



Interim Report

for the half year ended 31 December 2021

Lifestyle Communities Limited
ABN: 11 078 675 153

Lifestyle Deanside





Lifestyle Deanside





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Directors' Report

For the half year ended 31 December 2021

The Directors are pleased to present their report together with the condensed financial report of the consolidated entity consisting of Lifestyle Communities Limited and its controlled entities (the Group), for the half-year ended 31 December 2021 and the independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

1. Operating and Financial Review

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the first half of the 2022 financial year and we continued to work towards our objective of being the most customer centric and innovative provider of high-quality affordable housing for those looking to downsize in Victoria.

Financial and Operating Highlights

		1HFY22	1HFY21	Change	Change (%)
Revenue	A\$ millions	93.9	51.2	42.7	83.4%
Earnings before interest and tax	A\$ millions	40.0	21.3	18.7	87.8%
Net profit before tax	A\$ millions	39.3	20.4	18.9	92.6%
Net profit after tax	A\$ millions	27.5	14.1	13.4	95.0%
Operating cash flow	A\$ millions	(16.7)	(25.4)	8.7	34.6%
Community cash flow ¹	A\$ millions	11.7	8.9	2.8	34.3%
Earnings per share	A\$ cents	26.4	13.5	12.9	95.6%
Diluted earnings per share	A\$ cents	26.3	13.5	12.8	94.8%
Interim dividend per share	A\$ cents	4.5	3.0	1.5	50.0%
Homes settled	No. of homes	166	88	78.0	88.6%
Homes sold	No. of homes	168	72	96.0	133.3%
Number of resale settlements attracting a DMF ²	No. of homes	68	32	36.0	112.5%

		31/12/2021	30/06/2021		
Gearing ³	%	40.9	33.2	7.7	23.2%
Return on average capital employed ⁴	%	19.2	19.8	(0.6)	(3.0)%
Average realised sales price new homes (GST incl)	A\$'000	513	485	28	5.8%
Total number of homes (gross)	No. of homes	2,958	2,792	166	5.9%
Total number of homes (after NCI) ⁵	No. of homes	2,757	2,591	166	6.4%
Total number of homeowners	No. of homes	4,245	4,014	231	5.8%
Average age of homeowner	Years	75	75	0	0%

- 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.
- Includes resales attracting a deferred management fee, there were a further 5 resales settled in 1HFY22 (1HFY21: 6 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.
- Calculated as a ratio of net debt to net debt plus equity.
- Calculated as a ratio of EBIT (annualised using previous 12 months) divided by average total assets less average current liabilities.

- Gross number of homes adjusted for share of communities owned by non controlling interests.

Included in the key data above 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 2022 financial year.

The team delivered 166 new home settlements and 68 resale settlements attracting a deferred management fee during the period compared with 88 new home settlements and 32 resale settlements in the prior corresponding period. The increase in settlements resulted in an increase in net profit after tax from \$14.1 million to \$27.5 million.

We were pleased to execute contracts to purchase three new parcels of land at Merrifield, Phillip Island and Ocean Grove. The Phillip Island site (announced FY21 results) is an outstanding opportunity to acquire one of the last development sites in Cowes. The Merrifield site and our second site at Ocean Grove leveraged relationships with key developers in Victoria and we look forward to working in partnership with those developers to commence construction on these projects over the next 2–3 years. In August 2021 we executed contracts with our lending syndicate to increase our debt facilities by \$100m to \$375 million. The additional debt will support the continued growth of the development pipeline over the next 3–5 years.

Having learned many lessons over the last two years, supply chain challenges this period required careful management. Our construction team and our supplier partners did an outstanding job leveraging relationships built over many years to ensure the impact was minimised. Our building process adapted to the changing conditions and as a consequence our build schedule remains on track, with the exception of a two-month delay in the opening of the clubhouse at St Leonards, which will now be completed at the end of February 2022.

168 new home sales were achieved during the period (1HFY21: 72) including 51 sales at our newest community, Lifestyle Meridian, which was launched for sale in September 2021. With our new adaptive approach, we have moved the focus of our sales and marketing teams towards engaging with new customers who were using the lockdown period to reassess their priorities and research options for post lockdown. The changed focus on information sharing and knowledge building saw the business well positioned to actively engage with a well-educated customer base who were already partly through the sales journey once restrictions began to ease and physical inspections were permitted.

Once again, we would like to acknowledge the efforts of our homeowners, our team, and our suppliers. In the current environment the pace of change is frenetic, and our team has done a terrific job keeping our homeowners informed and engaged throughout the pandemic. The team leant into the challenges, provided support to our homeowners, and continued to pursue innovations and positively evolve our service offering. Our digital transformation gained momentum during the period with our new website launched in September 2021 and the new SAP finance system launched on the 1st of January 2022. The build phase of our Salesforce customer relationship management system and homeowner portal is in progress and scheduled for launch in the last quarter of FY22.

