

A Business for Purpose



Lifestyle
COMMUNITIES

Results Presentation
Year ended 30 June 2021

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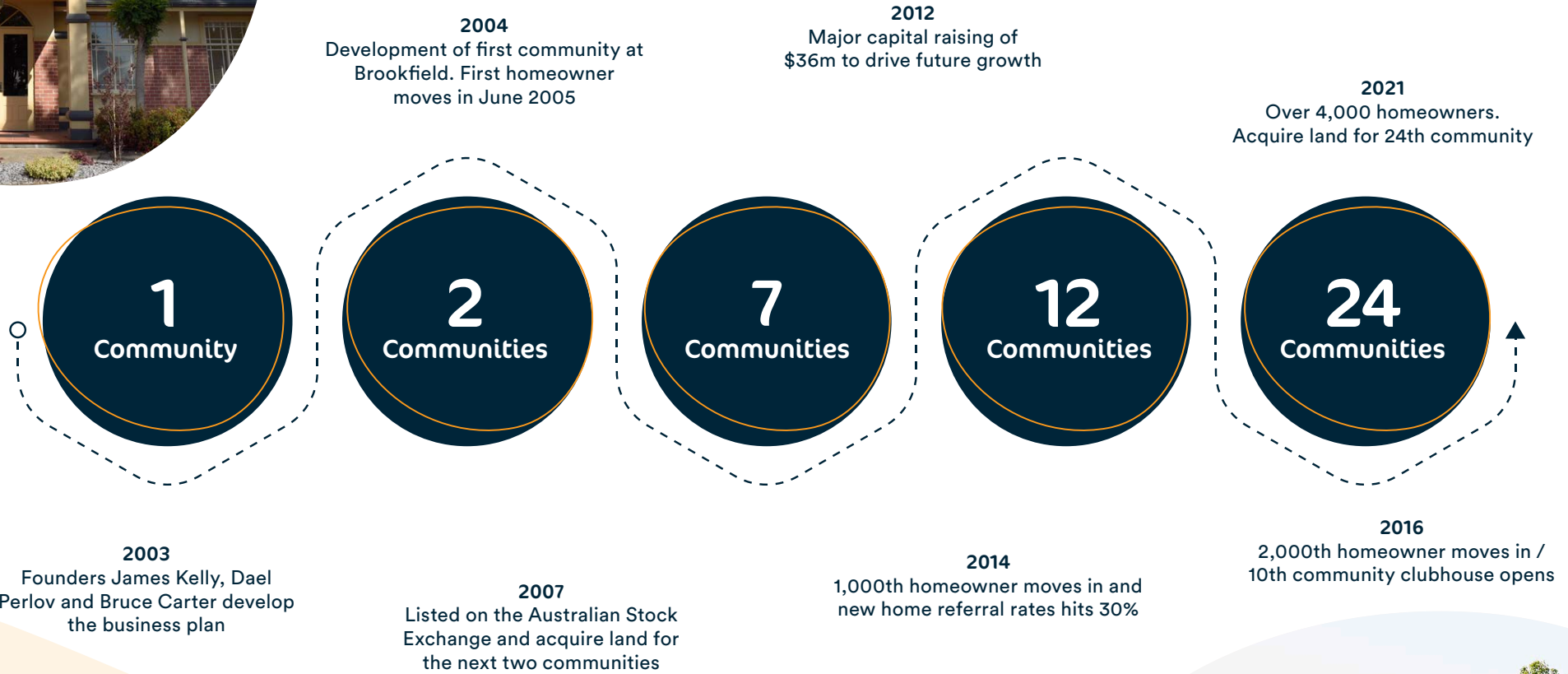
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Finding their forever home

1.1 Our story



It's been a consistent strategy of delivering an amazing lifestyle to our homeowners and sustainable returns to our shareholders



1.2 A business for purpose

✓ An affordable housing option for Australians aged over 50

✓ A sustainable financial model where homeowners can prosper

✓ An empowering and engaging customer service offering that reimagines traditional retirement

✓ High quality resort-style facilities that exceed expectation and are actively maintained and refurbished

✓ A sales approach that engages the customer to ensure they are making the right choice



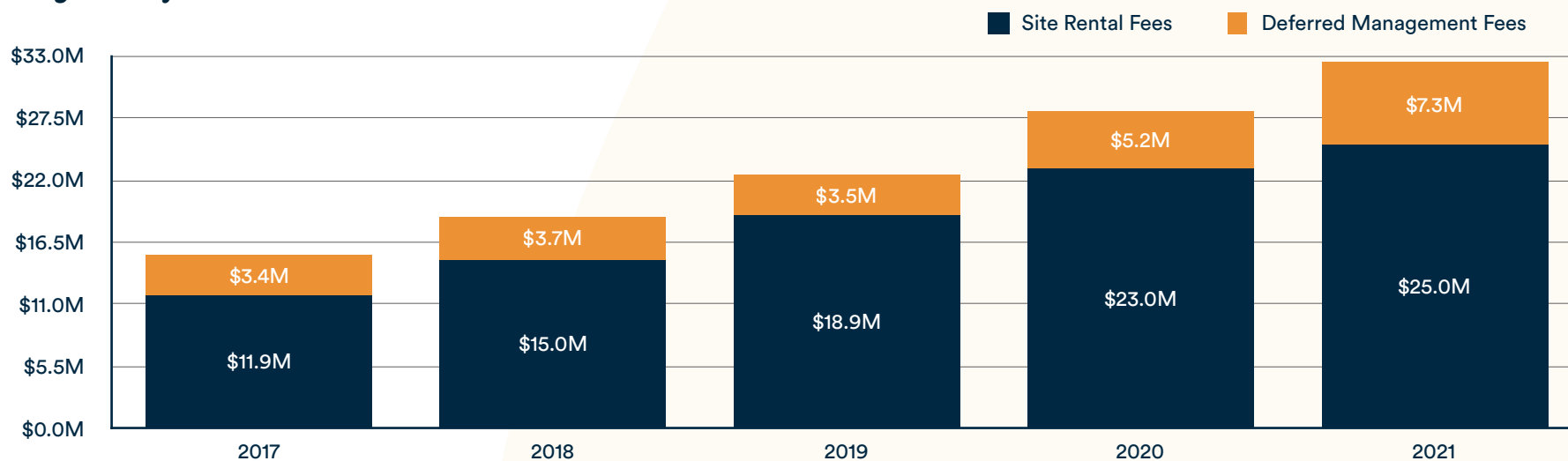
Financial Summary

	FY21 (\$ Million)	FY20 (\$ Million)
Net profit after tax attributable to shareholders	91.1	42.8
Total assets	781.3	596.7
Equity	378.1	291.4
Dividend	8.0 cents per share	5.5 cents per share
Net debt	187.7	128.6
Net debt to net debt plus equity	33.2%	30.6%

1.3 Overview

FY21 Results snapshot

Growing annuity income streams



Total number of homes settled (Cumulative) ⁽¹⁾

1,626

1,947

2,284

2,537

2,792

Number of resales attracting a DMF ⁽²⁾

73

59

53

80

105

Notes

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

(2) Total resale settlements were 121, of which 105 attracted a DMF

1.4 Overview

FY21 Highlights

- Opened new clubhouses at Mount Duneed, Kaduna Park, Wollert, and Deanside
- Launched new display homes at Wollert, Deanside and St Leonards
- Welcomed first homeowners at Wollert, Deanside and St Leonards
- 248 new sales and 255 new home settlements in a year affected by multiple lockdowns
- 121 resale settlements of which 105 attracted a deferred management fee
- Profit after tax attributable to shareholders increased from \$42.8m to \$91.1m driven by higher investment property revaluation gains
- Portfolio of 5,094 home sites of which 2,792 home sites are occupied by 4,014 homeowners
- Acquired additional land at St Leonards and new sites at Woodlea and Phillip Island

**A balanced business model
structured for sustainable growth**

Lifestyle Communities' portfolio continues to grow organically through recycling capital

1.5 Overview

Portfolio snapshot FY21

Communities	Total homes in communities	Homes sold and occupied	Homes sold and awaiting settlement	Homes occupied or sold and awaiting settlement	
				No.	%
Existing Communities – Sold out					
Brookfield in Melton	228	228		228	100%
Seasons in Tarneit	136	136		136	100%
Warragul	182	182		182	100%
Casey Fields in Cranbourne ⁽¹⁾	217	217		217	100%
Shepparton	300	300		300	100%
Chelsea Heights ⁽¹⁾	186	186		186	100%
Hastings	141	141		141	100%
Lyndarum in Wollert	154	154		154	100%
Geelong	164	164		164	100%
Officer	151	151		151	100%
Berwick Waters	216	216		216	100%
Bittern	209	209		209	100%
Ocean Grove	220	219	1	220	100%
Existing Communities – Under construction					
Mount Duneed	191	112	21	133	70%
Kaduna Park in Officer South	169	110	38	148	88%
Wollert North	246	36	67	103	42%
Deanside	266	24	48	72	27%
St Leonards	359	7	75	82	23%
Meridian at Clyde North	274				
New Communities – Awaiting commencement					
Tyabb ⁽³⁾	240				
Pakenham ⁽³⁾	175				
Clyde ⁽²⁾	230				
Woodlea ⁽²⁾	180				
Phillip Island ⁽²⁾	260				
Total ⁽⁴⁾	5,094	2,792	250	3,042	60%

