

**Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities**

**Half-Year Information
For the six months ended 31 December 2018
Provided to the ASX under Listing Rule 4.2A**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.

Appendix 4D

Half Year Report for the six months to 31 December 2018

Name of entity: Lifestyle Communities Limited

ABN or equivalent company reference: 11 078 675 153

1. Reporting period

Report for the half year ended: 31 December 2018

Previous corresponding periods: Financial year ended 30 June 2018
Half- year ended 31 December 2017

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	Up	33%	to	\$76,791,170
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	39%	to	\$21,940,274
Net profit for the period attributable to members (<i>item 2.3</i>)	Up	39%	to	\$21,940,274
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	2.5 cents		100%	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	8 March 2019			
Payment date for interim dividend	5 April 2019			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>): Please refer to the Operating and Financial Review section contained in the attached Directors' Report.				

3. Net tangible assets per security (*item 3*)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	213.7 cents	162.2 cents

5. Dividends (item 5)

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2018	5 October 2018	\$2,613,631

Amount per security

	Amount per security	Franked amount per security at % tax
Total dividend: Current year – final 2018	2.5 cents	100%
Previous year – final 2017	2.0 cents	100%

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	\$2,613,631	\$2,090,903
Total	\$2,613,631	\$2,090,903

8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

9. Independent review of the financial report (item 9)

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.



Lifestyle Communities Limited

ABN: 11 078 675 153

Financial Report

For the half-year ended 31 December 2018

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.



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Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 2, 25 Ross Street South Melbourne VIC 3205 Australia
Directors	Tim Poole – Non-executive Chairman James Kelly – Managing Director Philippa Kelly – Non-executive Director The Honourable Nicola Roxon – Non-executive Director Georgina Williams – Non-executive Director David Blight – Non-executive Director
Company Secretaries	Darren Rowland Mark Licciardo Kate Goland
Principal Place of Business	Level 2, 25 Ross Street South Melbourne VIC 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford 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
Bankers	Westpac Banking Corporation Limited Level 7, 150 Collins Street Melbourne Vic 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 13, 664 Collins Street Docklands VIC 3008 Australia

Directors' Report

For the half-year ended 31 December 2018

The directors 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 2018 and the independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

1. Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the first half of the 2019 financial year. Profit after tax attributable to shareholders was \$21.9 million (1HFY18: \$15.8 million).

Financial and Operating Highlights

	Measure	1HFY19	1HFY18	Change	Change %
Key Financial Data		31-Dec-18	31-Dec-17		
Revenue	A\$ millions	76.8	57.8	19.0	32.9
Earnings before interest and tax	A\$ millions	32.7	24.0	8.7	36.3
Net profit before tax	A\$ millions	32.1	23.5	8.6	36.6
Net profit after tax	A\$ millions	21.9	16.1	5.8	36.0
Net profit attributable to shareholders	A\$ millions	21.9	15.8	6.1	38.6
Operating cash flow	A\$ millions	(5.5)	8.2	(13.7)	(167.1)
Community cash flow ¹	A\$ millions	6.6	5.6	1.0	17.9
Earnings per share	A\$ cents	21.0	15.2	5.8	38.2
Diluted earnings per share	A\$ cents	21.0	15.2	5.8	38.2
Interim dividend per share	A\$ cents	2.5	2.0	0.5	25.0
		31-Dec-18	30-Jun-18		
Gearing ²	%	21.8	13.3	8.5	63.9
Return on average capital employed ³	%	20.2	19.5	0.7	3.6
Key Operational Data		31-Dec-18	31-Dec-17		
Homes settled (gross)	No. of homes	186	150	36	24
Homes sold (gross)	No. of homes	94	181	(87)	(48)
Average realised sales price new homes (GST incl)	A\$'000	398	342	56	16
Number of resales settled ⁵	No. of homes	30	26	4	15
Average realised sales price resales (GST incl) ⁶	A\$'000	393	366	27	7
		31-Dec-18	30-Jun-18		
Total number of homes (gross)	No. of homes	2,133	1,947	186	10
Total number of homes (after NCI) ⁴	No. of homes	1,932	1,746	186	11
Total number of homeowners	No. of homes	3,118	2,859	259	9
Average age of homeowner	Years	72	72		

- 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
- Calculated as a ratio of net debt to net debt plus equity
- Calculated as a ratio of EBIT (annualised) divided by average total assets less current liabilities
- Gross number of homes adjusted for share of communities owned by non-controlling interests
- There were 41 resales settled in 1HFY19 (1HFY18: 40 resales settled) of which 30 (1HFY18 26) attracted a deferred management fee. The balance 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
- Average realised sales price of resales attracting a deferred management fee

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 2019 financial year.

