Interim Report

A business for purpose

for the half year ended 31 December 2023

Lifestyle® COMMUNITIES | Life. Unlimited.

Lifestyle Deanside Clubhouse at twilight

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Directors' Report

For the half year ended 31 December 2023

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 2023 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

In the first half of FY24 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. We are proud to have over 5,300 Victorians calling Lifestyle Communities® home. With 10 projects in active development, and another 6 parcels of land currently working their way through the planning process, we have a pipeline of over 2,700 homes to deliver in the coming years.

Key metrics

	Measure	1HFY24	2HFY23	1HFY23	2HFY22	1HFY22
New home settlements	Homes	**124**	215	141	235	166
Established home resales	Homes	**75**	90	88	83	73
Total settled homes (end of year)	Homes	**3,673**	3,549	3,334	3,193	2,958
Portfolio + pipeline (end of year)	Homes	**6,382**	5,912	5,599	5,391	5,231
Annuity revenue (rent + DMF)	$m	**26.9**	23.9	23.2	21.4	19.2
Operating Profit after tax	$m	**20.8**	45.9	25.2	33.9	27.5
Operating EPS	cps	**19.9**	43.9	24.1	32.4	26.3
Total assets	$m	**1,440.7**	1,191.4	1,084.3	1,006.2	925.9
Weighted average cap rate	%	**5.15%**	5.14%	5.18%	5.18%	5.57%
Average DMF valuation	$000 per home	**58**	58	54	54	51
Dividend	cps	**5.5**	6.0	5.5	6.0	4.5
Net debt	$m	**490.2**	369.8	350.0	243.1	273.5
Net debt to assets less unsettled land	%	**39.8%**	33.5%	35.1%	27.8%	34.0%

Market conditions were challenging during 2023. Rapid interest rate rises and persistent high inflation flowed through the economy impacting many areas of our business. The residential property market felt the effects of the interest rate rises with median house prices moderating or declining in most catchments during the year. The outer suburbs of Melbourne performed relatively well, with prices remaining resilient underpinned by continued demand from first home buyers who are supported by government incentives such as first home buyer grants and stamp duty relief.

A significant number of insolvencies in the home building industry fuelled a lack of confidence in the house and land package market and this continued to drive a shift in consumer behaviour from buying new homes to buying established housing. This was positive for our customers, adding depth to the buyer pool and maintained a functioning market for our customers to sell their existing homes to fund their purchase with Lifestyle Communities®.

The decline in consumer confidence in home builders is having an impact on our new home settlements, with many customers holding off on listing their existing home for sale until after their Lifestyle Communities® home has completed construction. This had the effect of pushing out settlement timeframes, meaning some settlements planned for the first half slipped into the second half. It also meant we carried the holding costs of completed homes for longer, increasing working capital and leverage on the balance sheet. We expect this trend to continue into the second half of FY24 and persist until market conditions improve and confidence returns.

Despite the challenges, new home sales remain strong with 197 sales and 124 settlements achieved during the period. We have over 420 presales contracts currently on hand worth $287.4m. Our new projects at Riverfield, Phillip Island, St Leonards and Woodlea will ramp up settlements in the second half FY24 adding to existing projects at Wollert, Deanside, Meridian and Bellarine.

One of the benefits of our business model is that when the residential market goes through a challenging period, it creates buying opportunities for us to acquire land and increase our development pipeline. We executed contracts to acquire four new sites during the period (Clifton Springs, Yarrawonga, Inverloch and Clyde) increasing our development pipeline by an estimated 776 homes. We are currently reviewing a number of high-quality land buying opportunities and will continue to acquire sites where they meet our investment criteria.

In December 2023 we executed contracts with our lending syndicate to increase our debt facilities by $175 million to $700 million. We would like to thank our existing lending partners NAB, CBA and HSBC for their ongoing support and welcome new banking partners Westpac and ANZ to our syndicate. It is pleasing to see the top tier banks continue to lend their support to the delivery of much needed affordable housing in Victoria.

The operating business continued to perform well, benefiting from an inflation linked 6.6% rent increase to mitigate the impact of inflation. We were excited to ramp-up the operations of Club Lifestyle Bellarine during the warmer months and have received extremely strong feedback from homeowners who have enjoyed a free holiday at this beautiful coastal resort. Our 450kw integrated solar plus community battery micro-grid at Meridian was commissioned during the period and is already delivering substantial savings to homeowners. We look forward to taking the learnings from this innovative project and apply them to future communities in development and will continue to search for initiatives that deliver cost of living savings to homeowners with co-benefits to the environment.

