Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities

Half-Year Information
For the six months ended 31 December 2016

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 2016.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2016

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 2016

Previous corresponding periods: Financial year ended 30 June 2016
Half- year ended 31 December 2015

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Up	21%	to	$45,431,897
Profit from ordinary activities after tax attributable to members (*item 2.2*)	Up	36%	to	$12,042,342
Net profit for the period attributable to members *(item 2.3)*	Up	36%	to	$12,042,342

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	1.5 cents	100%
Record date for determining entitlements to the dividend *(item 2.5)*	10 March 2017	
Payment date for interim dividend	7 April 2017	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*: 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	136.0 cents	126.0 cents

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2016	7 October 2016	$1,563,177

Amount per security

		Amount per security	Franked amount per security at % tax
Total dividend:	Current year – final 2016	1.5 cents	100%
	Previous year – final 2015	1.5 cents	100%

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	$1,563,177	$1,554,741
Total	**$1,563,177**	**$1,554,741**

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

and Controlled Entities

Financial Report

for the Half-Year Ended

31 December 2016

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

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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 Bruce Carter – Non-executive Director Jim Craig – Non-executive Director Philippa Kelly – Non-executive Director
Company Secretary	Geoff Hollis
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 Victoria 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 19, 15 William Street Melbourne VIC 3000 Australia

Lifestyle COMMUNITIES

Directors' Report

The directors present their report together with the condensed financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled (the Group), for the half-year ended 31 December 2016 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the first half of the 2017 financial year. Profit after tax attributable to shareholders was $12.0 million (1HFY2016: $8.9 million).

Financial and Operating Highlights

	Measure	1H FY2017	1H FY2016	Change	Change %
Key financial data		*31-Dec-16*	*31-Dec-15*		
Revenue	A$ millions	**45.4**	37.5	7.9	21
Earnings before interest and tax	A$ millions	**17.8**	14.1	3.7	26
Net profit before tax	A$ millions	**17.4**	13.7	3.6	27
Net profit after tax	A$ millions	**12.0**	10.2	1.8	18
Net profit attributable to shareholders	A$ millions	**12.0**	8.9	3.2	36
Operating cash flow	A$ millions	**3.0**	(9.6)	12.5	320
Community cash flow [1]	A$ millions	**4.9**	3.8	1.1	27
Earnings per share	A$ cents	**11.7**	8.6	3.1	36
Diluted earnings per share	A$ cents	**11.7**	8.5	3.2	37
Interim dividend per share	A$ cents	**1.5**	1.0	0.5	50
		31-Dec-16	*30-Jun-16*		
Gearing [2]	%	**28.0**	25.6	(2.4)	(9)
Return on average capital employed [3]	%	**16.4**	15.2	1.2	8
Key operational data		*31-Dec-16*	*31-Dec-15*	Change	Change %
Homes settled (gross)	No. of homes	**128**	110	18	16
Homes settled (after NCI) [4]	No. of homes	**128**	95	33	35
Homes sold (gross)	No. of homes	**140**	82	58	71
Homes sold (after NCI) [4]	No. of homes	**140**	82	58	71
Average realised sales price new homes (GST excl)	A$'000	**309**	298	11	4
Number of resales settled [5]	No. of homes	**34**	26	8	31
Average realised sales price resales (GST incl) [6]	A$'000	**323**	247	76	31
		31-Dec-16	*30-Jun-16*		
Total number of homes (gross)	No. of homes	**1,476**	1,348	128	9
Total number of homes (after NCI) [4]	No. of homes	**1,275**	1,147	128	11
Total number of homeowners	No. of people	**2,183**	1,995	188	9
Average age of homeowners	Years	**72**	72	-	-

(1) 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
(2) Calculated as a ratio of net debt to net debt plus equity
(3) Calculated as a ratio of EBIT (annualised) divided by average total assets less current liabilities
(4) Gross number of homes adjusted for share of communities owned by non-controlling interests
(5) Includes resales attracting a deferred management fee, there were a further four resales settled in 1HFY2017 (1HFY2016: seven resales) that did not attract a deferred management fee as the outgoing homeowners sold their home within 12 months of initial settlement in accordance with the Company's Smart Buy Guarantee
(6) Average realised sales price of resales attracting a deferred management fee

Included in the key data on the prior page are several non IFRS measures including earnings before interest and tax, underlying net profit attributable to shareholders, 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 2017 financial year.