The increase in profit after tax attributable to shareholders from \$15.8 million in the first half of the 2018 financial year to \$21.9 million in the first half of the 2019 financial year can be attributed mainly to increased new home settlements, increased contributions from community management, partly offset by increased development expenses and corporate overheads.

Directors' Report

For the half-year ended 31 December 2018

1. Operating and Financial Review (continued)

Financial and Operating Highlights (continued)

The Company made good progress during the first half of FY19 with net profit after tax increasing 38.6% to \$21.9 million. Total number of homes settled increased to 2,133 homes, an increase of 186 settlements during the half-year. Community cash flows were \$6.6 million up from \$5.6 million in the prior half-year. This was driven by a \$1.7 million increase in rental revenue, a \$0.5 million increase in deferred management fees received and partly offset by a \$1.1 million increase in community management expenses due to increased homes under management.

The Company continued to develop its communities at Shepparton, Berwick Waters, Bittern and Ocean Grove. During the period, construction was completed at Geelong and construction commenced at Mount Duneed. The Company had limited new homes available for sale during the first half of FY19, although this will not continue as the Company commences actively selling new communities at Kaduna Park, Wollert North and Plumpton during the next six months.

The Company had 3,118 people living in its communities as at the end of the half-year with an average age of 72 years.

Resales (sales of previously settled and occupied homes) during the half-year were 41 (1HFY18: 40) of which 30 (1HFY18: 26) attracted a deferred management fee. Deferred management fee revenue received (inclusive of selling and administration fees) was \$2.4 million compared to \$1.9 million in the prior half-year. The average deferred management fee (pre-joint venture share and excluding selling and administration fees) increased to \$66,000 compared to \$61,000 in the prior half-year. At the end of the half-year there were 31 resale homes available for sale and 15 resale homes sold and not settled across the communities

Update on communities

Community	New homes				Resales				Total		
	Settled 1HFY19	Settled 1HFY18	Net sales 1HFY19	Net sales 1HFY18	Settled 1HFY19	Settled 1HFY18	Net sales 1HFY19	Net sales 1HFY18	Sold not settled	Homes settled	Homes in portfolio
Brookfield					6	8	9	4		228	228
Seasons at Tarneit					2		1			136	136
Warragul					3	4	2	3		182	182
Casey Fields					5	6	5	1		217	217
Shepparton	16	20	6	21	1	1	1	4	10	263	301
Chelsea Heights					5	3	6	4		186	186
Hastings					1	4	2	3		141	141
Lyndarum		35		4	3		1	1		154	154
Geelong	16	22	3	21	2		2		4	159	164
Officer		22		5	2			1		151	151
Berwick Waters	55	51	3	53			1		19	192	216
Bittern	72		8	46					96	97	209
Ocean Grove	27		16	31					85	27	220
Mount Duneed			22						22		191
Kaduna Park			36						36		165
Wollert North											243
Plumpton											260
Total	186	150	94	181	30	26	30	21	272	2,133	3,364

Directors' Report

For the half-year ended 31 December 2018

1. Operating and Financial Review (continued)

Update on communities (continued)

An update on each of the communities as at 31 December 2018 is as follows:

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, Lifestyle Hastings, Lifestyle Lyndarum in Wollert and Lifestyle Officer are fully sold.
- Lifestyle Shepparton is 87% settled and 90% sold. Construction of the final 38 homes has commenced and is expected to be completed during FY19.
- Lifestyle Geelong has one home to sell and five homes remaining to settle.
- Lifestyle Berwick Waters achieved 55 settlements during the half year, which brings total settlements to 192 since the project was launched in April 2016. The project is fully sold except for the display homes which have been retained for marketing Kaduna Park.
- Lifestyle Bittern achieved 72 settlements in the half year and is 92% sold with seven homes remaining available for sale. The land at Bittern settled during the first quarter of FY2019.
- Lifestyle Ocean Grove is 51% sold, achieving 114 net sales since the project was launched in March 2017. First homeowners moved into the community on 17 December 2018 and 27 settlements were completed in the first week. The land at Ocean Grove settled in February 2019.
- The land for the Lifestyle Community in Mount Duneed (Armstrong Creek) was acquired in March 2017 and settled in September 2018. The community was also launched for sale in the first quarter of FY19 and 22 new sales have been achieved as at 31 December 2018.
- The land for the Lifestyle Community in Kaduna Park was acquired in August 2017 and is due to settle in the third quarter of FY19. Sales have commenced to our database and 36 sales have been achieved as at 31 December 2018.
- The land for the Lifestyle Community in Wollert North was acquired in April 2018 and is due to settle in the fourth quarter of FY19. An additional four-hectare parcel of land was acquired during the half year which will increase the number of homes in the community from 135 to 243 (subject to the final urban plan design).
- The land for Lifestyle Plumpton was contracted in December 2018 and is due to settle in September 2019.