Customer centricity is at the heart of our business and is constantly being re-imagined and evolved. During the period we undertook a detailed forensic review of our customer journey, unpicking every touch point and ensuring it is fit for purpose to support our next phase of growth. A number of important learnings and insights came out of the process, particularly as the customer journey evolves in the digital world supported by the investment we have made with Salesforce. We are excited to implement these initiatives in the second half of FY24.

Finally, we would like to acknowledge the efforts of our team, and our valued suppliers. With 10 projects in active development, the most in our history, and two more projects scheduled for launch during 2024, the effort from the Lifestyle family has been outstanding. This level of activity has required an uplift in all aspects of our business, and it makes us very proud to see the team rising to the challenge.

Update on communities

Community	Total homes in communities	Homes sold and occupied	Homes sold and awaiting settlement	New homes	
				No.	%
Established communities					
15 fully completed communities	2,864	2,864		2,864	100%
Communities — under construction					
Wollert	246	194	22	216	88%
Deanside	266	153	27	180	68%
St Leonards - The Waves	199	197	2	199	100%
St Leonards - The Shores	159	0	34	34	21%
Meridian	274	196	31	227	83%
Woodlea	180	10	32	42	23%
Phillip Island	255	0	75	75	29%
Bellarine	164	51	62	113	69%
Riverfield (Clyde)	235	8	76	84	36%
Ridgelea (Pakenham)	174	0	41	41	24%
Merrifield	195	0	1	1	1%
New Communities — awaiting commencement					
Ocean Grove II	190				
Warragul II [1]	205				
Clifton Springs [1]	209				
Yarrawonga	109				
Clyde III [1]	254				
Inverloch [1]	204				
Total [2]	**6,382**	**3,673**	**403**	**4,076**	**64%**

Notes:
1. Commencement of construction subject to planning approval
2. Lifestyle Communities® will have an economic interest in 3,472 home sites. Lifestyle Chelsea Heights and Lifestyle Casey Fields are joint ventures.

Northern Growth Corridor

Wollert, Deanside, and Woodlea are selling well, sales rates are in line with average sales rates for our historical projects. Construction at Wollert and Deanside is largely complete. Woodlea is in peak construction phase with the clubhouse due for completion in February 2024. We continue to build our brand in this important growth corridor which will drive referral to Merrifield as it ramps up in the second half of FY24.

South East Growth Corridor

We continue to see momentum in sales in the South East, where we've built strong brand awareness and referral is consistent. Our retail shop at Fountain Gate has exceeded expectations and is generating new enquiry from walk-in traffic. Construction at Meridian is complete and the community is generating plenty of interest for Riverfield and Ridgelea which are in peak construction phase.

Destinational Communities

Phillip Island and Bellarine experienced strong early demand underpinned by the lack of supply in these iconic destinations. Post launch, the projects have reverted to a more typical sales cadence. The strong pre-sales enabled a faster construction timeframe and delivery at both projects is ahead of plan. Coastal locations typically experience slower sales rates during winter months and we have seen this extend into spring a little bit with the weather staying cooler for longer this year. Sales have increased over the summer months which will drive settlements in the second half.

Communities in Planning

Yarrawonga and Ocean Grove II have approved planning permits and are scheduled to commence construction in 2024. Warragul, Clifton Springs, Clyde III and Inverloch are all in the planning phase and have not yet lodged planning permit applications.

Settlement Profile of Communities in Development

	FY24				FY25				FY26			
Community	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Wollert	●	●	●	●	○	○						
Deanside	●	●	●	●	●	●	○	○				
St Leonards – The Waves	○	○	○									
St Leonards – The Shores				●	●	●	●	●	●	●	●	●
Meridian	●	●	●	●	●	○	○					
Woodlea	●	●	●	●	●	●	●	●	●	●	●	●
Bellarine	●	●	●	●	●	●	○	○				
Ridgelea (Pakenham)							●	●	●	●	●	●
Riverfield			●	●	●	●	●	●	●	●	●	●
Phillip Island			●	●	●	●	●	●	●	●	●	●
Merrifield						●	●	●	●	●	●	●
Ocean Grove II							●	●	●	●	●	●
Warragul II									●	●	●	●
Clifton Springs											●	●
Yarrawonga						●	●	●	●	●	●	●
Clyde III											●	●
Inverloch												●

● Represents typical settlement rate ○ Represents tail of development which is often a slower settlement rate

Outlook

We have a focused strategy to service the niche of providing high quality affordable housing to the downsizer market and we continue to focus on Melbourne's growth corridors as well as key Victorian regional centres.