Notes

- (1) Represents 100% of the development of which Lifestyle Communities shares 50%
- (2) Commencement of construction subject to planning approval
- (3) Commencement of construction subject to planning approval and contracts becoming unconditional
- (4) Lifestyle Communities will have an economic interest in 4,893 home sites

1.6 Portfolio overview and land acquisition strategy

24 Communities in planning, development or under management

Lifestyle Communities undertakes a detailed vetting of each potential site, and prioritises acquisitions based on the following criteria:

- Land prices and location
- Population demographic
- Local amenities
- Public transport options
- Future development plans and competition

Focus remains on Melbourne and Geelong's growth corridors:

- Melbourne has the strategic benefit of flat topography which increases site choice
- Multiple communities can be built in each growth corridor
- Forward planning has created large areas of serviced zoned land in each catchment
- Under its 'just in time' model, Lifestyle Communities starts the development as soon as possible after acquisition of the site



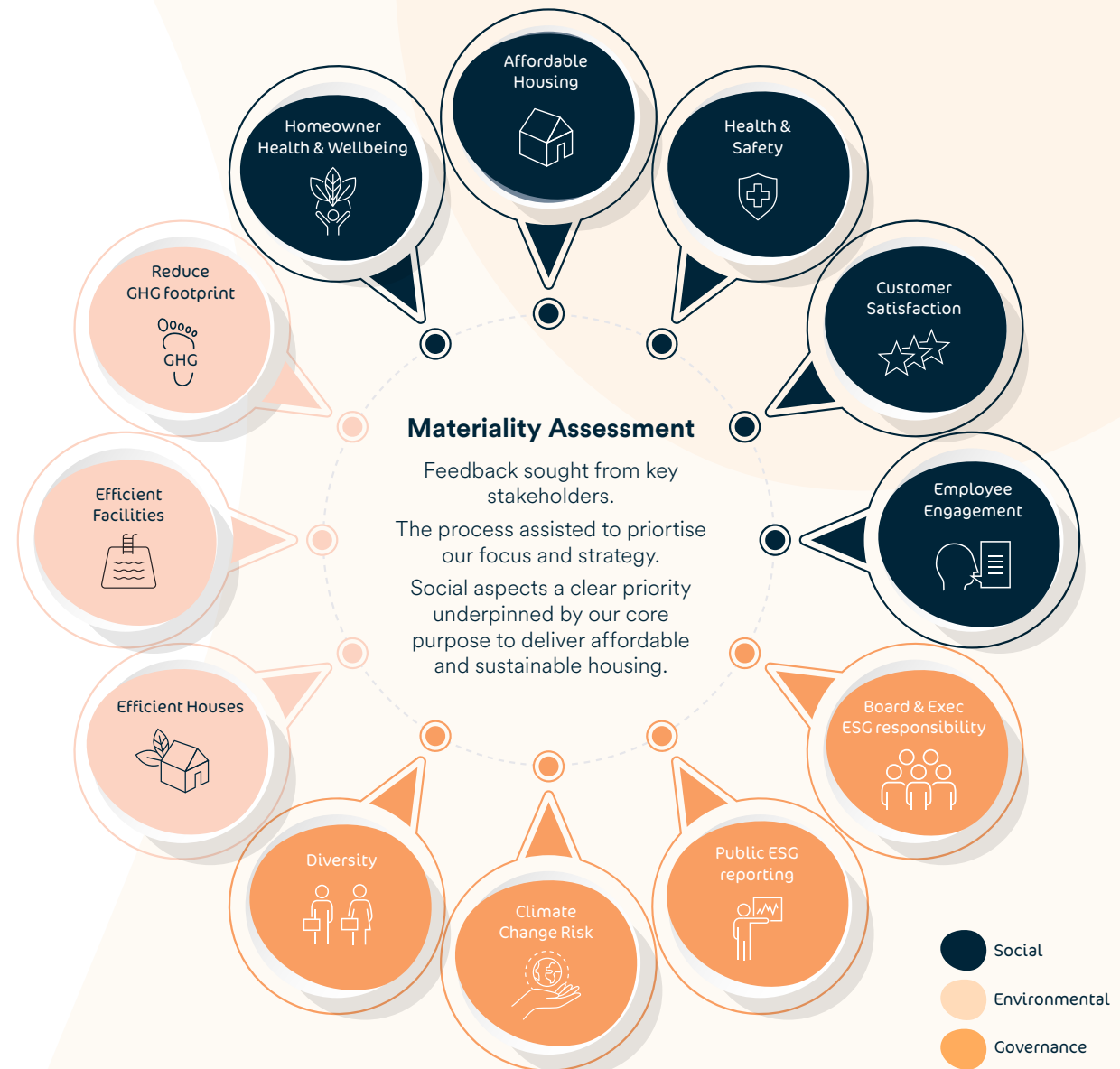
Greatest growth opportunity remains in Victoria with low saturation and accessible flat land

1.7 ESG materiality assessment

Prioritising ESG Focus Across the Business

There are numerous ingrained environmental and social benefits underpinning the business.

- Community living promotes social inclusion which reduces loneliness and other mental health issues associated with isolation
- Lifestyle Communities' affordable homes allow homeowners to free up equity by downsizing – this helps improve living standards in retirement and reduces financial anxiety
- Downsizing releases established housing stock in Melbourne's outer suburbs where demand is currently outstripping supply. These homes are typically purchased by first home buyers
- The footprint of Lifestyle Communities' homes are much smaller than established housing stock. This results in lower energy use and less greenhouse gas emissions
- The density of our communities is much greater than in traditional suburbs. This drives better utilisation of available land stocks
- All Lifestyle Communities come with a fully electric town car, two electric car fast charging stations, and a mini-bus, all for homeowner use at no additional charge. This helps reduce cost of living, promotes car pooling and shared transport, reduces traffic and greenhouse emissions
- Each Lifestyle Communities development contributes millions of dollars to the local economy, creates local employment, and provides ongoing support to local businesses



1.8 Greenhouse gas emissions inventory

Measuring our baseline

The table below shows operational greenhouse gas emissions for the 2019 and 2020 calendar years:

	2020	2019	YoY change
Scope 1 (direct emissions) (tonnes)	432	400	+8%
Scope 2 (Lifestyle electricity) (tonnes)	1,479	1,938	-24%
Scope 3 (homeowner electricity) (tonnes)	6,482	6,069	+7%
Total	8,393	8,407	-0.2%
Homes under management (end of year)	2,625	2,393	232
GHG emissions per home (tonnes)	3.35	3.68	-9%

Notes:

- (1) The shift between scope 2 and scope 3 emissions was driven by Victoria's lockdown in 2020 as community facilities were closed and homeowners spent more time at home.
- (2) Carbon Intensity per home, which adjusts for the increasing number of homes under management, reduced by 9%
- (3) Lifestyle Communities' homes are owned by the homeowners, who pay for the electricity they use. Homeowner electricity is classed as a Scope 3 emission.
- (4) Community facilities are owned by the homeowners but under the management of Lifestyle Communities therefore the electricity use of these areas is classed as a Scope 2 emission for Lifestyle Communities reporting.

Average greenhouse gas emissions of a Lifestyle Communities' house compared to a typical home in Melbourne's outer suburbs.



Average Lifestyle Communities House

3.35 tonnes
of carbon per annum



Typical 1-person house in the suburbs

5.2 tonnes
of carbon per annum



Typical 2-person house in the suburbs

8.1 tonnes
of carbon per annum

The "typical" house above refers to an average home in Broadmeadows Victoria with no pool, using gas for heating and cooking, modelled using the Governments energy made easy website: energymadeeasy.gov.au.