Directors' Report

For the half-year ended 31 December 2018

1. Operating and Financial Review (continued)

Analysis of Income Statement

Net profit after tax attributable to shareholders for the half-year ended 31 December 2018 was \$21.9 million compared to \$15.8 million for the prior corresponding period. The table below provides an analysis of the changes:

	A\$ millions	A\$ millions
Net profit after tax attributable to shareholders for the half-year ended 31 December 2017	-	15.8
Changes in revenues		
Home settlement revenue	16.3	
Rental revenue	1.7	
Utilities revenue	0.6	
Deferred management fee	0.4	
Total changes in revenue		19.0
Changes in cost of sales		(12.6)
Changes in gain from fair value adjustments		5.3
Changes in expenses		
Development expenses (sales and marketing)	(0.1)	
Management rental expenses	(0.7)	
Management deferred management fee expenses	(0.5)	
Utilities expenses	(0.4)	
Corporate overheads	(1.2)	
Sub-division expenses	0.1	
Finance costs	(0.1)	
Total changes in expenses		(2.9)
Income tax expense		(2.7)
Net profit after tax attributable to shareholders for the half-year ended 31 December 2018		21.9

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements increased to \$62.9 million (1HFY18: \$46.6 million) due to an increase in settlements to 186 from 150 in the prior half-year in addition to a 9% increase in the average realised sales price.
- Gross home margin remained steady at 23.2% (H1FY18: 23.3%). The gross home margin represents home settlement revenue less a pro-rata share of project infrastructure, housing and capitalised finance costs expensed as each home settles.

Annuity income and expenses

- Revenue from homeowner rentals increased to \$9.8 million compared to \$8.1 million in the prior half-year due to an increase in homes under management and the rental increase of 3.5%.
- Community management expenses increased to \$4.3 million compared to \$3.6 million in the prior half-year. The increase is due to an increase in operations at Shepparton, Geelong, Officer, Berwick Waters, Bittern; and commencement of management at Ocean Grove.
- Deferred management fees received (inclusive of selling and administration fees) increased to \$2.4 million compared to \$1.9 million in the prior half-year. There were 30 resale settlements that attracted a deferred management fee during the half-year compared to 26 in the prior half-year. The average realised sales price of resales increased to \$398k (GST inclusive) compared to \$342k in the prior half-year. The average deferred management fee (pre-joint venture share and excluding selling and administration fees) increased to \$66,000 compared to \$61,000 in the prior half-year. The 30 resale settlements that attracted a deferred management fee achieved an average price growth of 9.4% per annum (prior half-year: 7.4%) from their initial acquisition date and had an average tenure of 5.4 years (prior half-year: 5.6 years).
- Deferred management fee expenses increased to \$1.3 million compared to \$0.9 million in the prior half-year. The increase being due to increased sales at joint venture communities and an increase in sales and marketing activity.

Directors' Report

For the half-year ended 31 December 2018

1. Operating and Financial Review (continued)

Analysis of Income Statement (continued)

Other expenses

- Development expenses (new home sales and marketing) increased to \$3.2 million compared to \$3.1 million in the prior half-year. The increase being due to increased marketing spend.
- Corporate overheads increased to \$5.0 million compared to \$3.6 million in the prior half year. The increase is mainly due to an increase in resources.

Finance costs increased to \$0.6 million compared to \$0.5 million in the prior half-year. The Company capitalises a proportion of finance costs to inventories where appropriate and the balance of finance costs are expensed. Capitalised finance costs are expensed through cost of sales on a percentage of completion basis.

Fair value adjustments

- Total fair value adjustments increased to \$19.6 million compared to \$14.3 million in the prior half-year. Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represent incremental adjustments to their fair value upon settlement of homes and reflects the discounted value of future rental and deferred management fee revenues net of expenses as well as the fair value of undeveloped land. Refer to Note 10 in the Company's 31 December 2018 half-year financial report for further details.

Analysis of Cash Flow

Cash flows relating to operations (which includes development and management activities) were an outflow of \$5.5 million compared to a surplus of \$8.2 million in the prior half-year. The decrease is mainly attributable to a \$25 million increase in payments to suppliers and employees driven by the increased development expenditure at Ocean Grove and Bittern partly offset by an \$12.8 million increase in receipts from customers. Receipts from customers are in line with increased revenue from home settlements, rental income and deferred management fees. Payments to suppliers and employees reflect increased expenditure on infrastructure in new communities together with land acquired and not yet developed. Project expenditure was \$16.2 million in the first-half of FY19 compared to \$12.8 million in the prior-half year reflecting increased activity at Bittern and Ocean Grove.