At the end of the period, the Company had 4,241 people (61% women, 39% men) living in its communities with an average age of 75 years. Total portfolio of home sites increased to 5,231 homes of which 2,958 homes are completed and occupied.

Update on communities

Community	New homes				Resales				Total		
	Settled 1H FY22	Settled 1H FY21	Net sales 1H FY22	Net sales 1H FY21	Settled 1H FY22	Settled 1H FY21	Net sales 1H FY22	Net sales 1H FY21	Sold not settled	Homes settled	Homes in portfolio
Brookfield					8	9	6	4		228	228
Tarneit					10	2	7	1		136	136
Warragul					2	1	4	2		182	182
Casey Fields					10	2	9	3		217	217
Shepparton		6			7	4	12	6		300	300
Chelsea Heights					4	1	6	5		186	186
Hastings					5	5	3	6		141	141
Lyndarum					2	2	1	3		154	154
Geelong					3		3	1		164	164
Officer					2	2	1	3		151	151
Berwick Waters					2	1	1	3		216	216
Bittern					7	2	10	8		209	209
Ocean Grove	1	25		9	6	1	10	3		220	220
Mount Duneed	27	22	28	(2)			1	1	22	139	191
Kaduna Park	42	34	15	21					11	152	169
Wollert North	24	1	5	14					48	60	246
Deanside	29		24	6					43	53	266
St Leonards	43		45	24					77	50	359
Pakenham											175
Meridian			51	-					51		274
Clyde											230
Rockbank											180
Phillip Island											260
Merrifield											187
Ocean Grove											190
Total	166	88	168	72	68	32	74	49	252	2,958	5,231

An update on each of the communities in development as at 31 December 2021 is as follows:

- Lifestyle Ocean Grove is complete. The last home settled in July 2021.
- The last home at Lifestyle Mount Duneed is scheduled for completion at the end of February 2022. The community is 84% sold.
- Construction is complete at Lifestyle Kaduna Park. There are 6 homes remaining to sell.
- Sales and settlements at Lifestyle Wollert have been impacted by Covid-19. The north of Melbourne has been a particular hot spot prior to restrictions easing, and this has affected consumer sentiment. Enquiry was strong in January.
- Lifestyle Deanside has also suffered from Covid impacts on sentiment. The community is 36% sold and customer sentiment returning with a strong November and December post restrictions easing.
- Lifestyle St Leonards experienced a minor delay in the clubhouse completion due to lockdown but is otherwise progressing well. The additional parcel of land is due for settlement in July 2022 and is currently with council for planning approval. The combined community is 35% sold and enquiry and sales remain strong. The coastal change has been well received by the Melbourne Metro region.
- Lifestyle Meridian in Clyde was launched for sale in September 2021 and has achieved 51 sales to the end of December. Construction is well underway. First homeowners are expected to settle in May 2022.

- The land for the future Lifestyle Community in Pakenham was acquired in February 2020. The contract is subject to planning approval and is expected to deliver first customer homes settlements in FY23.
- The land for the future community at Clyde was acquired in June 2020 on 3-year settlement terms.
- The land for the future community at Rockbank/Woodlea was acquired in December 2020 on 2-year settlement terms.
- The Phillip Island site was contracted in August 2021 and settled in September 2021. We are currently working on the design and engaging with the local community and the local council. First settlements are expected in FY24.
- Lifestyle Merrifield has capacity for approximately 187 homes and is located within the Merrifield estate, one of Melbourne's flagship master-planned communities. Land settlement is expected in approximately eighteen months and construction will commence shortly after.
- A contract of sale to purchase a new site located in Ocean Grove, Victoria was executed in December 2021. The site is located approximately 4kms from our existing community in Ocean Grove.

Outlook

The Company has a focused strategy to service the niche of providing high quality affordable housing to the downsizer market and is currently funded and resourced to acquire at least two new sites per year subject to identification of appropriate sites. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities but will remain disciplined in its assessment of these opportunities.

The Company enters the second half with 252 new homes sold and awaiting settlement. The decision on when to settle a home and move into the community rests with the prospective homeowners and as such is subject to individual circumstances and market conditions as homeowners sell their existing home to facilitate their purchase with Lifestyle Communities. The construction program is progressing well, restrictions have been eased, the broader real estate market remains strong, and we are looking forward to welcoming first homeowners at Lifestyle Meridian in May. With the current pipeline of projects, we remain on plan to deliver 1,100 to 1,300 new home settlements and 450 to 550 resale settlements between FY22 and FY24.

The Company has access to over \$100 million in cash and undrawn facilities and its next refinancing event is due June 2024. Operating cashflow is underpinned by the ongoing rental annuities from its 2,958 homes under management.

