Communities under development						
Shepparton	48	50	41	37	12	5
Geelong	57	50	37	44	-	-
Berwick Waters	125	12	74	105	-	-
Bittern	25	-	116	74	-	-
Ocean Grove	-	-	70	24	-	-
Total	321	278	344	406	87⁽²⁾	73

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

(2) Total resales were 87, of which 59 attracted a DMF.

A.2

Deferred management fees

	Brookfield	Seasons	Warragul	Casey Fields	Shepparton	Chelsea Heights	Hastings	Lyndarum	Officer	Total
Historical resales⁽¹⁾	113	24	52	35	11	25	24	1	4	289
Average tenure (years)	5.9	5.1	4.3	3.4	3.1	2.7	2.5	2.5	1.7	4.5
Average price growth p.a.	4.9%	3.4%	3.6%	5.9%	3.6%	19.1%	14.7%	9.8%	12.5%	6.8%
Average purchase price (move in)	192,622	231,838	240,571	290,559	222,572	320,937	284,135	372,750	340,144	238,872
Average sales price (move out)	239,146	271,146	275,442	351,257	245,364	482,040	381,292	465,000	415,250	298,183
Average DMF ⁽²⁾	38,018	44,878	44,584	51,355	35,938	61,611	44,483	55,800	37,320	43,935
Average DMF rate	16.0%	16.7%	16.1%	14.3%	14.9%	12.5%	11.5%	12.0%	9.0%	15.0%
FY2018 resales⁽¹⁾	14	4	10	9	4	6	7	1	4	59
Average tenure (years)	8.7	5.4	6.4	4.6	4.1	3.7	3.0	2.5	1.7	7.4
Average price growth p.a.	6.1%	7.1%	4.1%	7.6%	2.7%	21.3%	15.8%	9.8%	12.5%	9.0%
Average purchase price (move in)	196,348	264,867	256,745	301,611	235,535	310,798	286,534	372,750	340,144	265,021
Average sales price (move out)	293,464	351,500	322,400	402,167	260,500	548,667	420,357	465,000	415,250	368,822
Average DMF ⁽²⁾	53,431	52,263	57,995	71,118	47,000	92,667	57,100	55,800	37,320	59,761
Average DMF rate	18.3%	14.8%	17.8%	17.8%	18.0%	16.7%	13.7%	12.0%	9.0%	16.4%
Total DMF received ⁽²⁾	748,030	209,050	579,950	640,060	188,000	556,000	399,700	55,800	149,280	3,525,870
FY2017 resales⁽¹⁾	12	3	16	12	5	12	13	-	-	73
Average tenure (years)	7.3	6.1	4.2	3.7	2.7	2.6	2.3			4.0
Average price growth p.a.	3.8%	3.2%	3.7%	7.1%	4.7%	20.2%	13.9%			7.5%
Average purchase price (move in)	208,097	228,552	237,256	288,985	220,528	323,937	282,509			261,902
Average sales price (move out)	267,500	273,333	274,000	364,333	248,200	496,167	373,462			340,219
Average DMF ⁽²⁾	40,453	54,667	46,405	56,030	30,776	59,340	41,962			47,613
Average DMF rate	15.1%	20.0%	17.0%	15.3%	12.8%	12.0%	11.1%			14.4%
Total DMF received ⁽²⁾	480,930	164,000	742,480	672,630	153,880	712,080	545,500			3,471,230

Notes: (1) Includes resales that attracted a DMF
(2) Excludes selling and administration fees.

A.3.1

Investment property analysis

Community Valuation Summary				
30 June 2018				Investment properties per financials 30 June 2018
	Total Homes	Homes Occupied	Investment properties at cost ⁽¹⁾ (\$m)	At fair value (\$m)
Mature Communities				
Brookfield at Melton	228	228	6.76	31.85
Seasons at Tarneit	136	136	3.68	16.52
Warragul	182	182	2.53	24.21
Casey Fields at Cranbourne [^]	217	217	3.37	19.16
Chelsea Heights [^]	186	186	6.19	20.31
Hastings	141	141	7.36	20.40
Lyndarum at Wollert	154	154	7.13	20.15
Officer	151	151	5.49	20.20
Communities under development				
Shepparton	301	247	3.16	32.72
Geelong	164	143	6.95	19.34
Berwick Waters	216	137	12.14	23.18
Bittern	209	25	7.42	9.87
Ocean Grove ⁽²⁾	221	-	15.96	15.96
Mount Duneed	191	-	10.61	10.61
Kaduna Park at Officer South ⁽³⁾	165	-	13.79	13.79
Wollert North	133	-	5.30	5.30
Total	2,995	1,947	117.84	303.57