With the prevailing market conditions providing an increase of new opportunities, we continue to consider further land purchases but will remain disciplined in our assessment.

With the land already in the pipeline and the projects currently under construction we maintain our previous guidance of delivering 1,400 to 1,700 new home settlements between FY24 and FY26. With sale to settlement timeframes pushing out in the short term, we expect FY24 settlements to be lower than originally planned but for this to catch up during the 3-year period as conditions normalise. The medium-term outlook remains positive with an ageing population, a shortage of affordable housing, and immigration combining to drive an imbalance in supply and demand which will underpin our sales and settlements over the medium term.

Cash flow from community operations is expected to continue to increase underpinned by the ongoing rental annuities from our 3,673 homes under management. Deferred management fees are also expected to continue to rise driven by an increased portfolio size, and strong capital growth leading to higher resale prices.

The first half of FY24 is an exciting time for the business as we welcome first homeowners at Phillip Island and Riverfield, and commence construction at Yarrawonga and Ocean Grove. We are also looking forward to welcoming homeowners to the opening of our latest state-of-the-art clubhouse at Woodlea.

2. Dividends

The directors have resolved to pay an interim fully franked dividend of 5.5 cents per ordinary share (1HFY23: 5.5 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. Events occurring after the reporting date

On the 22nd of February 2024, Lifestyle Communities® announced a fully underwritten 1 for 6.08 accelerated non-renounceable entitlement offer to existing shareholders to raise approximately $275 million ("Equity Raising"). The Equity Raising is being undertaken to fund strategic growth initiatives and replenish funding for its existing and future development pipeline. The Equity Raising will enable investment through the cycle, with the objective of delivering strong, visible growth in recurring cash flows.

5. 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	Resigned December 2023
David Blight	Non-Executive Director	June 2018
Mark Blackburn	Non-Executive Director	December 2019
Claire Hatton	Non-Executive Director	May 2022

Company Secretaries	Appointed
Darren Rowland	July 2018
Anita Addorisio	December 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
22 February 2024

James Kelly
Managing Director
22 February 2024

Auditor's Independence Declaration

As lead auditor for the review of Lifestyle Communities Limited for the half-year ended 31 December 2023, 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.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
22 February 2024

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Civil works in progress at St Leonards – The Shores

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

$000's	Note	31 December 2023	31 December 2022
Development revenue			
Home settlement revenue	2.1	**70,314**	67,219
Cost of sales	2.1	**(57,086)**	(52,948)
Gross profit from home settlements		**13,228**	**14,271**
Management and other revenue			
Rental revenue	2.2	**20,487**	16,961
Deferred management fees	2.3	**6,436**	6,255
Utilities revenue	2.4	**2,568**	2,316
Finance revenue	2.5	**130**	100
Total management and other revenue		**29,621**	**25,632**
Fair value adjustments	3.4	**24,493**	**24,886**
Less expenses			
Development expenses (sales, marketing and project management)	2.1	**(11,095)**	(5,960)
Community operating costs	2.2	**(9,437)**	(7,206)
DMF Sales & Marketing costs	2.3	**(1,123)**	(1,188)
Utilities expenses	2.4	**(2,384)**	(2,365)
Corporate overheads	2.6	**(10,062)**	(8,731)
Employee Share Scheme	2.6	**(1,029)**	(1,869)
Finance costs	2.5	**(2,162)**	(1,367)
Other costs	2.7	**(424)**	–
Profit before income tax		**29,626**	**36,103**
Income tax expense		**(8,856)**	(10,863)
Profit attributable to members of Lifestyle Communities® Limited		**20,770**	**25,240**
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share (cents)		**19.9**	24.3
Diluted earnings per share (cents)		**19.7**	24.1

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

There were no changes to underlying assumptions used in the fair value assessment of investment properties during the period and therefore operating profit and statutory profit are the same.