- Engaged independent sustainability consultants, WSP, to conduct a greenhouse gas emissions inventory using the GHG Protocol
- The GHG Protocol is the world's most widely used greenhouse gas accounting standard for companies
- Under the Protocol, GHG Emissions are broken into 3 categories
- The relevant sources for Lifestyle Communities listed below:
 - **Scope 1 Direct emissions** - On-site gas use by LIC, fuel used for LIC vehicles
 - **Scope 2 Purchased electricity** - Electricity used by LIC managed facilities
 - **Scope 3 Indirect emissions** - Electricity used by homeowners living in Lifestyle Communities



1.9 Net zero carbon future

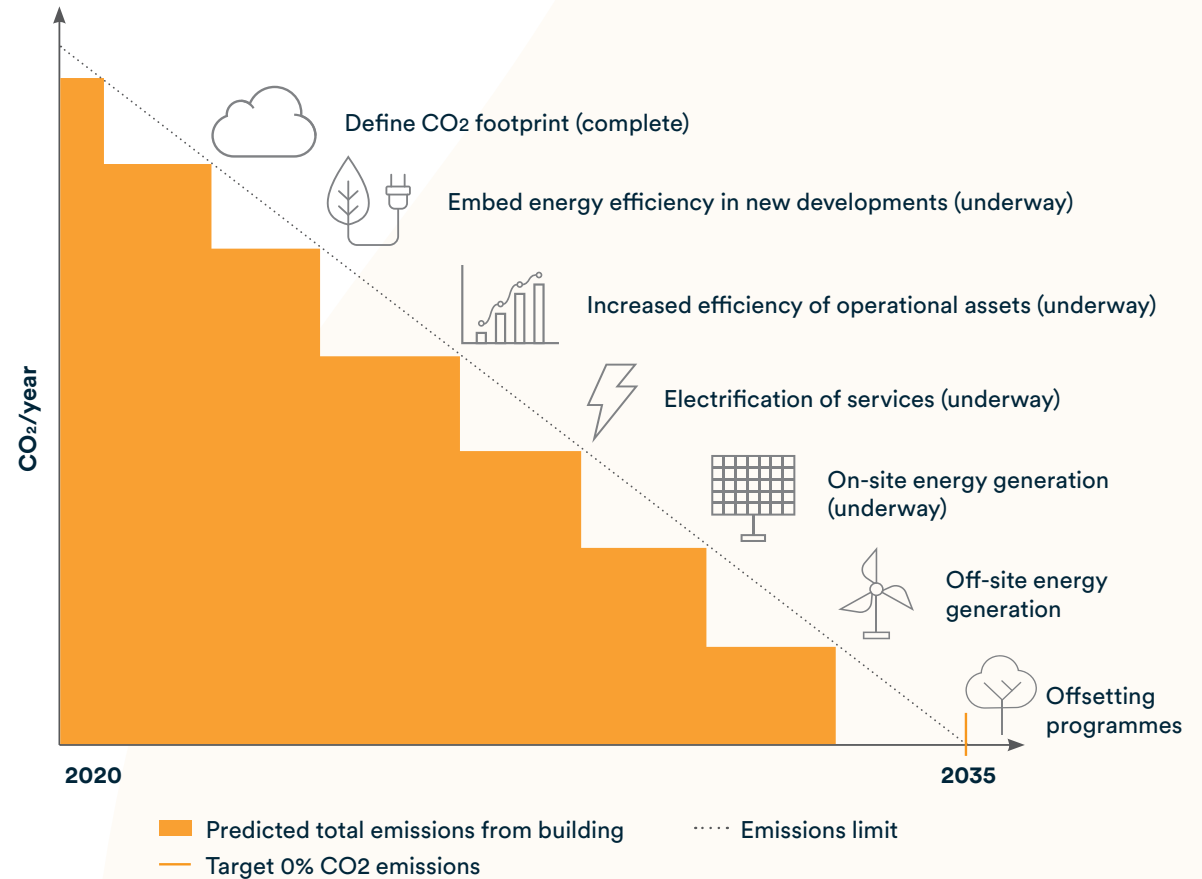
Lifestyle Communities commits to achieve net zero operational carbon emissions for scope 1, 2 and 3, by no later than 2035. The plan to achieve this is outlined in the chart to the right.

Why 2035?

- It strikes a balance between committing to improving our environmental impact and managing the associated costs of the transition
- The straight-line target will commit us to taking positive steps each year
- It allows us to take advantage of new technology being developed in this area over the next 10 – 15 years which will assist to further mitigate the costs of transition to a zero-carbon economy
- We feel it is achievable

Lifestyle Communities is already on this path:

- CO₂ footprint complete
- Energy efficient design continuously reviewed and improved with each new community developed
- All Lifestyle Communities developed after 2016 are 100% electric (no-gas)
- Our existing communities include significant on-site solar generation
- Lifestyle Meridian will be our first community to include a solar powered community micro-grid with centralised battery storage



Section 2 Operations Update

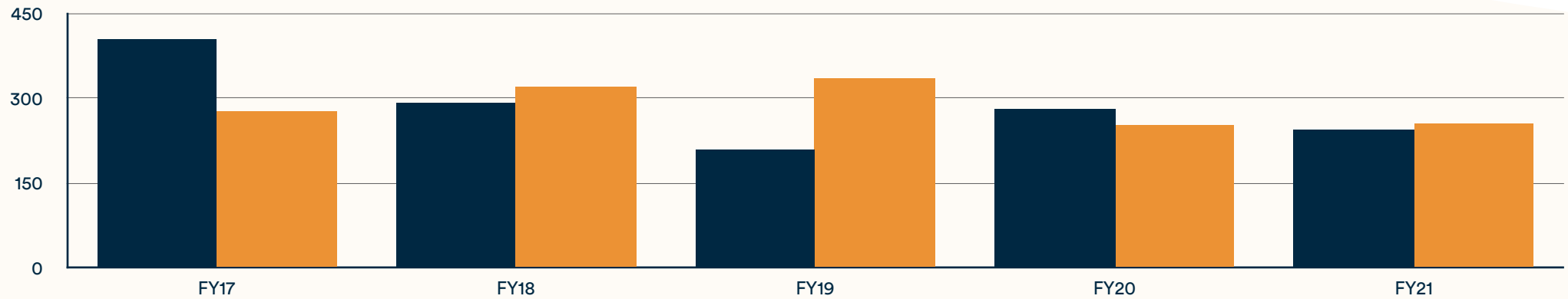


2.1 Sales and settlements

- 248 new home sales in a year heavily affected by Covid lockdowns
- Shepparton settled the last home
- Ocean Grove settled the last home in July 2021
- Actively selling new communities at Mount Duneed, Kaduna Park, Wollert, Deanside and St Leonards
- Lifestyle Meridian in Clyde North will be launched for sale in September 2021
- St Leonards' community increased to 359 homes following acquisition of adjacent land. First clubhouse due to open in November 2021
- 121 resale settlements of which 105 attracted a deferred management fee

Community	No. of Homes	Sold	% Sold
Ocean Grove	220	220	100%
Mount Duneed	191	133	70%
Kaduna Park	169	148	88%
Wollert North	246	103	42%
Deanside	266	72	27%
St Leonards	359	82	23%
Meridian	274	0	0%
Phillip Island	260	0	0%

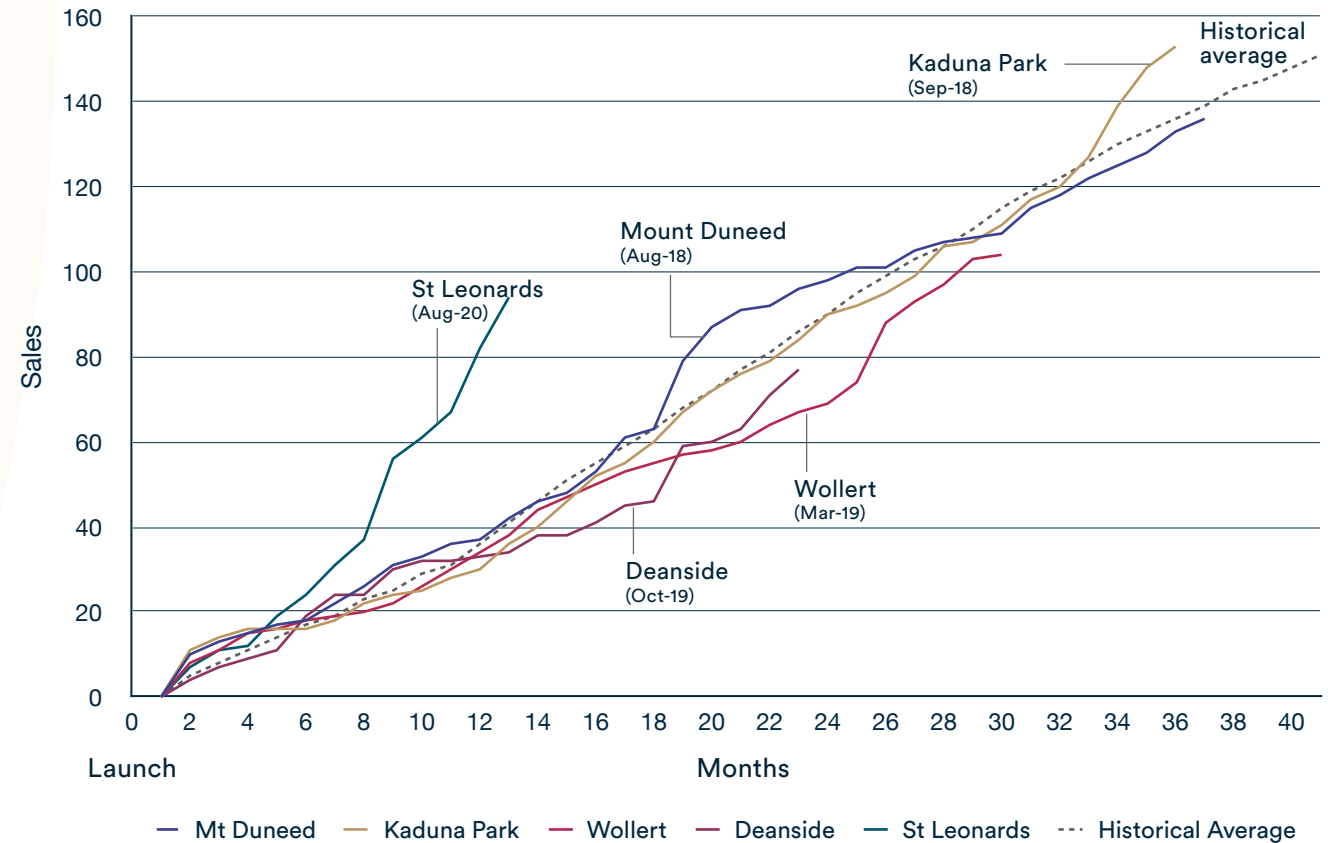
Homes



2.2 Sales rates

- Sales rates held up well despite multiple lockdowns
- Deposit holders remaining engaged. No material change in cancellation rates
- Lockdowns slow momentum but customers doing their research and are more informed when we meet them after lockdowns end
- St Leonards sales exceeded expectations giving confidence to purchase the adjacent land and increase the size of the community
- Continuing to lean into digital content and digital lead generation