Notes: [^] Represents LIC's share in the on-completion assets

(1) Cost includes land value, land holding costs and for Brookfield, Tarneit and Warragul civils retained by LIC under home purchase agreements entered into prior to 1 January 2009

(2) Ocean Grove has increased from 13.36 to 15.96 between FY 17 and 18. The increase relates to an additional parcel of land (1.3ha) purchased during FY18

(3) Commencement of construction subject to planning approval and the contract becoming unconditional

A.3.2

Investment property analysis

Community Valuation Summary (On Completion)						
Rental Metrics				DMF metrics (extracts from valuations)		
	Last valuation date	Rental cap. rate ⁽¹⁾	Net rental per home (from valuation adjusted)	DMF discount rate	DMF terminal cap. rate	Average sale value (GST incl.)
Existing Communities - sold out						
Brookfield at Melton	Jun-18	7.50%	6,835	13.25%	N/A	280,000
Seasons at Tarneit	Jun-18	7.50%	5,448	13.50%	N/A	300,000
Warragul	Jun-18	7.50%	6,538	13.50%	N/A	300,000
Casey Fields at Cranbourne [^]	Jun-18	7.50%	6,835	13.25%	N/A	395,000
Chelsea Heights [^]	Jun-18	7.50%	6,439	13.00%	10%	572,661
Hastings	Jun-18	7.50%	6,170	13.00%	10%	416,879
Lyndarum at Wollert	Jun-18	7.50%	6,357	13.00%	10%	351,273
Officer	Jun-18	7.50%	6,494	13.00%	10%	356,921
Existing Communities - selling and settling						
Shepparton	Jun-18	7.50%	7,371	14.00%	10%	247,350
Geelong	Jun-18	7.50%	6,527	13.50%	10%	322,470
Berwick Waters	Jun-18	7.50%	6,985	13.50%	10%	383,194
Bittern	Jun-17	7.50%	N/A	13.50%	10%	358,173
Ocean Grove	Jun-17	7.50%	N/A	13.50%	10%	367,632

Notes: (1) As per independent valuations for communities valued in June 2018 and as per directors' valuation for other communities

[^] Represents 100% of the development of which LIC will share 50%

Valuer's Rental calculation methodology: capitalisation rate on annual rental income

Valuer's DMF calculation methodology: NPV of 20 year cash flows with terminal value at year 21 or NPV of 40 year cash flows with no terminal value

A.4.1

Cash flow analysis FY2018

Supplementary Cash Flow Analysis for FY2018	Brookfield	Seasons	Warragul	Casey Fields ⁽³⁾	Shepparton	Chelsea Heights ⁽³⁾	Hastings	Lyndarum	Geelong	Officer	Berwick Waters	Bittern	Ocean Grove	Mount Duneed	Kaduna Park	Wollert North	Total
Total Number of Homes	228	136	182	217	301	186	141	154	164	151	216	209	221	191	165	133	2,995
Settled FY2018	-	-	-	-	48	-	-	40	57	26	125	25	-	-	-	-	321
Remaining homes available to settle	-	-	-	-	54	-	-	-	21	-	79	184	221	191	165	133	1,048
Development Cash Flows (\$million)																	
Land	-	-	-	-	-	-	-	-	-	-	-	-	(0.63)	-	(1.30)	(0.50)	(2.43)
Development Expenditure (development and sales)	-	-	-	-	(4.49)	-	-	(0.30)	(2.89)	(0.93)	(11.11)	(10.68)	(5.49)	(0.18)	(0.08)	(0.03)	(36.18)
Home Construction	-	-	-	-	(6.03)	-	-	(1.72)	(6.59)	(0.53)	(23.53)	(8.85)	(0.77)	(0.04)	-	-	(48.06)
Home Settlements	-	-	-	-	10.97	-	-	12.60	17.08	8.59	42.59	8.29	-	-	-	-	100.12
Net Development Cash Flows	-	-	-	-	0.45	-	-	10.58	7.60	7.13	7.95	(11.24)	(6.89)	(0.22)	(1.38)	(0.53)	13.45
Annuity Cash Flows (\$million)																	
Site Rentals	2.15	1.31	1.77	2.11	2.19	1.81	1.40	1.39	1.06	1.40	0.37	-	-	-	-	-	16.96
DMF Received (net) ⁽¹⁾	0.69	0.11	0.50	0.60	0.25	0.55	0.36	0.05	-	0.21	-	-	-	-	-	-	3.32
Community Operating Costs	(0.69)	(0.71)	(0.61)	(0.62)	(0.81)	(0.59)	(0.52)	(0.53)	(0.44)	(0.54)	(0.38)	(0.06)	-	-	-	-	(6.50)
Net result from utilities	-	-	0.02	0.01	0.01	0.01	(0.02)	0.01	(0.03)	(0.05)	(0.09)	-	-	-	-	-	(0.13)
Share to non-controlling interests ⁽²⁾	-	-	-	(0.92)	-	(0.70)	-	-	-	-	-	-	-	-	-	-	(1.62)
Net Annuity Cash Flows	2.15	0.71	1.68	1.18	1.64	1.08	1.22	0.92	0.59	1.02	(0.10)	(0.06)	-	-	-	-	12.03
Head Office Costs																	(7.16)
Net Operating Cash Flows																	18.32
Reconciliation to statutory cash flows																	
Less – Interest																	(1.93)
Less – Income taxes paid																	(5.07)
Add – Land (investing cash flow)																	2.43
Add – Movement in working capital																	6.80
Statutory Cash Flows from Operations (\$million)																	20.55