2. Dividends

The directors have resolved to pay an interim fully franked dividend of 4.5 cents per ordinary share (1HFY21: 3.0 cents).

3. 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.

4. Directors

The names of the directors in office at any time during, or since the end of, the half year are:

Directors	Position	Commencement date
Philippa Kelly	Non-Executive Chair	September 2013
James Kelly	Managing Director	September 2007
The Honourable Nicola Roxon	Non-Executive Director	September 2017
Georgina Williams	Non-Executive Director	September 2017 (resigned 31 August 2021)
David Blight	Non-Executive Director	June 2018
Mark Blackburn	Non-Executive Director	December 2019
Company Secretaries		Appointed
Darren Rowland		July 2018
Anita Addorisio		December 2021
Melissa Norris		July 2020 (resigned November 2021)

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 is provided with this report for the half-year.

Signed in accordance with a resolution of the Board of Directors:

Philippa Kelly
Chair
15 February 2022

James Kelly
Managing Director
15 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Lifestyle Communities Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'A Cronin', is written over a light blue grid background.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
15 February 2022

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Lifestyle Mt Duneed Clubhouse and bowling green





Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

\$000's	Note	31 December 2021	31 December 2020
Development revenue			
Home settlement revenue	2.1	72,491	34,373
Cost of sales	2.1	(56,490)	(26,720)
Gross profit from home settlements		16,001	7,653
Management and other revenue			
Rental revenue	2.2	14,547	12,274
Deferred management fees	2.3	4,689	2,094
Utilities revenue	2.4	1,996	1,663
Finance revenue	2.6	5	23
Other revenue	2.5	142	-
Job Keeper	2.5	-	802
Total management and other revenue		21,379	16,856
Fair value adjustments	3.1	26,192	12,092
Less expenses			
Development expenses (sales, marketing and project management)	2.1	(4,196)	(2,761)
Management rental expenses	2.2	(6,635)	(5,010)
Deferred management fee expenses	2.3	(1,059)	(589)
Utilities expenses	2.4	(1,802)	(1,461)
Corporate overheads	2.7	(8,075)	(5,520)
Finance costs	2.6	(686)	(818)
Other costs	2.8	(1,832)	-
Profit before income tax		39,287	20,442
Income tax expense		(11,772)	(6,342)
Profit attributable to members of Lifestyle Communities Limited		27,515	14,100
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share (cents)		26.4	13.5
Diluted earnings per share (cents)		26.3	13.5

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

For the half-year ended 31 December 2021

\$000's	Note	31 December 2021	30 June 2021
ASSETS			
Current assets			
Cash and cash equivalents		519	2,300
Trade and other receivables		1,839	1,086
Inventories		90,365	83,745
Current tax receivables		489	-
Other current assets		2,494	1,543
Total current assets		95,706	88,674
Non current assets			
Inventories		56,374	41,498
Other assets		1,609	874
Property, plant and equipment		14,037	13,252
Right of use assets		419	523
Investment properties	3.1	757,787	636,455
Total non-current assets		830,226	692,602
TOTAL ASSETS		925,932	781,276
LIABILITIES			
Current liabilities			
Trade and other payables		84,316	43,793
Lease liabilities		211	211
Current tax liabilities		-	1,712
Provisions		1,388	1,275
Total current liabilities		85,915	46,991
Non current liabilities			
Trade and other payables		40,938	50,230
Bank loan - secured		274,000	190,000
Lease liabilities		318	405
Provisions		260	190
Deferred tax liabilities		124,228	115,365
Total non current liabilities		439,744	356,190
TOTAL LIABILITIES		525,659	403,181
NET ASSETS		400,273	378,095
EQUITY			
Contributed equity	3.3	62,562	63,859
Reserves		4,662	3,472
Retained earnings	3.4	333,049	310,764
TOTAL EQUITY		400,273	378,095

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

2021

\$000's	Note	Contributed equity	Reserves	Retained earnings	Total equity
Balance at 1 July 2021		63,859	3,472	310,764	378,095
Profit for the half year				27,515	27,515
Employee share scheme expense			1,430		1,430
Treasury shares movement		240	(240)		-
Treasury shares purchased		(1,537)			(1,537)
Dividends paid or provided for	2.9			(5,230)	(5,230)
Balance at 31 December 2021		62,562	4,662	333,049	400,237

2020

\$000's	Note	Contributed equity	Reserves	Retained earnings	Total equity
Balance at 1 July 2020		63,784	2,188	225,401	291,373
Profit for the half year		-	-	14,100	14,100
Employee share scheme expense		-	627	-	627
Treasury shares movement		66	(66)	-	-
Dividends paid or provided for	2.9	-	-	(2,614)	(2,614)
Balance at 31 December 2020		63,850	2,749	236,887	303,486