Sales profile from date of first sale



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

2.3 Sales milestones and customer buying triggers



Sales launch

- Major customer event
- Local press marketing
- Database engagement



Sales Lounge opens on-site

- First impression
- Construction activity on site



First frames go up

- Homes taking shape on site
- First major “buying hurdle”



Community opens - first homeowners move in

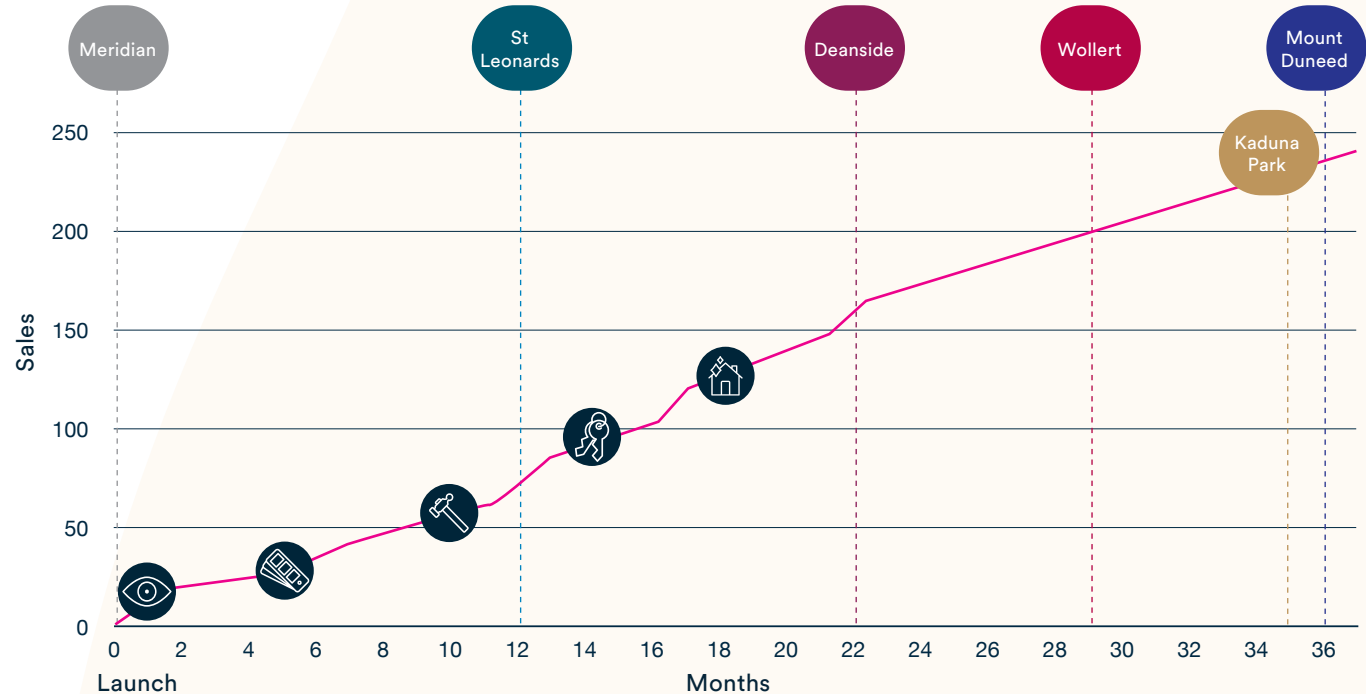
- Grand Opening event – display homes open
- Local press and database engagement
- Lived experience drives referral



Clubhouse opens

- Clubhouse launch party
- Referral ramps up
- Last major buying hurdle

Typical sales profile - Major sales milestones and customer buying triggers



Majority of projects selling in FY22 have achieved their major milestones

2.4 Our go-to-market strategy

Segmenting our target market



Already want to live in a land lease community.

- Retired and semi-retired downsizers
- Typically live within 15km
- Emerging motivation: desire a sea, tree, or me change

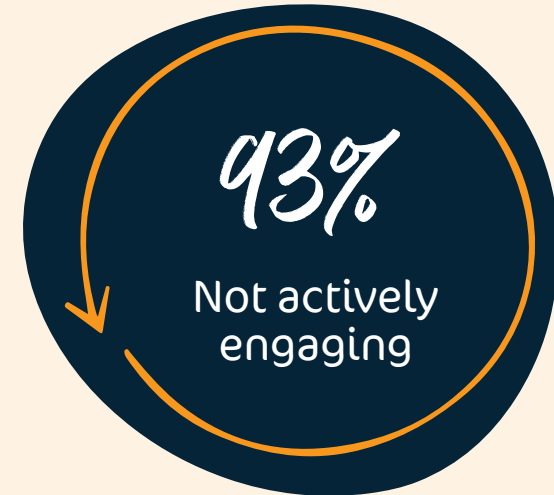
Strategy: Revisit and reaffirm



Already want to downsize to a traditional retirement village. Unsure how or where.

- Retired and semi-retired downsizers
- Considering a traditional retirement village
- Baby boomers who want ownership and control

Strategy: Educate and enlighten



Not in the market to downsize to a community.

- Retired and semi-retired Victorians
- Not actively researching

Strategy: Disrupt and delight

2.5 Developments in progress

6 Communities in development phase



Community complete.
15 homes remaining to sell.



Clubhouse complete, over 70% sold.



Clubhouse completed in May 2021.



Clubhouse completed in June 2021.



First homeowners settled in June 2021.
Clubhouse on track for completion
in December 2021.

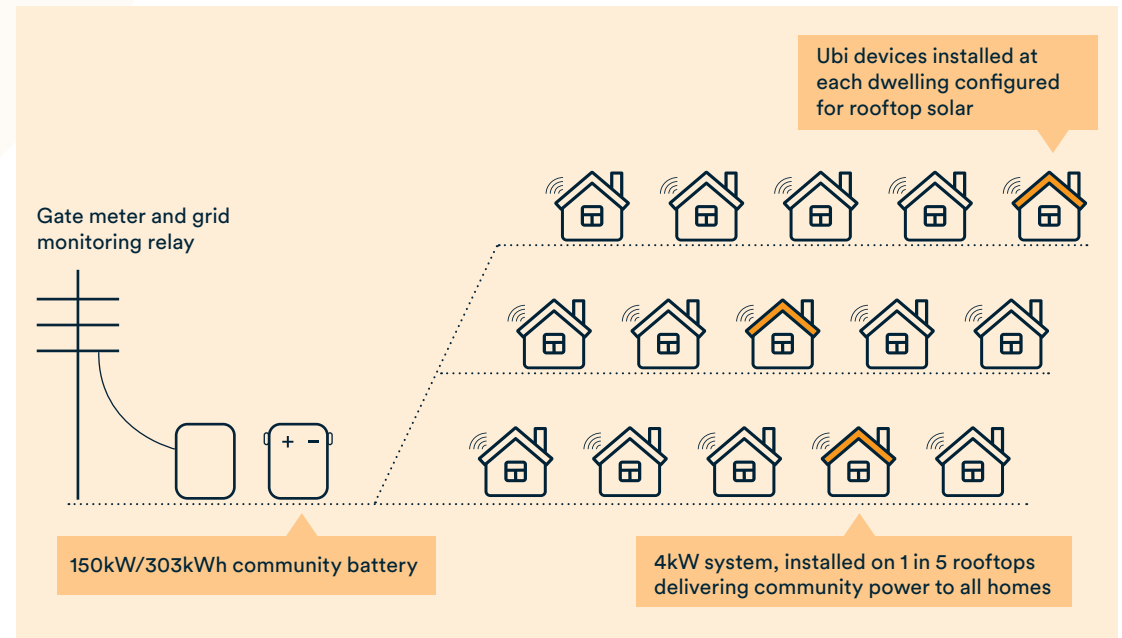


Civil works commenced. Launching for
sale in September 2021.

2.6 Meridian – our smartest community yet!

The proposed design solution

- 274 Homes
- Civil works commenced in July 2021
- Sales launch planned for September 2021
- Reimagined Clubhouse designed by DKO with wi-fi and business centre
- Next evolution in housing design
- First of its kind community solar plus battery micro-grid
- Optic fibre to the house provided by Uniti (ASX:UWL) enabling high speed Internet and streaming services with 1 year free Stan or Netflix
- Cloud based homeowner portal and social hub powered by Salesforce
- Next gen Hyundai Electric Car
- 2 electric car fast charging stations



400kW of rooftop solar.