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

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

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

A.4.2

Cash flow analysis FY2017

Supplementary Cash Flow Analysis for FY2017	Brookfield	Seasons	Warragul	Casey Fields ⁽³⁾	Shepparton	Chelsea Heights ⁽³⁾	Hastings	Lyndarum	Geelong	Officer	Berwick Waters	Bittern	Ocean Grove	Mount Duneed	Total
Total Number of Homes	228	136	182	217	301	186	141	154	164	151	216	209	193	189	2,667
Settled FY2017	-	-	-	-	50	-	-	68	50	98	12	-	-	-	278
Remaining homes available to settle	-	-	-	-	102	-	-	40	78	26	204	209	193	189	1,041
Development Cash Flows (\$million)															
Land	-	-	-	-	-	-	-	-	-	-	(11.00)	-	-	(1.00)	(12.00)
Development Expenditure <small>(development and sales)</small>	-	-	-	(0.02)	(3.88)	(0.00)	(0.05)	(1.48)	(2.64)	(3.08)	(7.43)	(0.60)	(0.45)	(0.01)	(19.65)
Home Construction	-	-	-	-	(9.27)	(0.83)	(0.64)	(7.98)	(8.61)	(9.30)	(0.02)	-	-	-	(41.46)
Home Settlements	-	-	-	-	10.72	4.16	3.82	12.78	9.87	8.03	-	-	-	-	79.71
Net Development Cash Flows	-	-	-	(0.02)	0.56	-	(0.07)	9.09	3.94	14.44	(19.23)	(0.63)	(0.46)	(1.01)	6.59
Annuity Cash Flows (\$million)															
Site Rentals (incl. Management Fees)	2.08	1.26	1.73	2.05	1.67	1.74	1.35	0.66	0.54	0.66	-	-	-	-	13.75
DMF Received (net) ⁽¹⁾	0.46	0.10	0.67	0.71	0.18	0.80	0.56	0.01	0.01	0.01	-	-	-	-	3.51
Community Operating Costs	(0.68)	(0.53)	(0.60)	(0.54)	(0.66)	(0.53)	(0.46)	(0.39)	(0.36)	(0.33)	(0.09)	-	-	-	(5.19)
Net result from utilities	0.00	0.02	0.03	0.03	(0.02)	0.05	(0.01)	(0.04)	(0.02)	(0.03)	(0.01)	-	-	-	-
Share to non-controlling interests ⁽²⁾	-	-	-	(0.94)	-	(0.77)	-	-	-	-	-	-	-	-	(1.71)
Net Annuity Cash Flows	1.86	0.86	1.83	1.31	1.17	1.29	1.44	0.24	0.17	0.31	(0.11)	-	-	-	10.36
Head Office Costs															(5.35)
Employee Shares															(0.71)
Net Operating Cash Flows															10.90
Reconciliation to statutory cash flows															
Less – Interest															(1.79)
Less – Income taxes paid															(4.27)
Add – Land (investing cash flow)															12.00
Less – Movement in inventory and creditors															0.83
Add – Non-controlling interests															(0.02)
Statutory Cash Flows from Operations (\$million)															17.64