Cash flows relating to investing activities included the initial deposit for land at Wollert North and Plumpton together with the land settlement of Mount Duneed and Bittern.

Cash flows relating to financing activities are largely represented by a \$30 million increase in bank borrowings, \$2.6 million of dividends and \$0.8 million purchase of treasury shares for the employee incentive scheme.

Directors' Report

For the half-year ended 31 December 2018

1. Operating and Financial Review (continued)

Analysis of Balance Sheet

Net assets and total equity

A\$ millions	31-Dec-18	30-Jun-18	Change	Change %
Assets				
Cash and cash equivalents	7.7	8.6	(0.9)	(10)
Trade and other receivables	0.4	0.2	0.2	100
Inventories	51.4	39.4	12.0	30
Property, plant and equipment	6.4	5.6	0.8	14
Investment properties	360.0	303.6	56.4	19
Other assets	1.0	0.8	0.2	25
Total Assets	426.9	358.2	68.7	19
Liabilities				
Trade and other payables	(73.3)	(59.8)	(13.5)	(23)
Interest-bearing loans and borrowings	(70.0)	(40.0)	(30.0)	75
Provisions	(0.9)	(0.8)	(0.1)	13
Current tax payable	(0.7)	(1.1)	0.4	(36)
Deferred tax liabilities	(58.6)	(51.9)	(6.7)	13
Total Liabilities	(203.5)	(153.6)	(49.9)	32
Net Assets	223.4	204.6	18.8	9
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	65.1	65.6	(0.5)	(1)
Retained earnings	158.3	139.0	19.3	14
Total Equity	223.4	204.6	18.8	(9)

Debt, gearing and liquidity

As at 31 December 2018 the Company had net debt (total borrowings less cash) of \$62.3 million (30 June 2018: \$31.4 million).

A\$ millions	
Gross debt at 30 June 2018	40.0
Net increase in bank borrowings	30.0
Gross debt at 31 December 2018	70.0

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2018 was 21.8% (30 June 2018: 13.3%).

As at 31 December 2018 the Company has a committed facility with Westpac of \$120.0 million of which \$70 million was drawn.

Outlook

The Company has a focused strategy to dominate the niche of affordable housing to the over 50's market. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities.

The Company reconfirms that new home settlements for the 2019 financial year are forecast to be in the range of 310 to 350. The Company also confirms previous guidance that underlying net profit after tax attributable to shareholders and total dividends are both expected to increase in the 2019 financial year compared to the 2018 financial year.

Directors' Report

For the half-year ended 31 December 2018

2. Dividends

The directors have resolved to pay an interim fully franked dividend of 2.5 cents per ordinary share (1H18: 2.0 cents). The Company continues to expect that total dividends in respect of the 2019 financial year will be higher than the prior year.

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:

Names	Appointed	Position
Tim Poole	November 2007	Non-Executive Chairman
James Kelly	September 2007	Managing Director
Philippa Kelly	September 2013	Non-Executive Director
The Honourable Nicola Roxon	September 2017	Non-Executive Director
Georgina Williams	September 2017	Non-Executive Director
David Blight	June 2018	Non-Executive Director

Company Secretaries

Darren Rowland	July 2018
Mark Licciardo	March 2018
Kate Goland	March 2018
Lisa Pipito	Resigned July 2018

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.

Rounding of amounts

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

This report is signed in accordance with a resolution of the Directors:



Tim Poole
Chair



James Kelly
Managing Director

Dated this 21 day of February 2019

**LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
LIFESTYLE COMMUNITIES LIMITED**

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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



N R Bull
Partner

21 February 2019



PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Development revenue		62,961,522	46,637,140
Home settlement revenue		62,961,522	46,637,140
Cost of sales		(48,324,327)	(35,762,066)
Gross profit from home settlements		14,637,195	10,875,074
Management and other revenue			
Rental revenue		9,773,655	8,124,438
Deferred management fees		2,422,081	1,943,337
Utilities revenue		1,627,799	1,058,354
Sub-division revenue		-	50,087
Finance revenue		6,113	6,827
Total management and other revenue		13,829,648	11,183,043
Fair value adjustments	5	19,608,373	14,290,745
less expenses			
Development expenses (sales and marketing)		(3,160,346)	(3,063,918)
Management rental expenses		(4,292,037)	(3,664,846)
Management deferred management fee expenses		(1,331,593)	(849,970)
Utilities expenses		(1,593,839)	(1,015,890)
Corporate overheads		(4,956,809)	(3,613,002)
Sub-division expenses		-	(111,406)
Finance costs	6	(622,090)	(532,049)
Profit before income tax		32,118,502	23,496,781
Income tax expense		(10,178,228)	(7,428,039)
Profit from continuing operations		21,940,274	16,068,742
Profit attributable to:			
Members of the parent entity		21,940,274	15,847,521
Non-controlling interests		-	221,221
Total comprehensive income for the half year		21,940,274	16,068,742
Total comprehensive income attributable to:			
Members of the parent entity		21,940,274	15,847,521
Non-controlling interests		-	221,221
Total comprehensive income attributable to members of the parent entity		21,940,274	16,068,742