The accompanying notes form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

\$000's	Note	31 December 2021	31 December 2020
Cash flow from operating activities			
Receipts from customers		101,478	54,650
Payments to suppliers and employees		(110,478)	(76,269)
Income taxes paid		(5,109)	(2,908)
JobKeeper received		-	1,139
Interest received		5	15
Interest paid		(2,609)	(2,028)
Net cash provided by/(used in) operating activities		(16,713)	(25,401)
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,606)	(3,310)
Purchase of investment properties and capitalised costs		(60,561)	(13,345)
Net cash provided by/(used in) investing activities		(62,167)	(16,655)
Cash flow from financing activities			
Principal elements of lease payments		(134)	(110)
Proceeds from external borrowings		84,000	30,000
Purchase of treasury shares		(1,537)	-
Dividends paid		(5,230)	(2,614)
Net cash provided by/(used in) financing activities		77,099	27,276
Net increase/(decrease) in cash and cash equivalents held		(1,781)	(14,780)
Cash and cash equivalents at the beginning of the half year		2,300	16,381
Cash and cash equivalents at end of financial year		519	1,601

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's construction. In 1HFY22 payments to suppliers and employees includes \$30.6m of such costs (1HFY21: \$35.1m).

The accompanying notes form part of these condensed consolidated financial statements.

Lifestyle Deanside





Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2021

1. How we have prepared this report

1.1 Introduction

The condensed consolidated half-year financial report covers Lifestyle Communities Limited and its controlled entities ('the Group'). Lifestyle Communities Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 15 February 2022.

Comparatives are consistent with prior years, unless otherwise stated.

1.2 Basis of preparation

This condensed consolidated half-year financial report for the reporting period ending 31 December 2021 has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of Lifestyle Communities Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements unless otherwise stated.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair

value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are consistent with prior reporting periods.

1.3 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 industry. As a result, disclosures in the Consolidated Financial Statements and notes are representative of this segment.

1.4 Compliance with IFRS

The financial report complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.5 Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluation to fair value for certain classes of assets as described in the accounting policies.

1.6 Rounding of amounts

The parent entity and the consolidated entity have applied the 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 thousand dollars or in certain cases, to the nearest dollar or million.

1.7 Principles of consolidation

The consolidated Financial Statements are those of the consolidated entity, comprising the Financial Statements of the parent entity and of all entities

which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Financial Statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits and losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests.

Non-controlling interests in the results of subsidiaries are shown separately in the Consolidated Statement of Profit or loss and other Comprehensive Income and Consolidated Statement of Financial Position respectively.

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

1.8 Significant accounting estimates and judgements

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

The estimates and assumptions based on future events have a significant inherent risk, and where future events are not anticipated there could be a material impact on the carrying amounts of the assets and liabilities in future periods, as discussed below.

(a) Significant accounting judgments

(i) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable

income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Significant accounting estimates and assumptions

(i) Valuation of investment properties

The Group values investment properties at fair value. Fair value is determined by a combination of the discounted annuity streams associated with the completed and settled home units and the fair value of the undeveloped land. Inputs for the fair value of investment properties are derived from independent and Directors' valuations, refer to Note 3.1.

(ii) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

1.9 Joint operations

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

2. How we have performed this year

The company continued constructing new homes and completed 166 new home settlements (1HFY21: 88), predominantly homes that were pre-sold before the lockdown commenced. Net profit after tax increased from \$14.1m in the first half of FY21 to \$27.5m in the first half of FY22 predominantly due to the higher settlement numbers.

2.1 New home settlements

The Group develops and sells homes including a share of the community infrastructure. Revenue from home settlement is recognised at a point in time with each home purchase agreement treated as a single performance obligation to transfer control of the home and community infrastructure to the homeowner. Revenue is recognised for the amount specified in the home purchase agreement upon receipt of final settlement. The owner has legal title, physical control of the asset, exposure to the majority of the risk and rewards of ownership and the Group does not hold any option or obligation to repurchase on exit. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met. The construction cost of the homes and infrastructure is capitalised to inventory during development and then classified as costs of goods sold upon settlement.

Development revenue

\$000's	Dec 2021	Dec 2020
Home settlement revenue	72,491	34,373
Cost of sales	(56,490)	(26,720)
Gross profit from home settlements	16,001	7,653
Gross margin (%)	22.1%	22.3%
Development expenses (sales, marketing and project management)	(4,196)	(2,761)

New home settlements were 166 for the first half compared with 88 for the same period in the prior year and this has translated into higher revenue and gross margin from home settlements. The gross profit margin percentage is lower than the prior period due to the mix of homes being settled. Development expenses were higher as a number of marketing events were paused during the prior year Covid-19 lockdown.