Installed on approximately 1 in 5 dwellings.

- Right sized solution delivering cheaper electricity for all homeowners
- All PV systems are fed into the Embedded Network and shared across the community load
- Grid protection system incorporated into system design
- Large screen live visualisation dashboard installed in the clubhouse





*Section 3
Financial Results*

3.1 Financial results



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

There are two components to the annuity stream:

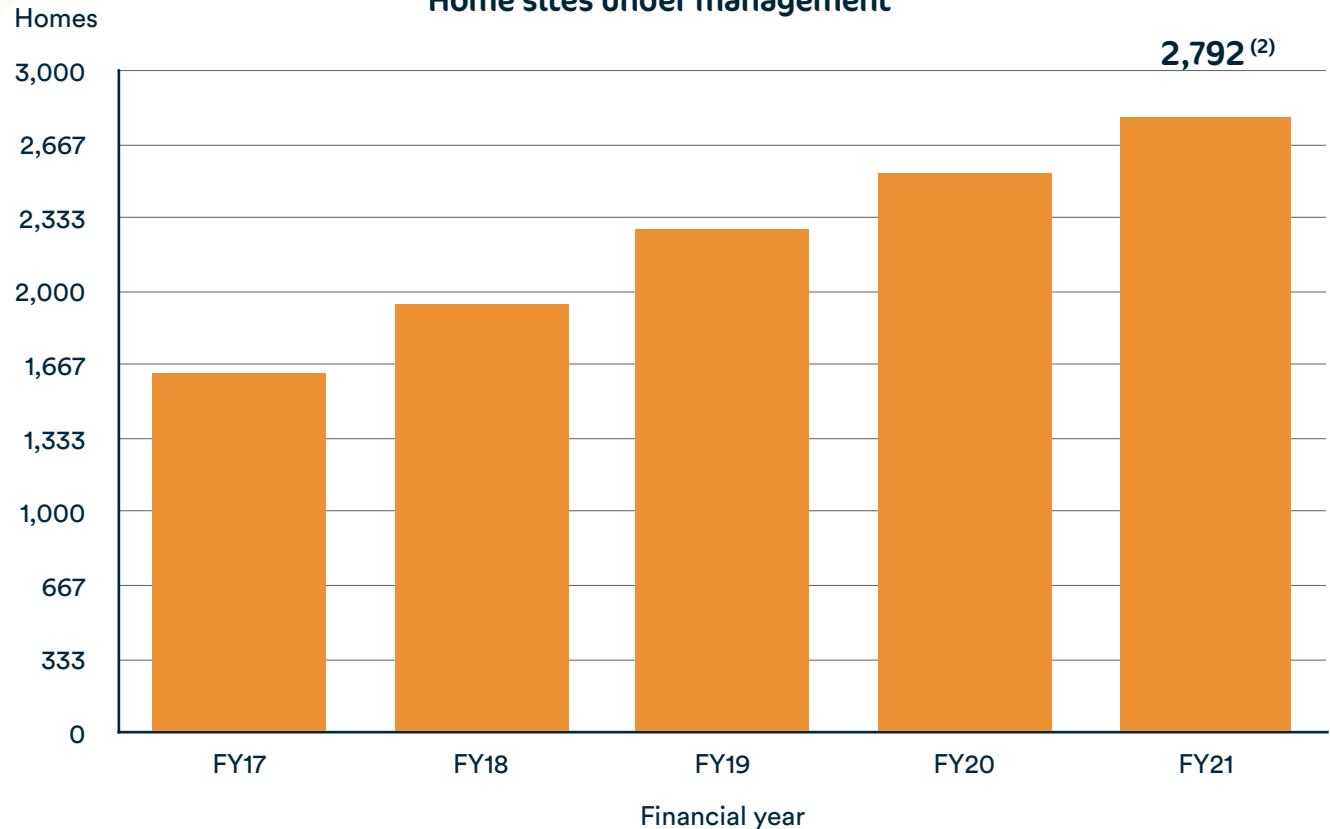
1. Site Rental Fee

- \$192 per single and \$222 per couple, per week, per home
- Indexed at greater of CPI or 3.5% p.a.
- Gross rental income for FY21 was \$25 million
- Due to Victorian Government Legislation introduced during the Covid-19 pandemic, there was a moratorium on rent increases. As a result, the increase due on 1 July 2020 was not processed. The increase due on 1 July 2021 proceeded as planned

2. Deferred Management Fee (DMF)

- Increases at 4% per year capped at 20% of the resale price
- 105 resale settlements provided DMF income of \$7.3m⁽¹⁾
- Average tenure was 6 years and average capital growth was 6.6% per annum

Home sites under management



Notes

(1) Inclusive of selling and administration fees

(2) Represents gross numbers not adjusted for joint venture interests

3.2 Income statement

- A combination of new home settlements, a continued compression in capitalisation rates, and movements in the residential property market, has resulted in a \$108.6m uplift in the value of the Company's property portfolio
- New home settlements (255) were consistent with the prior year (253) despite multiple lockdowns during FY21
- Cost of sales includes \$28.1m for the share of community infrastructure sold to each homeowner and expensed upon settlement (FY20: \$23.9m)
- Clubhouses opened at Mount Duneed, Kaduna Park, Wollert, and Deanside. Rent has commenced at those communities
- DMF revenue increased due to 105 resales attracting a DMF compared to 80 in the prior year. Benefits of the restructure of the sales team in FY21 saw decreased selling costs

Income statement	FY21 (\$'000)	FY20 (\$'000)	% Movement
Home settlement revenue	102,716	96,105	6.9%
Cost of sales	(81,338)	(75,238)	8.1%
Gross profit	21,378	20,867	2.4%
Home settlement margin	20.8%	21.7%	(4.1%)
Management and other revenue			
Site rental	25,043	22,964	9.1%
Deferred management fees	7,342	5,165	42.2%
Other revenue	3,602	3,902	(7.7%)
Total management and other revenue	35,987	32,031	12.4%
Fair value adjustments	108,590	38,943	178.8%
Development expenses (sales and marketing)	(6,466)	(6,456)	0.2%
Management rental expenses	(11,203)	(9,720)	15.3%
DMF expenses	(1,596)	(2,179)	(26.8%)
Corporate overheads	(11,881)	(9,694)	22.6%
Finance costs	(1,462)	(1,347)	8.5%
Other expenses	(2,787)	(1,315)	111.9%
Net profit before tax	130,560	61,130	113.6%
Net profit after tax	91,111	42,818	112.8%



Despite all the disruption, the team opened four new clubhouses and welcomed first homeowners to three new communities at Wollert, Deanside, and St Leonards.

3.3 Balance sheet

- The value of inventory held has increased due to:
 - the ramp-up of civil costs at Wollert, Deanside and St Leonards to facilitate housing construction and future settlements
 - Increased stock of completed houses to service the “ready-to-move” market
 - preparation for future settlements at St Leonards
- Trade payables includes accruals for future land settlements at Wollert, Meridian, Clyde, Woodlea, and St Leonards (site 2)
- Borrowings have increased in line with the ramp-up in civil programs, increased inventory, settlement of land at St Leonards (site 1), and deposits on new acquisitions at Woodlea and St Leonards (site 2)

Balance sheet highlights	FY21 (\$'000)	FY20 (\$'000)	% Movement
Cash and cash on deposit	2,300	16,381	(86.0%)
Inventories	125,243	73,931	69.4%
Investment properties	636,455	493,602	28.9%
Other assets	17,278	12,739	35.6%
Total assets	781,276	596,653	30.9%
Trade and other payables	94,640	75,217	25.8%
Current tax payable	1,712	244	601.5%
Interest-bearing loans and borrowings	190,000	145,000	31.0%
Deferred tax liabilities	115,365	82,799	39.3%
Other liabilities	1,464	2,020	(27.5%)
Total liabilities	403,181	305,280	32.1%
Net assets	378,095	291,373	29.8%
Gearing ⁽¹⁾	33.2%	30.6%	8.3%

Notes

(1) Calculated as a ratio of net debt to net debt plus equity (net debt includes cash)

Lifestyle Communities operates within a highly disciplined capital management framework with a focus on recycling capital and organic growth.

3.4 Cash flow

- Receipts from customers increased due to increasing annuity revenue, increased deferred management fees, and change in settlement mix
- Payments to suppliers and employees includes \$60m for community infrastructure which will be proportionately sold with each home (FY20 \$35.5m)
- Purchase of investment properties includes settlement of land at St Leonards (site 1) and deposits at Woodlea and St Leonards (site 2)



Cash Flow Highlights	FY21 (\$'000)	FY20 (\$'000)
Receipts from customers	149,101	138,783
Payments to suppliers and employees ⁽¹⁾	(172,218)	(123,387)
Income tax paid	(5,792)	(5,619)
Net interest payments	(4,156)	(4,599)
Jobkeeper	1,139	521
Cash flows from operations	(31,926)	5,698
Purchase of PP&E	(5,560)	(2,613)
Purchase of investment properties	(15,573)	(30,156)
Cash flows from investing activities	(21,133)	(32,769)
Principal elements of lease payments	(274)	(260)
Net movement in borrowings	45,000	45,000
Dividends paid	(5,748)	(6,271)
Cash flows from financing activities	38,978	38,469
Net cash flows	(14,081)	11,399
Cash at the beginning of the year	16,381	4,982
Cash at the end of the year	2,300	16,381

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 7 and 8 for a detailed breakdown of development and management cash flows per community for FY21 and FY20.