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

Basic earnings per share (cents)	21.0	15.2
Diluted earnings per share (cents)	21.0	15.2

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents		7,670,684	8,585,136
Trade and other receivables		418,716	227,152
Inventories		44,302,279	33,232,275
Other current assets		1,030,638	815,510
Total current assets		53,422,317	42,860,073
Non-current assets			
Inventories		7,064,808	6,206,662
Property, plant and equipment		6,433,091	5,576,406
Investment properties	11	360,033,446	303,572,686
Total non-current assets		373,531,345	315,355,754
TOTAL ASSETS		426,953,662	358,215,827
LIABILITIES			
Current liabilities			
Trade and other payables		73,281,651	59,808,214
Current tax liabilities		703,152	1,132,103
Provisions		744,630	667,254
Total current liabilities		74,729,433	61,607,571
Non-current liabilities			
Interest-bearing loans and borrowings		70,000,000	40,000,000
Provisions		149,536	165,774
Deferred tax liabilities		58,647,255	51,888,520
Total non-current liabilities		128,796,791	92,054,294
TOTAL LIABILITIES		203,526,224	153,661,865
NET ASSETS		223,427,438	204,553,962
EQUITY			
Contributed equity	9	63,909,017	63,808,144
Reserves		1,173,731	1,727,770
Retained earnings	10	158,344,690	139,018,048
TOTAL EQUITY		223,427,438	204,553,962

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 2018

	Note	Contributed equity \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2017		63,204,070	1,801,816	90,518,119	-	155,524,005
Profit for the half year		-	-	15,847,521	221,221	16,068,742
Total comprehensive income for the half year		63,204,070	1,801,816	106,365,640	221,221	171,592,747
Transactions with owners in their capacity as owners						
Net distributions to non-controlling interests		-	-	-	(221,721)	(221,721)
Employee share schemes		-	(367,928)	-	-	(367,928)
Movement in treasury shares	9	441,715	-	-	-	441,715
Repayment of employee share scheme loans	9	175,200	-	-	-	175,200
Dividends paid	7	-	-	(2,090,903)	-	(2,090,903)
		616,915	(367,928)	(2,090,903)	(221,721)	(2,063,637)
Balance at 31 December 2017		63,820,985	1,433,888	104,274,737	(500)	169,529,110

	Note	Contributed equity \$	Reserves \$	Retained earnings \$	Non-controlling interests \$	Total equity \$
Balance at 1 July 2018		63,808,144	1,727,770	139,018,048	-	204,553,962
Profit for the half year		-	-	21,940,274	-	21,940,274
Total comprehensive income for the half year		63,808,144	1,727,770	160,958,322	-	226,494,236
Transactions with owners in their capacity as owners						
Issue of shares - exercise of options		666,148	(554,039)	-	-	112,109
Treasury shares purchased		(565,275)	-	-	-	(565,275)
Dividends paid or provided for	7	-	-	(2,613,632)	-	(2,613,632)
		100,873	(554,039)	(2,613,632)	-	(3,066,798)
Balance at 31 December 2018		63,909,017	1,173,731	158,344,690	-	223,427,438

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Cash flow from operating activities			
Receipts from customers		76,480,592	63,683,396
Payments to suppliers and employees		(77,017,396)	(51,837,821)
Income taxes paid		(3,613,719)	(2,751,681)
Interest received		6,113	6,827
Interest paid		(1,333,830)	(926,417)
Net cash provided by/(used in) operating activities		(5,478,240)	8,174,304
Cash flow from investing activities			
Purchase of property, plant and equipment		(1,185,407)	(324,487)
Purchase of investment properties and capitalised costs		(20,837,174)	(1,930,000)
Net cash provided by/(used in) investing activities		(22,022,581)	(2,254,487)
Cash flow from financing activities			
Proceeds from exercise of options / repayment of employee share scheme loans		-	175,200
Proceeds from external borrowings		30,000,000	2,000,000
Repayment of external borrowings		-	(9,000,000)
Dividends paid		(2,613,631)	(2,090,903)
Purchase of treasury shares		(800,000)	-
Net cash provided by/(used in) financing activities		26,586,369	(8,915,703)
Net increase/(decrease) in cash and cash equivalents held		(914,452)	(2,995,886)
Cash and cash equivalents at the beginning of the half year		8,585,136	3,640,754
Cash and cash equivalents at end of the half -year		7,670,684	644,868

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

Notes to the Financial Statements

For the half-year ended 31 December 2018

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 21 February 2019. Comparatives are consistent with prior years, unless otherwise stated.