2.2 Community Operations

Rental revenue is derived under the Site Agreement granting the homeowners a right to use the Land for their property. The rent is calculated on a weekly basis per tenant as per the contract. Rental revenue is recognised as it is earned. Rental revenue meets the definition of a lease arrangement and falls outside the scope of AASB 15 and is therefore accounted for in accordance with AASB 16 Leases. Management rental expenses include salaries of onsite community managers and all costs necessary to ensure the efficient operation of the communities.

\$000's	Dec 2021	Dec 2020
Rental revenue	14,547	12,274
Management rental expenses	(6,635)	(5,010)
Rental margin	54%	59%

Rental revenue and community operating expenses both increased during the period due to an increased number of homes under management as new communities commence operation and homes progressively settle. Rental revenue is contractually fixed to increase by the greater of CPI or 3.5% annually.

2.3 Deferred management fee

The deferred management fee is a contribution to the management and maintenance of the community. The deferred management fee is considered highly susceptible to factors outside the Group's influence until realised, including the timing and the amount of consideration received, which is based on a set percentage of the resale value. The resale price is set and agreed by the homeowner. These factors result in a high degree of variability in expected consideration, and as such revenue from deferred management fee is recognised at a point in time upon the resale settlement of the home when the vendor transfers control of the home and community infrastructure to the incoming homeowner. Revenue for deferred management fees are recognised under AASB 15.

For all contracts entered into prior to 1 January 2009, the fee payable is 15% on the resale value of the unit and after a period of occupation of a year and one day.

For all contracts entered into post 1 January 2009, the fee payable is up to 20% (the fee accumulates by 4% per year over 5 years up to 20%) on the resale value of the unit.

\$000's	Dec 2021	Dec 2020
Deferred management fees	4,689	2,094
Deferred management fee expenses	(1,059)	(589)

73 resale settlements were achieved during the half (1HFY21: 38) of which 68 resales attracted a deferred management fee (1HFY21: 32). The company offers a smart buy guarantee whereby no deferred management fee is payable if a homeowner moves out within the first 12 months. At the end of the half year there were 22 resale homes available for sale and 19 resale homes sold and awaiting settlement across the communities (18 of these will attract a DMF).

Deferred management fee expenses are expenses incurred to assist with sales and marketing of resale homes. These expenses increased during the period in line with the increased volume of sales.

2.4 Utilities revenue

Lifestyle Communities operates embedded networks for electricity, water and gas (where applicable at each community). Utilities are individually metered, billed to homeowners monthly, and recorded as revenue in the respective month. Lifestyle Communities adjusts its rates to homeowners on a regular basis based on usage and the price Lifestyle Communities pays to the relevant wholesalers.

\$000's	Dec 2021	Dec 2020
Utilities revenue	1,996	1,663
Utilities expenses	(1,802)	(1,461)

2.5 JobKeeper

\$000's	Dec 2021	Dec 2020
JobKeeper	-	802
Other revenue	142	-

Other revenue relates to the profit on sale of a parcel of land sold in Shepparton in November 2021. The land was originally acquired in 2013 and was not utilised as part of the Shepparton community development and therefore was subsequently disposed in an on-market sale.

2.6 Finance revenue and costs

Interest income is recognised in the income statement as it accrues, using the effective interest method.

\$000's	Dec 2021	Dec 2020
Finance revenue	5	23

Interest income reduced during the period due to a reduction in interest rates and cash balances held.

(a) Finance costs expensed

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Establishment fees are amortised over the life of the facility.

\$000's	Dec 2021	Dec 2020
Interest on secured loans	522	706
Amortisation of loan facility fees	164	112
	686	818

Finance costs decreased due to interest incurred on deposits for development sites not yet started.

(b) Finance costs capitalised

Finance costs capitalised refers to interest capitalised at the prevailing facility interest rate as part of inventory during development and then classified as costs of goods sold as a pro-rata amount upon settlement of each home:

\$000's	Dec 2021	Dec 2020
Interest on secured loans	2,195	1,426

(c) Secured loans

In August 2021, the Company extended its contracts with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia to secure an additional \$100 million of senior debt facilities and extend the tenor. The total facility now comprises \$375 million of senior debt facilities under a common terms deed. The new facilities comprise a \$110 million tranche with a maturity of June 2025 and a \$265 million tranche with a maturity of August 2026. As at reporting date the Company has drawn \$274 million of the \$375 million facility.

2.7 Corporate overheads

Corporate overheads include the Company's support functions such as the Executive Team, People and Capabilities, Finance, Information Technology and Legal. It also includes regulatory and other compliance costs, the cost of the employee equity incentive plan, and the support office located in South Melbourne.

\$000's	Dec 2021	Dec 2020
Support Office Costs	6,624	4,881
Employee Share Scheme Costs	1,451	639

Support office costs increased compared to the prior period due to increased headcount and other costs to support the business growth, and an increase in annual leave provision as staff were restricted from taking leave in lockdown.