The increase in profit after tax attributable to shareholders from $8.9 million in the first half of the 2016 financial year to $12.0 million in the first half of the 2017 financial year can be attributed mainly to: increased new home settlements offset by a reduced gross margin (in line with Company expectations); increased contributions from net rental income and deferred management fees received; reduction in non-controlling interest in profit; being partly offset by increased development expenses and corporate overheads.

The Company commenced construction at Berwick Waters and continued to develop its communities at Shepparton, Wollert, Geelong and Officer during the half-year.

The Company made good progress operationally with improvements in several key metrics. Total number of homes settled increased to 1,476 homes up by 128 settlements during the half-year. Community cash flows were $4.9 million up from $3.8 million in the prior half-year. This was driven by a $1.1 million increase in rental revenue, $0.6 million increase in deferred management fees received, an increase in utilities surplus by $0.3 million (mainly due to timing of expenses in prior half-year) partly offset by a $1.0 million increase in community management expenses.

The Company had 2,183 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 34 compared to 26 in the prior half-year. Deferred management fee revenue received (inclusive of selling and administration fees) was $1.8 million compared to $1.2 million in the prior half-year. As at the end of the half-year there were 13 resale homes available for sale across the communities.

Update on communities

Community	New homes				Resales					
	Settled 1HFY17	Settled 1HFY16	Net sales 1HFY17	Net sales 1HFY16	Settled 1HFY17	Settled 1HFY16	Net sales 1HFY17	Net sales 1HFY16	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	7	16	7	9	228	228
Tarneit	-	-	-	-	2	3	1	4	136	136
Warragul	-	1	-	-	7	2	7	3	182	182
Casey Fields	-	2	-	-	8	1	7	1	217	217
Shepparton	28	27	23	32	2	1	2	-	177	268
Chelsea Heights	-	27	-	-	4	2	8	2	186	186
Hastings	-	11	-	-	4	1	3	-	141	141
Lyndarum	25	25	38	12	-	-	-	-	71	154
Geelong	21	17	18	18	-	-	-	-	57	164
Officer	54	-	21	20	-	-	-	-	81	151
Berwick Waters	-	-	40	-	-	-	-	-	-	220
Bittern	-	-	-	-	-	-	-	-	-	208
Ocean Grove	-	-	-	-	-	-	-	-	-	190
Total	**128**	**110**	**140**	**82**	**34**	**26**	**35**	**19**	**1,476**	**2,445**

An update on each of the communities as at 31 December 2016 is as follows:

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, and Lifestyle Hastings are fully sold and settled.
- Lifestyle Shepparton has continued to perform well during the half-year achieving 23 net sales and 28 settlements. The community is 66% settled and 80% sold.
- Lifestyle Lyndarum in Wollert achieved 38 net sales and 25 settlements in the half-year. The increase in sales cadence is pleasing and the community is now 46% settled and 77% sold.
- Lifestyle Geelong achieved 18 net sales and 21 settlements in the half-year. The community is now 35% settled and 59% sold.
- Lifestyle Officer achieved 18 net sales and 54 settlements in the half-year. The project has delivered 81 settlements in the first nine months of settlement activity which is historically better than any other Lifestyle community. The community is now 54% settled and 75% sold.
- Lifestyle Berwick Waters achieved 40 sales in the half-year with total sales achieved of 71 or 32%. The first settlement is expected in the final quarter of the 2017 financial year.
- The land for the Lifestyle Community at Bittern is contracted to settle in two parcels: the first parcel providing approximately 160 homes; and the second parcel providing an additional 48 homes are both expected to settle in the first-half of the 2018 financial year. Homes will be released for sale during the next few months. The Company currently expects construction to commence in the first-half of the 2018 financial year with settlements in the second-half of the 2018 financial year. The development of this community is subject to planning approval although the Company does not believe this is a material risk for this site.
- The land for the Lifestyle Community at Ocean Grove is expected to settle in the first-half of the 2018 financial year. Homes will be released for sale during the next few months. The Company currently expects construction to commence in the first-half of the 2018 financial year with settlements in the second-half of the 2018 financial year. The development of this community is subject to planning approval although the Company does not believe this is a material risk for this site.