Section 4 Outlook



4.1 Outlook

- Lifestyle Communities has a focused strategy to service a niche - providing high quality affordable housing to downsizers
- Currently funded and resourced to acquire at least two new sites per year, subject to identification of appropriate sites
- Focused on Melbourne’s growth corridors as well as key Victorian regional centres and coastal locations
- The Company enters FY21 with 250 new homes sold and awaiting settlement
- With the current pipeline of projects, we anticipate settlements to be in the range of 1,100 to 1,300⁽³⁾ over the next 3 years⁽⁴⁾
- Resale settlements attracting a DMF are anticipated to be in the range of 450 to 550 over the next 3 years⁽⁴⁾
- Terms agreed with lenders to extend the existing debt facility by \$100m to a total of \$375m. Next refinancing due June 2025
- Operating cash flow is underpinned by the ongoing rental annuities from 2,792 homes under management
- Lifestyle Meridian will see the next evolution of housing design, clubhouse design plus a first of its kind solar + battery micro-grid
- Implementation of Salesforce and SAPByDesign will transform our systems and processes to underpin future growth

Notes

- (1) Subject to planning approval and contracts becoming unconditional
- (2) Commencement of construction subject to planning approval
- (3) Settlement goals dependent on construction commencement date and planning approvals
- (4) Settlement ranges subject to fluctuations at various times during this 3-year period due to the potential for ongoing restrictions and lockdowns

Community	FY22				FY23				FY24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mount Duneed												
Kaduna Park												
Wollert												
Deanside												
St Leonards												
Meridian												
Woodlea ⁽²⁾												
Pakenham ⁽¹⁾												
Clyde ⁽²⁾												
Tyabb ⁽¹⁾												
Phillip Island ⁽²⁾												



Represents tail of development which is often a slower settlement rate



Funded and resourced to acquire at least two new communities every 12 months

Section 5 Summary



5.1 Summary

- Enquiries, sales and settlements impacted by Covid-19 restrictions
- Four new clubhouses opened. Three Communities welcomed first homeowners during the year
- FY21 delivered 255 new home settlements and 105 resale settlements that attracted a DMF
- We enter FY22 with 250 new homes sold and awaiting settlement
- Construction commenced at Lifestyle Meridian
- Acquisitions at Woodlea, Phillip Island and St Leonards has increased the total portfolio to 5,094⁽¹⁾ homes
- Annuity income from site rental fees grew by \$2.1m to \$25m
- Well capitalised to continue to acquire new sites to deliver continued growth
- New housing and clubhouse designs, I.T. system transformation, and go-to-market strategy will drive sales and support continued growth

A business maintaining a singular focus on high-quality, affordable housing for the long-term



Appendix



A.1 Model of living

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 75-80% of the median house price in the target catchment



90 Year Lease

A 90-year lease over the land provides security of tenure



On average, release of approximately \$220,000 upon sale of previous home



Homeowners at Lifestyle Communities are covered by the Residential Tenancies Act



The weekly site fee is approx. 20-25% of the Aged Pension after receipt of the Commonwealth Rental Assistance.

A.2 Growing recurring revenue stream

Lifestyle Communities' business has two core elements

1. Creating communities

A mix of equity and debt capital is used to develop greenfield sites to create new communities. Capital is recovered from one community and is recycled into the next project.



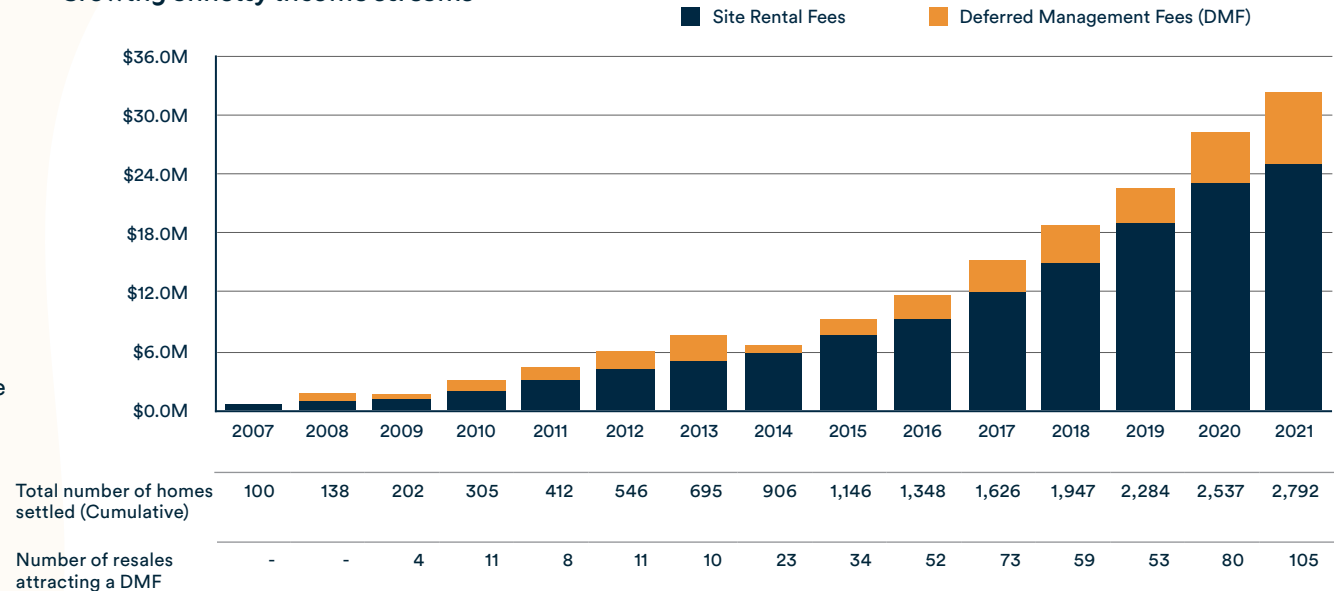
Current speed of capital recycling allowing the acquisition of at least two new sites every year

Completed communities build a long-term sustainable income and future dividends

2. Managing communities

Completed communities generate recurring revenue streams which are growing as new communities are added to the portfolio.

Growing annuity income streams



Rentals increase at CPI or 3.5% whichever is greater ⁽¹⁾
DMF of 20% after 5 years on the resale price of the home.

The speed at which Lifestyle Communities can create new communities is limited by the size of the capital pool and the speed at which it can recover its capital through driving new home settlements

Notes

(1) Due to Victorian Government Legislation introduced during the Covid-19 pandemic, there was no increase on 1 July 2020



A.3 Dividend policy

As a general principle, 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 5.0 cents per share (taking the full year to 8.0 cents per share) has been declared in respect of FY21 (the dividend has a record date of 3 September 2021 and a payment date of 7 October 2021)

Surplus franking credits

- As at 30 June 2021 the franking account balance was \$22.8m (after allowing for the final dividend and tax payable for FY21)

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

A.4 Sales and settlements

Communities	New home settlements		Net sales		Resale home settlements	
	FY21	FY20	FY21	FY20	FY21	FY20
Existing Communities – Sold out						
Brookfield at Melton					13	14
Seasons at Tarneit					8	3
Warragul					5	10
Casey Fields at Cranbourne ⁽¹⁾					12	10
Shepparton	8	20		12	17	7
Chelsea Heights ⁽¹⁾					7	11
Hastings					12	7
Lyndarum at Wollert					5	5
Geelong		1			7	5
Officer					4	7
Berwick Waters		7		4	5	9
Bittern		32		6	14	11
Ocean Grove	34	117	9	60	10	3
Existing Communities – Under construction						
Mount Duneed	55	57	21	71	2	
Kaduna Park at Officer South	91	19	58	48		
Wollert	36		44	41		
Deanside	24		34	38		
St Leonards	7		82			
Existing Communities – Awaiting commencement						
Tyabb ⁽³⁾						
Pakenham ⁽³⁾						
Meridian at Clyde North ⁽²⁾						
Clyde ⁽²⁾						
Woodlea ⁽⁴⁾						
Phillip Island ⁽⁴⁾						
Total	255	253	248	280	121	102