The employee share scheme was reviewed for FY22 to ensure it was fit for purpose to deliver the next phase of growth. In particular, a long term incentive plan was introduced for the Executive Leadership Team. The variation in costs in the first half of FY22 relates to a higher volume of options issued and an increase in the share price. The FY21 options issued to the team were reduce during the period of Covid uncertainty.

2.8 Other costs

Other costs include costs related to the unsuccessful Tyabb planning permit application and our ongoing digital transformation.

Tyabb Planning Decision

The Victorian Civil and Administrative Tribunal (VCAT) has upheld Council's refusal to grant a planning permit for the proposed Lifestyle Community in Tyabb. With the assistance of our legal team, we have reviewed the decision and decided not to appeal. The contracts for acquisition of the land at Tyabb were conditional on obtaining a planning permit and were allowed to lapse. As a result of the decision, Lifestyle Communities recorded a one-off expense related to option fees on the land and legal and consulting fees to pursue the planning permit.

Digital Transformation Costs

Our digital transformation gained momentum during the period with our new website launched in September 2021 and the new SAP finance system launched on the 1st of January 2022. The build phase of our Salesforce customer relationship management system and homeowner portal is in progress and scheduled for launch in the second quarter of 2022. We have expensed all implementation costs inline with the Group's accounting policy for such costs.

\$000's	Dec 2021	Dec 2020
Tyabb Planning Permit	(1,086)	-
Digital Transformation Costs	(746)	-

2.9 Dividends

As a general principle, the Directors of Lifestyle Communities intend to declare dividends out of post-tax, operating cash flow generated from community management.

Dividends increased compared to the same period in the prior year due to the increase in the Group's annuity income stream from rent income and deferred management fees.

\$000's	Dec 2021	Dec 2020
2021 Final dividends		
Dividends paid 5.0 cents per share (2020: 2.5 cents per share) fully franked at 30%	5,230	2,614
Interim dividends declared after balance date and not recognised		
Since balance date the directors have declared an Interim dividend of 4.5 cents per share (2021: 3.0 cents per share) fully franked at 30%	4,705	3,134

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

3. Our business assets and equity

3.1 Investment properties

The Company's investment properties comprise of both the capitalisation of the rental revenue and deferred management fee annuity stream together with the fair value of the undeveloped land. The undeveloped land is converted to a capitalised annuity stream upon settlement of each home.

At 31 December 2021, the fair value has been determined by a combination of the discounted annuity streams associated with completed home units and the fair value of the undeveloped land. The gain arising from the change in the fair value of investment properties has been recognised in the profit or loss.

(a) Fair value gain

\$000's	Dec 2021	Dec 2020
Fair value adjustments—	26,192	12,092
Investment Properties		

Fair Value Measurement, Valuation Techniques, and Inputs

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with Australian Accounting Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk adjusted, discount rate applicable to the respective asset.

The expected net cash flows applicable to each property comprise of rental revenue and deferred management fee.

Rental revenue is valued using the rent capitalisation approach

Rental capitalisation rates are derived from a combination of independent and Directors' valuations. The Directors have considered the appropriateness of these assumptions as at 31 December 2021 and have reviewed an independent valuation undertaken during the period, and market based transactional evidence of similar properties, to assist in forming their opinion. Discussions have also been held with independent valuation experts. The Directors have not adjusted the rental capitalisation rates from those that were used

at 30 June 2021. Weekly rental rates were adjusted to take into account the proportionate effect of the 3.5% rental increase implemented on 1 July 2022.

Deferred management fee revenue is valued using the discounted cash flow approach

Inputs, including discount rates, deferred management fee annuity value, are derived from independent valuations undertaken at 30 June 2021 and these have not been changed during the period. The Directors have considered the appropriateness of these assumptions at 31 December 2021 and have reviewed an independent valuation undertaken during the period, market based transactional evidence of similar properties, and year to date trading and costs, to assist in forming their opinion. Discussions were also held with independent valuation experts.

All rental income and deferred management fee income disclosed in the Statement of Profit or Loss was generated from investment properties. All management expense relates to investment properties that generated rental income.

Investment properties, other than those owned as part of a joint operations, are subject to a first charge, forming in part the security of the Group's loans.

The investment properties are at various stages of completion and are subject to further development until fully completed.

The following table shows the valuation assumptions used in measuring the fair value of the investment properties.

	Dec 2021 Adopted	30 June 2021 Per valuation
Weekly rentals (\$)	201.86 – 214.71	198.39 – 211.01
Anticipated % expenses (as a percentage of rental income)	30.7% – 41.0%	30.7% – 41.0%
Rental capitalisation rate (%)	5.5% – 5.75%	5.5% – 5.75%
Rental values per unit (\$)	117,076 – 219,043	115,062 – 216,724
Deferred management fee discount rates (%)	13.00% – 14.25%	13.00% – 14.25%
Deferred management fee values per unit (\$)	36,000-88,172	36,000 – 88,172
Valuation of undeveloped land (per hectare) (\$ million)	1.3 – 5.4	0.19 – 2.25

Capitalisation rate

Capitalisation rate refers to the rate at which the annual free cash flow from weekly rental, net of costs, is capitalised to ascertain its present value at a given date. The weekly rental is contracted under the Site Lease Agreement. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market evidence and sale of comparable properties.