Condensed Consolidated Statement of Financial Position

For the half-year ended 31 December 2023

$000's	Note	31 December 2023	30 June 2023
ASSETS			
Current assets			
Cash and cash equivalents		**1,839**	1,233
Trade and other receivables		**1,402**	955
Inventories	3.1	**162,465**	136,833
Other current assets		**8,018**	1,674
Current tax receivable		**5,280**	–
Assets held for sale	3.2	**3,140**	3,426
Total current assets		**182,144**	**144,121**
Non current assets			
Inventories	3.1	**117,097**	56,722
Other assets		**2,007**	1,329
Property, plant and equipment		**27,085**	20,770
Right of use assets		**3,096**	3,464
Derivative financial instrument		**–**	2,884
Investment properties	3.4	**1,109,272**	962,150
Total non-current assets		**1,258,557**	**1,047,319**
TOTAL ASSETS		**1,440,701**	**1,191,440**
LIABILITIES			
Current liabilities			
Trade and other payables	3.3	**151,595**	62,002
Lease liabilities		**941**	1,095
Current tax liabilities		**–**	1,020
Provisions		**1,268**	1,259
Total current liabilities		**153,804**	**65,376**
Non current liabilities			
Trade and other payables	3.3	**70,397**	53,847
Bank loan - secured		**492,000**	371,000
Lease liabilities		**3,836**	3,962
Derivative financial instrument		**1,588**	–
Provisions		**372**	443
Deferred tax liabilities		**181,456**	171,954
Total non current liabilities		**749,649**	**601,206**
TOTAL LIABILITIES		**903,453**	**666,583**
NET ASSETS		**537,248**	**524,857**
EQUITY			
Contributed equity	3.6	**56,703**	55,925
Reserves		**6,470**	9,354
Retained earnings	3.7	**474,075**	459,578
TOTAL EQUITY		**537,248**	**524,857**

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 2023

2023

$000's	Note	Contributed equity	Reserves	Hedging Reserve	Retained earnings	Total equity
Balance at 1 July 2023		55,925	7,331	2,023	459,578	524,857
Profit for the half year		–	–	–	20,770	20,770
Hedge reserve				(3,135)		(3,135)
Total comprehensive income for the year		**–**	**–**	**(3,135)**	**20,770**	**20,770**
Transactions with owners in their capacity as owners						
Treasury shares movement		778	(778)			–
Employee share scheme expense			1,029			1,029
Dividends paid or provided for	2.8				(6,273)	(6,273)
Balance at 31 December 2023		**56,703**	**7,582**	**(1,112)**	**474,075**	**537,248**

2022

$000's	Note	Contributed equity	Reserves	Hedging Reserve	Retained earnings	Total equity
Balance at 1 July 2022		57,726	6,028	-	389,703	453,457
Profit for the half year		–	–	-	25,240	25,240
Total comprehensive income for the year		**–**	**–**	**–**	**25,240**	**25,240**
Transactions with owners in their capacity as owners						
Treasury shares movement		101	(98)	–	–	3
Employee share scheme expense		–	1,869	–	–	1,869
Dividends paid or provided for	2.8	–	–	–	(6,273)	(6,273)
Balance at 31 December 2022		**57,827**	**7,799**	**–**	**408,670**	**474,296**

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

$000's	Note	31 December 2023	31 December 2022
Cash flow from operating activities			
Receipts from customers		**106,702**	99,769
Payments to suppliers and employees		**(187,587)**	(116,445)
Income taxes paid		**(3,952)**	(5,076)
Interest received		**130**	100
Interest paid		**(11,633)**	(6,107)
Net cash provided by/(used in) operating activities		**(96,340)**	**(27,759)**
Cash flow from investing activities			
Purchase of property, plant and equipment		**(7,674)**	(4,155)
Purchase of investment properties and capitalised costs		**(9,540)**	(68,519)
Net cash provided by/(used in) investing activities		**(17,214)**	**(72,674)**
Cash flow from financing activities			
Principal elements of lease payments		**(567)**	(136)
Proceeds from external borrowings		**121,000**	106,000
Dividends paid		**(6,273)**	(6,273)
Net cash provided by/(used in) financing activities		**114,160**	**99,591**
Net increase/(decrease) in cash and cash equivalents held		**606**	(842)
Cash and cash equivalents at the beginning of the half year		**1,233**	1,892
Cash and cash equivalents at end of financial year		**1,839**	**1,050**

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 1HFY24 payments to suppliers and employees includes $64.4m of such costs (1HFY23: $22.5m).