Analysis of Income Statement

Net profit after tax attributable to shareholders for the half-year ended 31 December 2016 was $12.0 million compared to $8.9 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 2015		**8.9**
Changes in revenues		
Home settlement revenue	6.1	
Rental revenue	1.1	
Deferred management fee	0.6	
Utilities revenue	0.1	
Finance revenue	(0.1)	**7.8**
Changes in cost of sales		**(6.0)**
Changes in gain from fair value adjustments		**3.6**
Changes in expenses		
Development expenses	(0.5)	
Management rental expenses	(0.9)	
Management deferred management fee expenses	(0.1)	
Utilities expenses	0.1	
Corporate overheads	(0.5)	
Finance costs	-	**(1.9)**
Income tax expense		**(1.8)**
Decrease in profit after tax attributable to non-controlling interests		**1.4**
Net profit after tax attributable to shareholders for the half-year ended 31 December 2016		**12.0**

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements increased by $6.1 million due to an increase in settlements to 128 from 110 in the prior half-year in addition to a 4% increase in the average realised sales price.
- Gross home margin reduced from 22.4% in the prior half-year to 19.4% due to a change in product mix. Chelsea Heights, a high margin community, contributed 25% of settlements in the prior half-year with no contribution to the current half-year. Conversely, Shepparton is a lower margin community and contributed a similar percentage of settlements in both periods. The margin in the second-half of the 2017 financial year, although dependent on product mix, is expected to be reasonably consistent or marginally improved compared to the first-half of the 2017 financial year. The gross home margin represents home settlement revenue less a pro-rata share of project capital infrastructure, housing and capitalised finance costs expensed as each home settles.

Annuity income and expenses

- Revenue from homeowner rentals was $6.6 million compared to $5.5 million in the prior half-year due to an increase in homes under management and a rental increase of 3.5%.
- Community management expenses were $3.4 million compared to $2.5 million in the prior half-year. The increase in community management expenses is mainly due to an increase in operations at the Wollert, Geelong and Officer communities in addition to the increase in total homes under management.

- Deferred management fees received (inclusive of selling and administration fees) were $1.8 million compared to $1.2 million in the prior half-year. There were 34 resale settlements during the half-year compared to 26 in the prior half-year. The average realised sales price of resales increased to $323k (GST inclusive) compared to $247k in the prior half-year. The increase was partly attributable to achieving more resales at higher priced communities at Cranbourne, Chelsea Heights and Hastings. The 34 resale settlements achieved an average price growth of 5.5% per annum (prior half-year: 2.2%) from their initial acquisition date and had an average tenure of 4.1 years (prior half-year: 5.9 years). The change in average tenure is due to a higher contribution to resales from newer communities.

Other expenses

- Development expenses were $2.5 million compared to $1.9 million in the prior half-year. The increase being due to increased sales based costs (marketing and wages) in-line with the increased sales and settlements activity during the period.
- Corporate overheads increased by $2.8 million compared to $2.3 million in the prior half year. The increase being mainly due to: $0.23 million of expenses associated with the Company's new employee share scheme; and $0.1 million of head office wages growth due to additional executive resources to provide organisational capability for medium term growth.
- Finance costs were $0.4 million compared to $0.5 million in the prior half-year. This is mainly due to lower interest rates partly offset by an increase in average debt across the period.

Fair value adjustments

- Total fair value adjustments were $11.3 million compared to $7.7 million in the prior half-year. Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represents 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 2016 half-year financial statements for further details.

Analysis of Cash Flow

A$ millions

	1HFY2017	1HFY2016	Change
Cash flows relating to operations	3.0	(9.6)	12.6
***add* Project capital expenditure [1]**	7.8	16.3	(8.5)
Adjusted cash flows related to operations	10.8	6.7	4.1
Cash flows relating to investing activities	(11.3)	(0.7)	(10.6)
Cash flows relating to financing activities	8.0	2.0	6.0
Net movement in cash	(0.4)	(8.3)	
Cash at the beginning of the period	0.8	8.0	
Cash at the end of the period	0.4	(0.3)	
***Add* cash on term deposit (other financial assets)**	-	5.0	
Total cash at the end of the period	0.4	4.7	

(1) Due to the Company's legal structure, cash flows related to operations includes all gross costs of project capital infrastructure expenditure (i.e. civil works, clubhouse and other facilities). Under some differing legal structures, project capital expenditure would be an investing cash flow rather than an operating cash flow.