Notes

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

(2) Total resale settlements were 121, of which 105 attracted a DMF

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

(4) Commencement of construction subject to planning approval

A.5 Investment property analysis

Community Valuation Summary (On completion)							
	Last independent valuation date	Rent		DMF metrics (extracts from valuations)			
		Rental cap. rate ¹	Net rental per home ⁽³⁾ (from valuation adjusted)	DMF discount rate	DMF terminal cap. rate ⁽⁴⁾	Average sale value (GST incl.)	
Existing Communities - sold out							
Brookfield at Melton	Jun-20	5.60%	7,847	14.25%	N/A	335,592	
Seasons at Tarneit	Jun-20	5.60%	7,083	14.25%	N/A	341,397	
Warragul	Jun-20	5.60%	6,834	13.00%	10%	315,082	
Casey Fields at Cranbourne	Jun-20	5.60%	7,404	13.00%	10%	396,129	
Shepparton	Jun-21	5.50%	7,972	13.75%	N/A	261,583	
Chelsea Heights	Jun-21	5.75%	6,854	13.00%	10%	591,613	
Hastings	Jun-21	5.50%	7,374	13.75%	N/A	452,872	
Lyndarum at Wollert	Jun-20	5.50%	6,443	13.00%	N/A	399,000	
Officer	Jun-21	5.60%	7,164	13.75%	N/A	419,007	
Geelong	Jun-20	5.60%	6,880	13.25%	N/A	371,000	
Berwick Waters	Jun-21	5.50%	7,612	13.00%	10%	447,509	
Bittern	Jun-21	5.50%	7,751	13.00%	10%	465,713	
Ocean Grove	Jun-20	5.60%	7,326	13.00%	10%	449,614	
Existing Communities - selling and settling							
Mount Duneed	Jun-21	5.50%	8,104	13.75%	N/A	444,674	
Kaduna Park	Jun-21	5.50%	7,479	13.00%	10%	474,361	
Wollert	Jun-21	5.50%	11,920	13.00%	10%	481,333	
Deanside	Jun-21	5.75%	6,901	13.00%	10%	504,793	
St Leonards	Dec-20	5.60%	7,372	13.00%	10%	430,980	

Notes:

(1) As per independent valuations for communities valued in June 2021 and as per Directors' valuation for other communities

(2) Represents 100% of the development of which LIC will share 50%

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

(4) 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.6 Investment property analysis

Community Valuation Summary			Investment properties per financials 30 June 2021	
	Total Homes	Homes Occupied	Investment properties at cost ⁽¹⁾ (\$m)	At fair value (\$m)
Mature Communities				
Brookfield at Melton	228	228	6.76	43.14
Seasons at Tarneit	136	136	3.68	24.28
Warragul	182	182	2.53	30.96
Casey Fields at Cranbourne	217	217	3.37	25.41
Shepparton	300	300	3.16	54.66
Chelsea Heights	186	186	6.19	24.37
Hastings	141	141	7.36	28.30
Lyndarum at Wollert	154	154	7.13	25.82
Officer	151	151	5.49	28.62
Geelong	164	164	6.95	28.05
Berwick Waters	216	216	12.14	43.59
Bittern	209	209	7.42	42.66
Ocean Grove	220	219	17.60	40.44
Communities under development or in planning				
Mount Duneed	191	112	11.13	27.08
Kaduna Park at Officer South	169	110	14.50	25.94
Wollert North	246	36	14.67	22.23
Deanside	266	24	25.12	27.16
Tyabb ⁽³⁾	240	-	0.29	0.29
St Leonards	359	7	29.47	30.16
Meridian at Clyde North	274		23.00	23.00
Pakenham East ⁽³⁾	175		1.40	1.40
Clyde ⁽²⁾	230		22.20	22.20
Woodlea ⁽²⁾	180		16.70	16.70
Total	4,834	2,792	248.27	636.45

Notes:

(1) Represents LIC's share of the original cost

(2) Commencement of construction subject to planning approval

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

A.7 Deferred management fees

	Brookfield	Seasons	Warragul	Casey Fields	Shepparton	Chelsea Heights	Hastings	Lyndarum	Officer	Geelong	Berwick Waters	Bittern	Ocean Grove	Total
Historical resales ⁽¹⁾	149	37	71	64	35	51	45	14	18	13	13	13	4	527
Average tenure (years)	7.0	6.2	4.8	4.8	4.6	4.0	3.5	3.2	2.8	3.1	2.5	2.2	1.9	5.0
Average price growth p.a.	5.2%	3.0%	3.6%	5.6%	3.7%	16.5%	10.6%	9.1%	10.7%	10.1%	9.4%	13.5%	15.9%	7.1%
Average purchase price (move in)	191,590	241,205	245,487	296,041	225,555	333,576	313,609	339,583	316,342	317,560	380,890	382,729	422,752	263,874
Average sales price (move out)	254,067	286,689	285,225	372,867	264,029	533,725	408,189	432,107	404,056	410,500	462,769	500,846	548,750	343,052
Average DMF ⁽²⁾	41,419	50,767	46,710	61,203	44,633	86,612	58,455	61,081	52,157	57,180	49,754	51,529	49,000	53,023
Average DMF rate	16.3%	17.6%	16.3%	16.1%	17.1%	15.8%	14.0%	14.3%	12.8%	14.2%	10.8%	10.2%	9.0%	15.6%
Total DMF received ⁽²⁾	6,171,372	1,878,380	3,316,437	3,916,980	1,562,160	4,417,199	2,630,480	855,140	938,820	743,340	646,800	669,880	196,000	27,942,988
FY21 resales ⁽¹⁾	12	7	5	12	17	6	11	5	4	6	5	11	4	105
Average tenure (years)	11.7	8.9	8.2	7.4	5.6	6.9	4.9	4.1	3.9	3.7	2.8	2.3	1.9	6.0
Average price growth p.a.	5.7%	2.0%	3.1%	4.5%	4.0%	10.3%	4.1%	6.4%	8.9%	7.9%	6.3%	14.3%	15.9%	6.6%
Average purchase price (move in)	190,455	260,115	251,591	300,902	230,622	374,144	369,559	323,930	327,445	333,452	397,661	390,721	422,752	305,838
Average sales price (move out)	312,042	308,571	316,000	399,375	282,912	627,500	441,818	410,000	439,250	430,333	468,200	521,455	548,750	403,548
Average DMF ⁽²⁾	54,806	59,786	60,300	75,692	50,484	121,133	74,673	75,600	71,360	71,687	56,168	55,262	49,000	65,435
Average DMF rate	17.5%	19.3%	19.0%	19.0%	18.6%	19.3%	17.1%	18.4%	16.0%	16.7%	12.0%	10.5%	9.0%	16.7%
Total DMF received ⁽²⁾	657,675	418,500	301,500	908,300	858,220	726,800	821,400	378,000	285,440	430,120	280,840	607,880	196,000	6,870,675
FY20 resales ⁽¹⁾	14	3	6	9	6	11	6	5	6	4	8	2	-	80
Average tenure (years)	10.1	7.2	5.6	6.8	4.5	4.9	4.8	2.8	3.2	2.8	2.2	1.6	-	5.4
Average price growth p.a.	6.0%	0.7%	3.5%	5.4%	3.1%	13.1%	5.9%	9.2%	9.7%	13.1%	11.3%	8.9%	-	7.7%
Average purchase price (move in)	186,740	279,733	254,267	301,752	223,304	339,992	343,666	358,638	298,405	291,090	370,409	338,775	-	290,318
Average sales price (move out)	288,071	326,667	304,833	408,278	253,750	550,818	438,333	448,900	389,167	391,125	459,375	387,500	-	391,525
Average DMF ⁽²⁾	48,471	52,933	54,233	76,000	44,437	105,327	71,733	57,188	54,567	46,605	45,745	31,000	-	61,627
Average DMF rate	17.0%	16.0%	18.0%	18.7%	16.7%	19.3%	16.0%	12.8%	14.0%	13.0%	10.0%	8.0%	-	15.8%
Total DMF received ⁽²⁾	678,600	158,800	325,400	684,000	266,620	1,158,600	430,400	285,940	327,400	186,420	365,960	62,000	-	4,930,140

Notes

(1) Only includes resales that attracted a DMF.

(2) Excludes selling and administration fees.

A.8 Fair value breakdown

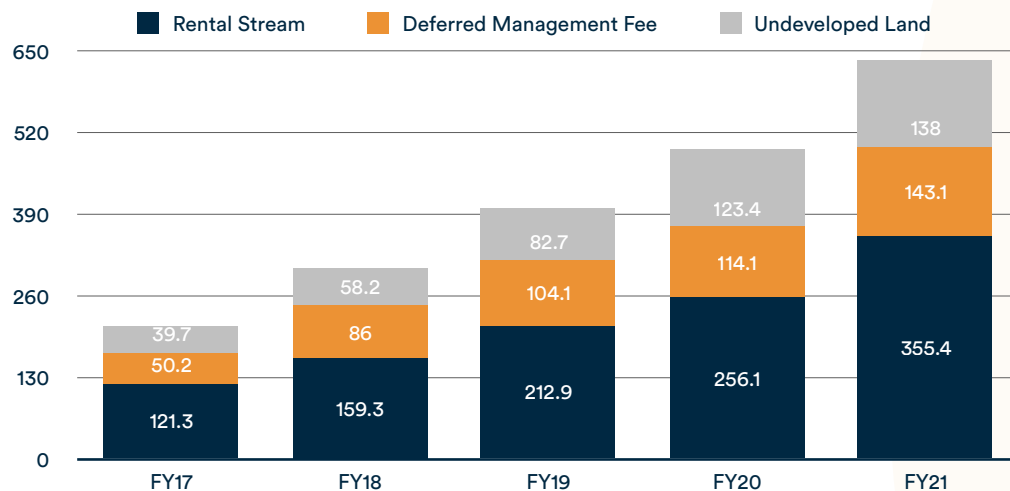
At Lifestyle Communities, homeowners purchase a proportionate share of the clubhouse, pool, recreational facilities, and all associated infrastructure when they purchase their home. This helps build a sense of community, shared ownership, and pride. Due to this operating model, the cost of this infrastructure is capitalised to inventory during development and then classified as costs of goods sold upon settlement. The initial addition to the Lifestyle Communities' Balance Sheet is the cost of the underlying land and this is classified as an investment property.