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally opposite change in the investment property value. The adopted capitalisation rate forms part of the income capitalisation approach.

Capitalisation approach

When calculating the income capitalisation approach, the weekly rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total weekly income receivable from the property and capitalising this in perpetuity to derive a capital value. The below summary shows the impact on valuation of movement in the various key inputs:

- Increase in weekly rent = Increase in valuation
- Decrease in weekly rent = Decrease in valuation
- Increase (softening) of the capitalisation rate = Decrease in valuation
- Decrease (tightening) of the capitalisation rate = Increase in valuation

In theory, it is possible for the effects of movements in these key inputs to add to or offset each other depending on which way the assumptions move.

Deferred Management Fee Discount rate

The discount rate is determined using a number of risk-based assumptions to reflect the risk profile of deferred management fee income stream.

Discounted cash flow approach

The discounted cash flow approach involves formulating a projection of the net cash flow from deferred management fees over a specified time horizon and discounting this cash flow at the end of the projection period at an appropriate rate. The present value of this discounted cash flow represents the fair value of the property.

In assessing the value of the discounted cash flow, a forecast model projects the likely cash flows to be derived from the deferred management fees less expenses using probability factors on the homeowners length of time in the community and also the property market growth rates.

When assessing a discounted cash flow valuation, the adopted discount rate has a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the deferred management fee is discounted to the present value.

3.2 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.

000's	Level 1	Level 2	Level 3	Total
31-Dec-2021				
Recurring Fair Value Measurements				
Investment properties	-	-	757,787	757,787
Total assets measured at fair value	-	-	757,787	757,787
30-Jun-2021				
Recurring Fair Value Measurements				
Investment properties	-	-	636,455	636,455
Total assets measured at fair value	-	-	636,455	636,455

(b) Valuation techniques and inputs used in level 3 fair value measurements

(i) 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, capitalisation 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

The Company uses rental capitalisation rates, deferred management fee annuities, rental annuities and undeveloped land measured at fair value as its significant unobservable inputs utilised across the portfolio, refer to Note 3.1.

(d) 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, refer to Note 3.1.

(e) 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.

000's	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	Dec 2021	Dec 2020	Dec 2021	Dec 2020
Rental expense rate				
+2%	(8,431)	(5,822)	(8,431)	(5,822)
-2%	8,431	5,822	8,431	5,822
Rental capitalisation rate				
+0.50%	(22,287)	(13,597)	(22,287)	(13,597)
-0.50%	22,696	15,874	22,696	15,874
Deferred management fee per unit				
+5%	5,779	4,589	5,779	4,589
-5%	(5,779)	(4,589)	(5,779)	(4,589)
Land prices (undeveloped land)				
+10%	15,437	9,370	15,437	9,370
-10%	(15,437)	(9,370)	(15,437)	(9,370)
Rent revenue				
+1.75%	6,098	4,566	6,098	4,566
-1.75%	(6,098)	(4,566)	(6,098)	(4,566)

3.3 Contributed equity

\$000's	Dec 2021	Jun 2021
104,545,131 Ordinary shares (30 June 2021: 104,545,131)		
Ordinary Shares	64,523	64,523
191,171 Treasury shares (30 June 2021: 177,934)	(1,961)	(664)
Total	62,562	63,859

3.4 Retained earnings

\$000's	Dec 2021	Jun 2021
Movements in retained earnings were as follows		
Opening balance	310,764	225,401
Profit for the year	27,515	91,111
Dividends paid	(5,230)	(5,748)
Total	333,049	310,764

4. Information not recognised in the financial statements**4.1 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 15 February 2022 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

4.2 Commitments

Commitments for future development costs not recognised in the financial statements at balance date are \$245.2million. These commitments include future construction costs committed for Kaduna Park, Mount Duneed, Deanside, Wollert, St Leonards and Meridian.

The Group also has a commitment of \$14.2 million for the acquisition of a parcel of land subject to a conditional contract.



ROBY
YOUNG
RENEGADE

DEATH
DEVON

Carlton
A HISTORY

15 MINUTE
BOOT CAMP
FOR YOUR
BRAIN

One
Down
One
Missing

The Directors' Declaration

The directors of the Company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 2 to 22 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 consolidated group's financial position as at 31 December 2021 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..