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

Phillip Island launch party

Questions?

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2023

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 22 February 2024.

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 2023 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 2023, 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.

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.

Compliance with IFRS

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

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.

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.

1.3 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.

1.4 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 3.4.

(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.

1.5 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.

1.6 Derivative financial instruments

The group holds an interest rate swap as a derivative instrument.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- An economic relationship exists between the hedged item and hedging instrument;
- The effect of credit risk does not dominate the value changes resulting from the economic relationship; and
- The hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date.

The valuation of derivatives is an area of accounting estimation and judgement for the Company.

Third party valuations are used to determine fair value and consider inputs such as forward yield curves.

The interest rate swap qualifies for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Documentation for hedge accounting
At the inception of the transaction, the company designates and documents these derivative instruments into a hedging relationship with the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The company documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective in offsetting the cash flows of hedged items.

Cash flow hedge
The cash flow hedge has been adopted to hedge the exposure of variability in cash flows attributable to interest rate fluctuations.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or expense.

Amounts in the cash flow hedge reserve are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when the group revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss.

1.7 Leases
The group leases it's support office at 101 Moray St, South Melbourne and also a retail space at Fountain Gate shopping centre.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group

1.8 Provisions

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts based on remuneration rates that are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before 12 months after the end of the reporting period are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected further payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high-quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs. Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

2. How we have performed this year

The Company achieved a net profit after tax of $20.8 million for the first half of the 2024 financial year, compared to $25.2 million in the same period last year. Lower new home settlements (1HFY24: 124 compared to 1HFY23: 141) due to longer settlements timeframes is the primary driver of the reduction in profit relative to the prior comparative period.

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. 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	31-Dec 2023	31-Dec 2022
Home settlement revenue	**70,314**	**67,219**
Cost of sales	**(57,086)**	**(52,948)**
Gross profit from home settlements	**13,228**	**14,271**
Gross margin (%)	18.8%	21.23%
Development expenses (sales, marketing and project management)	(11,095)	(5,960)

Whilst settlements are lower this half compared to the same period last year, revenue is higher due to a shift in the mix of projects as well as price increases to recover inflation in costs. The margin % is lower this period due to the lower number of settlements and project mix.

Development expenses increased this half as we market additional communities, (1HFY4: eleven communities, 1HFY23: eight communities) and prepare for the settlements in the coming year. The sales and marketing costs for these projects are expensed as incurred.

Development expenses of $11.1 million includes $4.8 million for projects being marketed that have not yet commenced settlements.

2.2 Community Operations

Rental revenue is derived under the Residential 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 and maintenance of the communities.

$000's	31-Dec 2023	31-Dec 2022
Rental revenue	**20,487**	**16,961**
Community Operating costs	**(9,437)**	**(7,206)**

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. The 1 July 2023 rental revenue increased by 6.6%.

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	31-Dec 2023	31-Dec 2022
Deferred management fees	**6,436**	**6,255**
DMF Sales & Marketing costs	**(1,123)**	**(1,188)**

75 resale settlements were achieved during the half (1HFY23: 88). At the end of the half year there were 41 resale homes available for sale and 32 resale homes sold and awaiting settlement across the communities.

Deferred management fee expenses are expenses incurred to assist with sales and marketing of resale homes.

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	31-Dec 2023	31-Dec 2022
Utilities revenue	**2,568**	**2,316**
Utilities expenses	**(2,384)**	**(2,365)**

2.5 Finance revenue and costs

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

$000's	31-Dec 2023	31-Dec 2022
Finance revenue	**130**	100

Interest income increased during the period due to an increase in interest rates.

(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	31-Dec 2023	31-Dec 2022
Interest on secured loans	**1,895**	**1,153**
Amortisation of loan facility fees	**267**	**214**
	2,162	**1,367**

Finance costs includes facility fees and interest on any non-development debt. Cost have increased this year due to the increased facility size and increased interest rates.