2. Basis of Preparation

This condensed consolidated half-year financial report for the reporting period ending 31 December 2018 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 2018, together with any public announcements made during the half-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 unless otherwise stated.

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

3. Change in Accounting Policy

(a) Revenue from Contracts with Customers - Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from Contracts with Customers* for the first time in the current half-year with a date of initial application of 1 July 2018.

AASB 15 introduces a five-step process for revenue recognition with the core principal of the new Standard being for entities to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services. The five-step approach is as follows: step 1 - identify the contracts with the customer; step 2 - identify the separate performance obligations; step 3 - determine the transaction price; step 4 - allocate the transaction price; and step 5 - recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple - element arrangements.

The Group derives its revenue from the transfer of goods and services at a point in time in the Condensed Consolidated Statement of Profit and Loss. The Company has assessed the revenue recognition requirements in AASB 15 and has determined there is no material impact to the timing and amount of revenue recorded in the Financial Report.

4. 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.

5. Fair Value Adjustments

	31 December 2018 \$	31 December 2017 \$
Fair value adjustments - Investment Properties	19,608,373	13,927,755
Other fair value adjustments	-	361,990
	19,608,373	14,289,745

Notes to the Financial Statements

For the half-year ended 31 December 2018

5. Fair Value Adjustments (continued)

(a) Fair value adjustments - investment properties

Fair value adjustment results from restating communities to their fair value at balance date. This income represents incremental adjustments to the fair value of investment properties upon settlement of units and reflects the discounted value of future rental and deferred management fee revenues net of expenses as well as the fair value of undeveloped land.

(b) Other fair value adjustments

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

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

6. Finance Costs

(a) Finance costs expensed

	31 December 2018 \$	31 December 2017 \$
Interest on secured loans	577,440	477,825
Other interest expense	650	15,201
Amortisation of loan facility fees	44,000	39,023
	622,090	532,049

(b) Finance costs capitalised

Finance costs capitalised refers to interest capitalised as part of inventory:

	31 December 2018 \$	31 December 2017 \$
Interest on secured loans	755,740	450,496
Total	755,740	450,496

Interest has been capitalised at the prevailing facility interest rate and is expensed through cost of sales as a pro-rata amount per home settled.

(c) Secured loans

The Company has a \$120,000,000 facility with Westpac Banking Corporation. This facility is subject to internal credit management procedures whereby funds drawn are allocated between development debt (capitalised to inventory) and pre-development debt (expensed). Development debt includes funding for inventory and pre-development debt includes funding for undeveloped land. As at 31 December 2018 debt was \$70,000,000 with \$65,110,000 allocated to development debt and \$4,890,000 allocated to pre-development debt (as at 30 June 2018 debt was \$40,000,000 with \$37,200,000 allocated to development debt, and \$2,800,000 allocated to pre-development debt).

Notes to the Financial Statements

For the half-year ended 31 December 2018

7. Dividends

	31 December 2018 \$	31 December 2017 \$
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Final dividends

Dividends paid 2.5 cents per share (2017: 2.0 cents per share) fully franked at 30% 2,613,632 2,090,903

Interim dividends declared after balance date and not recognised

Since balance date the directors have declared an Interim dividend of 2.5 cents per share (2018: 2.0 cents per share) fully franked at 30% 2,613,632 2,093,903

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

8. Borrowings

(a) Non-current secured loans

As at reporting date the company has drawn \$70,000,000 of the \$120,000,000 facility with Westpac Banking Corporation. The \$120,000,000 facility has an expiry of greater than one year, with the original \$80,000,000 expiring on 26 August 2020 and the \$40,000,000 expiring on 29 November 2020.

The facility is secured by:

- General Security Deeds between Westpac Banking Corporation and Lifestyle Communities Limited, Lifestyle Investments 1 Pty Ltd, Lifestyle Developments 1 Pty Ltd, Lifestyle Management 1 Pty Ltd, Brookfield Village Development Pty Ltd, Brookfield Village Management Pty Ltd, Lifestyle Investments 2 Pty Ltd, Lifestyle Developments 2 Pty Ltd, Lifestyle Management 2 Pty Ltd and Lifestyle Communities Investments Cranbourne Pty Ltd.
- Mortgage by Lifestyle Investments 1 Pty Ltd over Melton, Warragul and Tarneit properties.
- Mortgage by Lifestyle Investments 2 Pty Ltd over Shepparton, Hastings, Wollert, Geelong, Officer, Bittern, Mount Duneed and Berwick Waters properties.