Philippa Kelly
Chair



James Kelly
Managing Director

Melbourne, 15 February 2022



Independent auditor's review report to the members of Lifestyle Communities Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Lifestyle Communities Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Lifestyle Communities Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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 responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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

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and fair view of the Group's financial position as at 31 December 2021 and of 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*.

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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Andrew Cronin'.

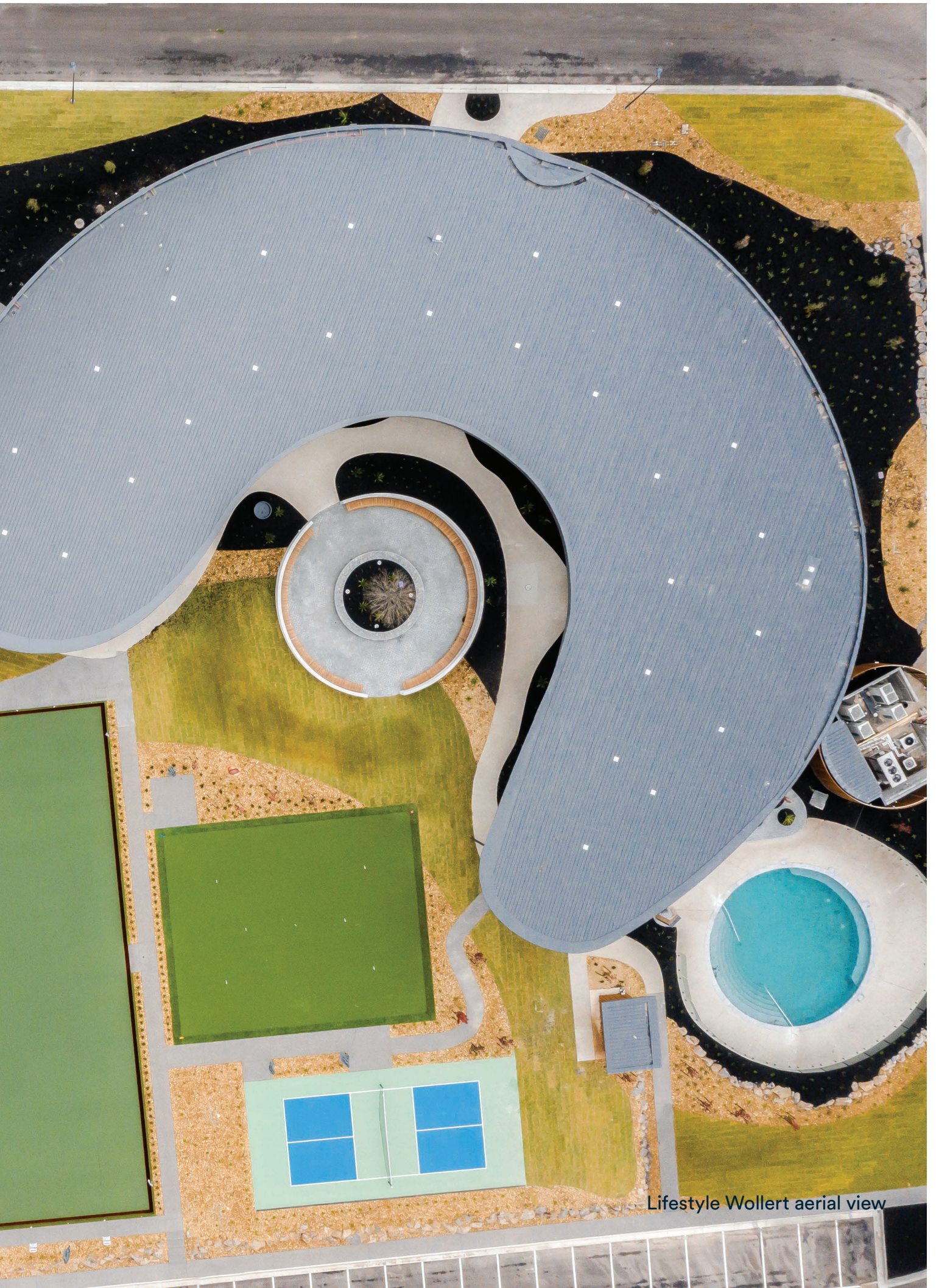
Andrew Cronin
Partner

Melbourne
15 February 2022

Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 1, 9–17 Raglan Street South Melbourne VIC 3205 Australia Telephone 61 3 9682 2249
Directors	Philippa Kelly – Non Executive Chair James Kelly – Managing Director The Honourable Nicola Roxon – Non Executive Director David Blight – Non Executive Director Mark Blackburn – Non Executive Director
Company Secretaries	Darren Rowland Anita Addorisio
Principal Place of Business	Level 1, 9–17 Raglan Street South Melbourne VIC 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford VIC 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
Auditors	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia





Lifestyle Wollert aerial view



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