(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	31-Dec 2023	31-Dec 2022
Interest on secured loans	**10,541**	5,559

(c) Secured loans

In December 2023, the Company extended its contracts with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia and introduced two additional lenders Westpac and ANZ to secure an additional $175m of senior debt facilities and extended the tenor.

The total facility now comprises $700 million of senior debt facilities under an amended common terms deed. The new facilities comprise a $265 million tranche with a maturity of August 2026, a $150 million tranche with a maturity of October 2027 and a $285 million tranche with a maturity of December 2028. As part of the amendment, the Interest Cover Ratio (ICR) covenant reduced from 2x to 1.5x for the next four reporting periods before stepping up to 1.75x for the remainder of the term. The loan to value ratio (LVR) covenant calculation was updated to include the value of joint venture assets which were previously excluded.

As at reporting date the Company has drawn $492 million of the $700 million facility.

(d) Interest rate swap

In December 2022, the Company entered into an interest rate swap with the National Australia Bank with a maturity of December 2026. The interest rate swap is fixed over the following periods:

- $340m from 19th December 2022 until 19th December 2023
- $240m from 19th December 2023 until 19th December 2026

2.6 Corporate overheads

Corporate overheads include the Company's support functions such as the Executive Team, People Experience, Finance, Information Technology, Legal, Insurance and Investor Relations. 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	31-Dec 2023	31-Dec 2022
Support Office Costs	**10,062**	8,731
Employee Share Scheme Costs	**1,029**	1,869

Support office costs increased compared to the prior period due to the increased rent at our new office, 101 Moray street together with increased training and recruitment costs in the first half as the team has grown from 160 in H1FY23 to 192 in H1FY24.

The employee share scheme for FY24 has been structured similarly to the FY23 scheme and has been structured to deliver the next phase of growth.

2.7 Other costs

Other costs includes legal and advisory fees to execute the refinance in December 2023.

2.8 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.

$000's	31-Dec 2023	31-Dec 2022
2023 final dividends		
Dividends paid 6.0 cents per share (FY23: 6.0 cents per share) fully franked at 30%	**6,273**	6,273
Interim dividends declared after balance date and not recognised		
Since balance date the directors have declared an Interim dividend of 5.5 cents per share (1HFY23: 5.5 cents per share) fully franked at 30%	**5,750**	5,750

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

3. Our business assets and equity

3.1 Inventories

Inventories are measured at the lower of cost and net realisable value. Inventories include housing units built but not sold/settled as well as capitalised civils and infrastructure, wages and holding costs. Inventories are classified as either current or non-current assets pursuant to the timing of their anticipated settlement.

$000's	31-Dec 2023	30-Jun 2023
Current		
Housing	**112,274**	93,812
Civils and infrastructure	**50,191**	43,021
Total current	**162,465**	**136.833**
Non-current		
Housing	**44,678**	9,436
Civils and infrastructure	**72,419**	47,286
Total non-current	**117,097**	**56,722**
Total	**279,562**	**193,555**

3.2 Assets held for sale

Assets held for sale relate to 9 (1HY23: 10) residential lots adjacent to our St Leonards community currently being marketed for sale.

3.3 Trade and other payables

$000's	31-Dec 2023	30-Jun 2023
Current liabilities		
Trade and other payables	**151,595**	62,002
Non-current liabilities		
Trade and other payables	**70,397**	53,847
Total	**221,992**	**115,849**

Trade and other payables has increased largely due to the land accruals from $75.4m at 30 June 2023 to $188.5m at H1FY24. The additional land accruals since June include Drysdale, Yarrawonga, Inverloch and Clyde III.

3.4 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 2023, 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	31-Dec 2023	31-Dec 2022
Fair value adjustments—Investment Properties	**24,493**	24,886

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 2023 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 2023. Weekly rental rates were adjusted to take into account the proportionate effect of the contracted 3.5% rental increase.

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 2023 and these have not been changed during the period. The Directors have considered the appropriateness of these assumptions at 31 December 2023 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 2023 Adopted	**30 June 2023 Per valuation**
Weekly rentals ($)	**226.99 – 237.34**	223.1 - 233.3
Anticipated % expenses (as a percentage of rental income)	**33.0% – 51.3%**	33.0% – 51.3%
Rental capitalisation rate (%)	**5.0% – 5.25%**	5.0% – 5.25%
Rental values per unit ($)	**123,148 – 176,327**	121,241 - 173,512
Deferred management fee discount rates (%)	**12.00% - 14.00%**	12.00% - 14.00%
Deferred management fee values per unit ($)	**44,500 - 98,988**	44,500 - 98,988
Valuation of undeveloped land (per hectare) ($'million)	**1.3 – 5.4**	1.3 – 5.4

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.