9. Contributed Equity

	31 December 2018 \$	30 June 2018 \$
104,545,131 Ordinary shares (30 June 2018: 104,545,131)	64,523,510	64,523,510
275,156 Treasury shares (30 June 2018: 237,231)	(614,493)	(715,366)
Total	63,909,017	63,808,144

(a) Reconciliation of ordinary shares

(i) 31 December 2017 half year

31 December 2017 half year	Number	\$
Balance as at 1 July 2017	104,545,131	63,919,070
Repayment of CRES loans	-	175,200
Balance as at 31 December 2017	104,545,131	64,094,270

(ii) 30 June 2018 half year

30 June 2018 half year	Number	\$
Balance as at 1 January 2018	104,545,131	64,094,270
Repayment of CRES loans	-	429,240

Notes to the Financial Statements

For the half-year ended 31 December 2018

9. Contributed Equity (continued)

(ii) 30 June 2018 half year (continued)

30 June 2018 half year	Number	\$
Balance as at 30 June 2018	104,545,131	64,523,510

(iii) 31 December 2018 half year

31 December 2018 half year	Number	\$
Balance as at 1 July 2018	104,545,131	64,523,510
Balance as at 31 December 2018	104,545,131	64,523,510

(b) Reconciliation of treasury shares

(i) 31 December 2017 half year

31 December 2017 half year	Number	\$
Balance as at 1 July 2017	174,086	(715,000)
Purchase of treasury shares	-	(915)
Vesting of employee shares	(97,180)	442,630
Balance as at 31 December 2017	76,906	(273,285)

(ii) 30 June 2018 half year

30 June 2018 half year	Number	\$
Balance as at 1 January 2018	76,906	(273,285)
Purchase of treasury shares	180,325	(533,176)
Vesting of employee shares	(20,000)	91,095
Balance as at 30 June 2018	237,231	(715,366)

(iii) 31 December 2018 half year

31 December 2018 half year	Number	\$
Balance as at 1 July 2018	237,231	(715,366)
Purchase of treasury shares	150,000	(565,275)
Vesting of employee shares	(112,075)	666,148
Balance as at 31 December 2018	275,156	(614,493)

Notes to the Financial Statements

For the half-year ended 31 December 2018

10. Retained Earnings

Movements in retained earnings were as follows

	31 December 2018 \$	30 June 2018 \$
Opening balance	139,018,048	90,518,119
Profit for the year	21,940,274	52,681,734
Dividends paid	(2,613,632)	(4,181,805)
	158,344,690	139,018,048

11. Fair value measurements

(a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

31-Dec-18	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring Fair Value Measurements				
Investment properties	-	-	360,033,446	360,033,446
Total assets measured at fair value	-	-	360,033,446	360,033,446

30-Jun-18	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring Fair Value Measurements				
Investment properties	-	-	303,572,686	303,572,686
Total assets measured at fair value	-	-	303,572,686	303,572,686

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

(i) Investment properties

The fair value of investment properties is determined by inputs from independent valuations and Directors' valuations. Fair value is determined by a combination of the discounted annuity streams associated with the completed home units and the fair value of the undeveloped land. Inputs, including discount rates, deferred management fee annuity value, and management expense rates are derived from independent valuations. Rental capitalisation rates are derived from a combination of independent and Directors' valuations. Some inputs relating to the rental annuity streams are adjusted to reflect appropriate data relating to the rental at those communities that weren't valued in the current year. The fair value of undeveloped land is based on inputs from independent valuations. Inputs from independent valuations are provided by property valuers who are industry specialists in valuing these types of investment properties.

Investment properties have been classified as level 3 as it is an internally generated calculation that contains some non-observable market inputs. The company does not adjust some of the major inputs obtained from the independent valuations such as discount rates, the deferred management fee annuity values, and the management expense rates.

Notes to the Financial Statements

For the half-year ended 31 December 2018

11. Fair value measurements (continued)

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

(i) Investment properties

Rental capitalisation rates - rates were taken directly from the valuations for the seven communities independently valued in the 2018 financial year. In relation to the remaining communities independently valued in the prior year the Directors have adjusted the rental capitalisation rates to reflect those adopted by the independent valuers.

Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.

Rental annuity - the Directors have adjusted the weekly rental rates adopted in prior year valuations by 1.75% to reflect half of the annual rent increases.

Undeveloped land - the valuation for this component is taken from inputs within the independent valuations.