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

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

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

A.5

Fair value breakdown

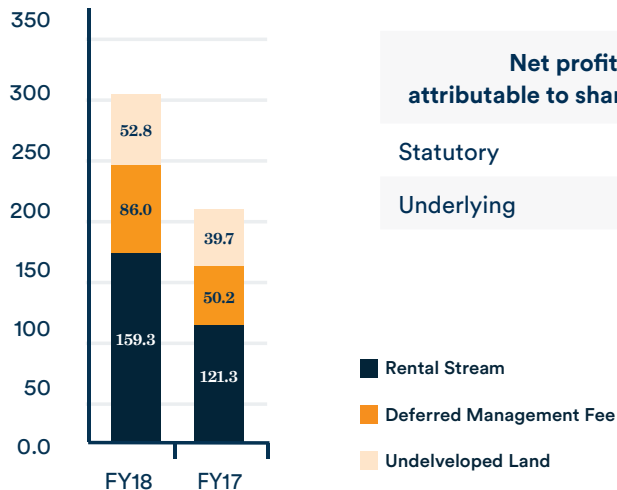
At Lifestyle Communities our homeowners purchase a proportionate share of the clubhouse, pool, recreational facilities and associated infrastructure when they purchase their home. This helps us build a sense of community, shared ownership and pride in where our homeowners live.

Underlying Fair Value has two components:

- The uplift created as a result of the contractual rent increase each year; and
- The conversion of undeveloped land into completed homes

Conversion of undeveloped land into completed homes:

- Because the infrastructure is sold to the homeowners, for accounting purposes the infrastructure is expensed as part of “cost of sales”
- The worked example to the right shows how the cash flows through the P & L and the balance sheet:
 - a) the cash flow and Lifestyle’s “zero development surplus” cash target
 - b) the P & L and Balance sheet outcomes when infrastructure is sold to homeowners (Lifestyle’s current treatment)
 - c) the P & L and Balance sheet outcomes if the infrastructure was not sold to homeowners
- The Balance Sheet outcome in columns b & c is the same but in column b there is a lower gross margin and an underlying fair value uplift is created
- Any further uplift as a result of independent valuations is shown as “Other Fair Value” adjustments



Net profit attributable to shareholders	FY2018	FY2017	FY2016
Statutory	52.7	27.7	19.3
Underlying	33.8	25.0	16.9

Reconciliation of carrying values from FY2017 to FY2018	
Investment Properties Carrying Value at 30 June 2017	211,294,274
Land Acquisitions & Accruals for Contracted Land	32,052,107
Underlying Fair Value Adjustments	
3.5% increase on completed rental stream (contracted)	4,226,013
Conversion of Undeveloped Land into Completed Homes	26,209,798
321 Settlements (Value of Rent & DMF Annuities)	
Other Fair Value Adjustments	
Increase as a result of changes to valuation assumptions used by independent valuers	29,790,494
Investment Properties Carrying Value at 30 June 2018	303,572,686

Work Example (Per House)	Cash Flow (a)	P&L Sell infrastructure (b)	P&L Retain infrastructure (c)
Sale Price (Incl. GST)	421,850		
Sale Price	383,500	383,500	383,500
Land	(75,000)		0
Development Costs			
Civils, Consultants & Authority Costs	(70,000)	(70,000)	
Housing (Construction & Landscaping etc)	(195,000)	(195,000)	(195,000)
Clubhouse & Common Areas	(38,000)	(38,000)	
Interest	(5,500)	(5,500)	(5,500)
Total Costs	(383,500)	(308,500)	(200,500)
Development Surplus/(Deficit)	0		
Accounting Gross Profit / (Loss)		75,000	183,000
Gross Margin %		19.6%	47.7%
Underlying Fair Value Uplift		108,000	
Total Accounting P & L Profit / (Loss)		183,000	183,000
Gross Margin %		47.7%	47.7%
Balance Sheet		Option A	Option B
Land		75,000	75,000
Civils, Consultants & Authority Costs			70,000
Clubhouse & Common Areas			38,000

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Lifestyle

COMMUNITIES

LIFESTYLE COMMUNITIES LIMITED

Level 2, 25 Ross Street
South Melbourne VIC 3205
Ph: (03) 9682 2249

www.lifestylecommunities.com.au