The fair value adjustment typically comprises three components:

1. The value uplift created when a customer settles on their home and acquires their share of the infrastructure, which in turn delivers an ongoing annuity stream in the form of the land rental and deferred management fee
2. The uplift created as a result of the contractual rent increase applied to settled homes each year
3. Changes in fair market values due to changes in valuation assumptions used by independent valuers. These typically include external market factors outside of Lifestyle Communities' control such as rent capitalisation rates, external market price growth assumptions and other available market data

Conversion of undeveloped land into completed homes:

- The worked example to the right shows how a typical transaction is recorded in the P&L, balance sheet and cash flow statement:
 - the cash flow demonstrates Lifestyle Communities' "zero development surplus" cash target
 - the P&L and Balance Sheet demonstrate that the fair value of the rental and DMF annuity streams are recognised upon settlement of each home
- Any further uplift as a result of changes to assumptions used by independent valuers is shown as "Other Fair Value" adjustments



Investment Properties Carrying Value at 30 June 2020	493,602
Land Acquisitions & Accruals for Contracted Land	34,262
Underlying Fair Value Adjustments	
3.5% increase on completed rental stream (contracted)	8,814
Conversion of Undeveloped Land into Completed Homes - 255 Settlements (Value of Rent & DMF Annuities)	21,542
Movements as a result of changes to valuation assumptions	78,234
Investment Properties Carrying Value at 30 June 2021	636,454

Work Example (Per House)	Cash flow	P&L
Sale Price (incl. GST)	444,400	-
Sale Price (excl. GST)	404,000	404,000
Land	(84,000)	
Cost of sales		
Civils, Consultants & Authority Costs	(65,000)	(65,000)
Housing (Construction & Landscaping etc.)	(210,000)	(210,000)
Clubhouse & Common Areas	(35,000)	(35,000)
Interest & Overheads	(10,000)	(10,000)
Total Costs	(404,000)	(320,000)
Pre-tax Development Surplus/(Deficit)	0	
Gross Profit / (Loss)		84,000
Gross Margin %		20.8%
Underlying Fair Value Uplift		100,000
Profit / (Loss) before tax		184,000
Gross margin %		45.5%
Balance Sheet		
Land		84,000
Underlying Fair Value Uplift		100,000
Total Carrying Value		184,000

The numbers in the worked example above are for illustrative purposes only.

A.9 Cash flow analysis

FY21

Supplementary Cash Flow Analysis for FY21	Fully settled Communities ⁽³⁾	Ocean Grove	Mount Duneed	Kaduna Park	Wollert North	Deanside	St Leonards	Meridian at Clyde North	Future Communities ⁽⁴⁾	Total
Total Number of Homes	2,284	220	191	169	246	266	359	274	825	4,834
Settled FY21	8	34	55	91	36	24	7			255
Remaining homes and lots available to settle	-	1	79	59	210	242	352	274	825	2,042
Capital Cash Flows (\$million)										
Land	-	-	-	-	-	-	(13.97)	-	(1.60)	(15.57)
Development Expenditure (development and sales)	(0.55)	(0.54)	(5.07)	(7.15)	(22.77)	(18.69)	(10.50)	(0.71)	(0.53)	(66.51)
Home Construction	-	(0.23)	(13.48)	(19.83)	(16.42)	(10.98)	(7.29)	-	(0.01)	(68.24)
Home Settlements	2.04	14.40	22.07	37.56	14.65	8.76	3.23	-	-	102.71
Net Development Cash Flows	1.49	13.63	3.52	10.58	(24.54)	(20.91)	(28.53)	(0.71)	(2.14)	(47.61)
Annuity Cash Flows (\$million)										
Site Rentals (incl. management fees)	21.91	2.15	0.66	0.31	0.02	-	-		-	25.05
DMF Received (net) ⁽¹⁾	5.58	0.23	(0.01)	(0.03)	(0.01)	(0.01)	-		-	5.75
Community Operating Costs ⁽³⁾	(7.94)	(0.74)	(0.50)	(0.53)	(0.13)	(0.12)	(0.05)		-	(10.01)
Net result from utilities ⁽²⁾	0.06	-	(0.05)	(0.03)	(0.04)	-	-		-	(0.06)
Net Annuity Cash Flows	19.61	1.64	0.10	(0.28)	(0.16)	(0.13)	(0.05)	-	-	20.73
Head Office Costs										(8.75)
Operations Management overheads										(1.19)
Net Operating Cash Flows										(36.82)
Reconciliation to statutory cash flows										
Less - Interest										(4.14)
Less - Income taxes paid										(5.79)
Add - JobKeeper received										1.14
Add - Land (investing cash flow)										15.57
Add - Movement in working capital										(1.89)
Statutory Cash Flows from Operations (\$million)										(31.93)

Notes
(1) Deferred management fees received are inclusive of selling and administration fees as well as wages and marketing costs
(2) 50% of cash flows for joint ventures are reflected above
(3) Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, Lifestyle Hastings, Lifestyle Lyndarum in Wollert, Lifestyle Geelong, Lifestyle Officer, Lifestyle Berwick Waters, Lifestyle Shepparton and Lifestyle Bittern are fully settled
(4) Lifestyle Tyabb, Lifestyle Pakenham East, Lifestyle Clyde, Lifestyle Woodlea and Lifestyle Phillip Island

A.10 Cash flow analysis

FY20

Supplementary Cash Flow Analysis for FY20	Fully settled Communities ⁽³⁾	Shepparton	Geelong	Berwick Waters	Bittern	Ocean Grove	Mount Duneed	Kaduna Park	Wollert North	Deanside	Future Communities in planning ⁽⁴⁾	Total
Total Number of Homes	1,395	300	164	216	209	220	191	169	246	266	1,118	4,494
Settled FY20	-	20	1	7	32	117	57	19	-	-	-	253
Remaining homes and lots available to settle	-	8	-	-	-	35	134	150	246	266	1,118	1,957
Capital Cash Flows (\$million)												
Land	-	-	-	-	-	-	-	-	-	(24.02)	(6.1)	(30.16)
Development Expenditure (development and sales)	(0.08)	(0.45)	(0.08)	0.01	(1.25)	(3.33)	(12.96)	(10.05)	(7.04)	(6.03)	(0.6)	(41.85)
Home Construction	-	(0.10)	(0.00)	(0.03)	(0.14)	(18.69)	(21.30)	(11.38)	0.22	(0.11)	(0.0)	(51.55)
Home Settlements	-	5.09	0.25	2.80	12.35	46.25	21.92	7.44	-	-	-	96.10
Net Development Cash Flows	(0.08)	4.54	0.18	2.78	10.96	24.23	(12.34)	(13.98)	(6.82)	(30.17)	(6.75)	(27.46)
Annuity Cash Flows (\$million)												
Site Rentals (incl. management fees)	12.66	3.01	1.69	2.22	2.09	1.29	-	-	-	-	-	22.96
DMF Received (net) ⁽¹⁾	2.32	0.20	0.12	0.33	0.06	(0.02)	(0.01)	(0.00)	-	-	-	2.99
Community Operating Costs ⁽²⁾	(4.99)	(1.17)	(0.63)	(0.67)	(0.63)	(0.67)	(0.18)	(0.01)	(0.00)	-	-	(8.97)
Net result from utilities	(0.11)	(0.00)	0.01	(0.03)	(0.03)	(0.04)	(0.01)	-	-	-	-	(0.21)
Net Annuity Cash Flows	9.88	2.04	1.18	1.84	1.48	0.57	(0.20)	(0.02)	(0.00)		-	16.78
Head Office Costs												(8.00)
Operations Management Overheads												(0.73)
Net Operating Cash Flows												(19.41)
Reconciliation to statutory cash flows												
Less - Interest												(4.60)
Less - Income taxes paid												(5.39)
Add - JobKeeper received												0.52
Add - Land (investing cash flow)												30.16
Add - GST movement												3.60
Add - Movement in working capital												0.82
Statutory Cash Flows from Operations (\$million)												5.70

Notes

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

(2) 50% of cash flows for joint ventures are reflected above

(3) Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, Lifestyle Hastings, Lifestyle Lyndarum in Wollert, Lifestyle Geelong, Lifestyle Officer, Lifestyle Berwick Waters and Lifestyle Bittern are fully settled

(4) Lifestyle Tyabb, Lifestyle St Leonards, Lifestyle Pakenham East, Lifestyle Meridian and Lifestyle Clyde

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