3.5 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-2023				
Recurring Fair Value Measurements				
Investment properties			1,109,272	1,109,272
Total assets measured at fair value			**1,109,272**	**1,109,272**
30-Jun-2023				
Recurring Fair Value Measurements				
Investment properties			962,150	962,150
Total assets measured at fair value			**962,150**	**962,150**

(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 3.4.

(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 3.4.

(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.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
$000's	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022
Rental expense rate				
+2%	**(12,395)**	(10,569)	**(12,395)**	(10,569)
–2%	**12,395**	10,569	**12,395**	10,569
Rental capitalisation rate				
+0.50%	**(34,508)**	(28,735)	**(34,508)**	(28,735)
–0.50%	**41,945**	28,735	**41,945**	28,735
Deferred management fee per unit				
+5%	**7,844**	6,757	**7,844**	6,757
–5%	**(7,844)**	(6,757)	**(7,844)**	(6,757)
Land prices (undeveloped land)				
+10%	**23,765**	17,290	**23,765**	17,290
–10%	**(23,765)**	(17,290)	**(23,765)**	(17,290)
Rent revenue				
+1.75%	**8,943**	7,561	**8,943**	7,561
–1.75%	**(8,943)**	(7,561)	**(8,943)**	(7,561)

3.6 Contributed equity

$000's	31-Dec 2023	30-Jun 2023
104,545,131 Ordinary shares (30 June 2023: 104,545,131)		
Ordinary Shares	**64,523**	64,523
493,057 Treasury shares (30 June 2023: 540,386)	**(7,820)**	(8,598)
Total	**56,703**	**55,925**

3.7 Retained earnings

$000's	31-Dec 2023	30-Jun 2023
Movements in retained earnings were as follows		
Opening balance	**459,578**	389,703
Profit for the year	**20,770**	81,900
Dividends paid	**(6,273)**	(12,025)
Total	**474,075**	**459,578**

4. Information not recognised in the financial statements

4.1 Events Occurring After the Reporting Date

The financial report was authorised for issue on 22 February 2024 by the Board of Directors.

On the 22nd of February 2024, Lifestyle Communities® announced a fully underwritten 1 for 6.08 accelerated non-renounceable entitlement offer to existing shareholders to raise approximately $275 million (“Equity Raising”). The Equity Raising is being undertaken to fund strategic growth initiatives and replenish funding for its existing and future development pipeline. The Equity Raising will enable investment through the cycle, with the objective of delivering strong, visible growth in recurring cash flows.

4.2 Commitments

Commitments for future development costs not recognised in the financial statements at balance date are $450 million. These commitments include future construction costs committed for Bellarine, Meridian, Woodlea, Riverfield, Deanside, Wollert, St Leonards, Phillip Island, Ridgelea and Merrifield.

Lifestyle Bellarine

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 24 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 2023 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, 22 February 2024

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 2023, the Condensed consolidated statement of profit or loss and other comprehensive income, the Condensed consolidated statement of changes in equity and the Condensed consolidated statement of cash flows for the half-year ended on that date, material accounting policy information and selected 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 2023 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

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the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 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.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
22 February 2024

Corporate Information

Lifestyle Communities® Limited	**ABN 11 078 675 153**
Registered Office	Level 5, 101 Moray Street South Melbourne VIC 3205 1300 50-55-60 Australia Telephone 61 3 9682 2249
Directors	Philippa Kelly – Non Executive Chair James Kelly – Managing Director David Blight – Non Executive Director Mark Blackburn – Non Executive Director Claire Hatton – Non Executive Director
Company Secretaries	Darren Rowland Anita Addorisio
Principal Place of Business	Level 5, 101 Moray Street South Melbourne VIC 3205 1300 50-55-60 Australia
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Solicitors	Thomson Geer Level 39, 525 Collins Street Melbourne VIC 3000 Australia
Auditors	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia

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