Cash flows relating to operations were $3.0 million surplus compared to a deficit of $9.6 million in the prior half-year. The increase is mainly attributable to an $8.2 million increase in receipts from customers and a $4.0 million reduction in payments to suppliers and employees. Receipts from customers are in line with increased home settlements, rental and deferred management fee revenue. Payments to suppliers and employees reduced due to decreased project capital infrastructure partly offset by an increase in housing construction; with 133 homes constructed in the first-half of the 2017 financial year compared to 123 homes in the prior half-year. In the prior half-year construction at Wollert, Geelong and Officer was increasing as the Wollert and Geelong clubhouses were completed and Officer commenced construction. Project capital expenditure was $7.8 million in the first-half of the 2017 financial year compared to $16.3 million in the prior-half year.

Cash flows relating to investing activities included the settlement of land at Berwick Waters during the half-year.

Cash flows relating to financing activities are largely represented by: $9.5 million net receipts from bank borrowings; and $1.6 million payment of dividends.

Analysis of Balance Sheet

Net assets and total equity

A$ millions	31-Dec-16	30-Jun-16	Change	Change %
Assets				
Cash and cash equivalents	0.7	3.4	(2.7)	(80)
Trade and other receivables	0.8	0.8	-	-
Inventories	50.4	49.7	0.6	1
Property, plant and equipment	4.3	4.2	0.1	3
Investment properties	175.3	163.7	11.6	7
Current tax	0.2	-	0.2	-
Other assets	0.5	0.7	(0.2)	(23)
Total Assets	**232.2**	222.5	9.7	4
Liabilities				
Bank overdraft	(0.3)	(2.6)	2.3	90
Trade and other payables	(3.2)	(14.4)	11.1	77
Interest-bearing loans and borrowings	(55.5)	(46.0)	(9.5)	(21)
Provisions	(0.6)	(0.6)	-	-
Current tax	-	(0.4)	0.4	100
Deferred tax liabilities	(30.7)	(27.3)	(3.4)	(12)
Total Liabilities	**(90.3)**	(91.2)	0.9	1
Net Assets	**141.9**	131.3	10.6	8
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	65.5	65.4	0.1	-
Retained earnings	76.4	65.9	10.5	16
Equity attributable to shareholders	**141.9**	131.3	10.6	8
Non-controlling interests	-	-	-	-
Equity	**141.9**	131.3	10.6	8

During the half-year the Company's total equity attributable to shareholders increased by 8% to $141.9 million as a result of: $12.0 million net profit after tax attributable to shareholders; $0.1 million due to the repayment of share scheme loans; being partly offset by dividends paid of $1.6 million.

Debt, gearing and liquidity

As at 31 December 2016 the Company had net debt (total borrowings less cash) of $55.1 million (30 June 2016: $45.2 million).

A$ millions	
Net debt at 30 June 2016	45.2
Net increase in bank borrowings	9.5
Decrease in cash balances/(increase in overdraft)	0.4
Net movement in the period	**9.9**
Net debt at 31 December 2016	**55.1**

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2016 was 28.0% (30 June 2016: 25.6%).

As at 31 December 2016 the Company has a committed facility with Westpac of $80.0 million of which $55.8 million was drawn.

Outlook

The Company has been pleased with the rate of construction, sales and settlements across the communities currently under development during the first half of the 2017 financial year. The Company was particularly pleased with the continued performance at Shepparton, the level of sales achieved at Berwick Waters and Wollert, and the level of settlements achieved at Officer.

The Company has a focused strategy to dominate the niche of affordable housing to the over 50's market and is currently funded and resourced to roll out a new community at least every 12 months subject to identification of appropriate sites. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities but will remain disciplined in its assessment of these opportunities.

The Company continues to expect settlements to be in the range of 250 to 270 for the 2017 financial year. The increase in settlements, coupled with an expected increased contribution from community management, is expected to result in net profit after tax attributable to shareholders being materially higher in the 2017 financial year.

Dividends

The directors have resolved to pay an interim fully franked dividend of 1.5 cents per ordinary share (1H2016: 1.0 cent). The Company continues to expect that total dividends in respect of the 2017 financial year will be higher than the prior year.