Below is a summary of the significant unobservable inputs utilised across the portfolio, including the inputs obtained from the independent valuations:

	Adopted	Per valuations
Weekly rentals (\$)	189.47 - 198.99	189.47-198.99
Anticipated % expenses (as a percentage of rental income)	28.0%-45.0%	28.0%-45.0%
Rental capitalisation rate (%)	7.50%	7.50%
Rental values per unit (\$)	57,269-99,995	57,269 - 99,995
Deferred management fee discount rates (%)	13.00% - 14.00%	13.00% - 14.00%
Deferred management fee values per unit (\$)	31,224 - 88,172	31,224 - 88,172
Valuation of undeveloped land (per hectare) (\$'million)	0.19 - 2.20	0.19 - 2.20

(d) Reconciliation of recurring level 3 fair value movements

(i) Investment properties

	31 December 2018 \$	30 June 2018 \$
Opening balance	303,572,686	211,294,274
Additions (contracted land and capitalised costs)	35,859,811	32,052,107
Net gain from fair value adjustments	20,600,949	60,226,305
Closing balance	360,033,446	303,572,686

Gains and losses are recognised in the statement of comprehensive income within fair value adjustments.

(e) Valuation processes used for level 3 fair value measurements

(i) Investment properties

The Company obtains independent valuations of each community at least every two years. The Company uses the independent valuers' inputs in relation to the rental and deferred management fee annuity streams for communities valued in the current year. For those communities valued in the prior year the Directors utilise inputs from independent valuations to assess whether rental capitalisation rates and weekly rental income should be adjusted. These adjustments are assessed each period end. The directors assess the value attributed to undeveloped land annually. Land contracted in any period is recognised at cost until the first valuation is obtained.

(f) Sensitivity analysis for recurring level 3 fair value measurements

(i) Investment properties

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

(ii) Rental income

Rental is contractually fixed to increase by the greater of CPI or 3.5% annually. Therefore, it is unlikely that there will be any material sensitivities in relation to rental income.

Notes to the Financial Statements

For the half-year ended 31 December 2018

11. Fair value measurements (continued)

(f) Sensitivity analysis for recurring level 3 fair value measurements (continued)

(ii) Rental income (continued)

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31-Dec-18 \$	31-Dec-17 \$	31-Dec-18 \$	31-Dec-17 \$
Rental expense rate				
+2%	(3,793,677)	(2,895,127)	(3,793,677)	(2,895,127)
-2%	3,793,677	2,895,127	3,793,677	2,895,127
Rental capitalisation rate				
+0.50%	(7,863,880)	(5,778,186)	(7,863,880)	(5,778,186)
-0.50%	8,987,291	6,575,177	8,987,291	6,575,177
Deferred management fee per unit				
+5%	3,728,400	2,211,054	3,728,400	2,211,054
-5%	(3,728,400)	(2,211,054)	(3,728,400)	(2,211,054)
Land prices (undeveloped land)				
+10%	6,070,855	2,447,827	6,070,855	2,447,827
-10%	(6,070,855)	(2,447,827)	(6,070,855)	(2,447,827)

12. Events Occurring After the Reporting Date

The financial report was authorised for issue on 21 February 2019 by the board of directors.

No matters or circumstances have arisen since the end of the financial half-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.

13. Contingencies

The GST audit being conducted by the Australian Taxation Office (ATO) continued throughout the period. The ATO issued a position paper during the period and notified the Company that, in its view:

1. The Company is not entitled to input tax credits on land acquisitions; and
2. The Company is not entitled to input tax credits on its community infrastructure expenditure

The Company's position remains that it is entitled to an input tax credit for a part of the GST incurred on its land acquisitions and an input tax credit for the full amount of GST incurred on its community infrastructure expenditure. The Company has come to this view after taking independent advice from relevant subject matter experts, including senior counsel. During the period, the ATO issued a notice of assessment for \$670k which relates to the input tax credit claimed on the purchase of the Lifestyle Lyndarum land in June 2014. The Company immediately paid and lodged an objection to that assessment. By mutual agreement, the ATO and the Company have agreed to pause the objection process whilst the GST audit is completed. At the ATO's request, the Company agreed to extend the audit period. The Company will lodge a formal response to the ATO's position in February 2019 and will continue to engage with the ATO. The Company has not increased the size of its provision since 30 June 2018.

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 15 to 33 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 2018 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 Ltd 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.

A handwritten signature in black ink, appearing to read "Tim Poole".

Tim Poole
Chair

A handwritten signature in black ink, appearing to read "James Kelly".

James Kelly
Managing Director

Dated this 21 day of February 2019

**LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153**

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153**

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lifestyle Communities Limited and controlled entities, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



N R BULL
Partner



PITCHER PARTNERS
Melbourne

21 February 2019