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.

Directors

The names of the company's directors in office during the period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Tim Poole, Non-Executive Chairman (director since November 2007)
James Kelly, Managing Director (director since September 2007)
Bruce Carter, Non-Executive Director (director since September 2007)
Jim Craig, Non-Executive Director (director since December 2012)
Philippa Kelly, Non-Executive Director (director since September 2013)

Geoff Hollis, Company Secretary

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, selected amounts in the directors' report have been rounded to the nearest one million dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Tim Poole	James Kelly
Chairman	Managing Director
15 February 2017	15 February 2017

PITCHER PARTNERS

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

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 2016, 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.

P A JOSE
Partner

15 February 2017

PITCHER PARTNERS
Melbourne

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2016

	Note	Half-year 31-Dec-16 $	31-Dec-15 $
Development revenue			
Home settlement revenue		36,159,184	30,025,250
Cost of sales		(29,159,507)	(23,178,821)
Gross profit from home settlements		6,999,677	6,846,429
Management and other revenue			
Rental revenue		6,594,293	5,452,010
Deferred management fees		1,841,061	1,197,220
Utilities revenue		828,239	710,087
Finance revenue		9,120	107,261
Total management and other revenue		9,272,713	7,466,578
Fair value adjustments	3	11,284,537	7,693,455
less expenses			
Development expenses		(2,456,495)	(1,925,238)
Management rental expenses		(3,423,708)	(2,544,428)
Management deferred management fee expenses		(298,137)	(189,529)
Utilities expenses		(744,091)	(820,137)
Corporate overheads		(2,814,071)	(2,331,695)
Finance costs	4	(434,534)	(457,235)
Profit before income tax		17,385,892	13,738,200
Income tax expense		(5,341,557)	(3,492,530)
Net profit from continuing operations		12,044,335	10,245,670
Profit is attributable to:			
Members of the parent		12,042,342	8,859,759
Non-controlling interests		1,993	1,385,911
		12,044,335	10,245,670
Total comprehensive income for the half-year		12,044,335	10,245,670
Total comprehensive income attributable to:			
Members of the parent		12,042,342	8,859,759
Non-controlling interests		1,993	1,385,911
		12,044,335	10,245,670
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
		cents	cents
Basic earnings per share		11.552	8.567
Diluted earnings per share		11.526	8.505

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31-Dec-16	30-Jun-16
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		666,194	3,352,040
Trade and other receivables		848,626	819,425
Inventories		39,529,227	35,548,272
Current tax receivable		155,357	-
Other current assets		498,197	650,553
Total current assets		41,697,601	40,370,290
Non-current assets			
Inventories		10,847,089	14,197,573
Property, plant and equipment		4,347,428	4,227,618
Investment properties	10	175,262,528	163,676,707
Total non-current assets		190,457,045	182,101,898
TOTAL ASSETS		232,154,646	222,472,188
LIABILITIES			
Current liabilities			
Bank overdraft		253,610	2,558,487
Trade and other payables		3,247,402	14,364,641
Current tax payable		-	360,801
Provisions		301,050	251,792
Total current liabilities		3,802,062	17,535,721
Non-current liabilities			
Interest-bearing loans and borrowings		55,500,000	46,000,000
Provisions		307,032	311,074
Deferred tax liabilities		30,683,827	27,320,528
Total non-current liabilities		86,490,859	73,631,602
TOTAL LIABILITIES		90,292,921	91,167,323
NET ASSETS		141,861,725	131,304,865
EQUITY			
Contributed equity	6	63,875,270	63,822,710
Reserves		1,584,992	1,561,850
Retained earnings	7	76,399,470	65,920,305
Members' interest in equity		141,859,732	131,304,865
Non-controlling interest	8	1,993	-
TOTAL EQUITY		141,861,725	131,304,865

The accompanying notes form part of these financial statements.

Lifestyle COMMUNITIES

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
		$	$	$	$	$
Balance as at 1 July 2015		63,027,710	1,493,481	49,246,482	-	113,767,673
Profit for the half year		-	-	8,859,759	1,385,911	10,245,670
Total comprehensive income for the half-year		63,027,710	1,493,481	58,106,241	1,385,911	124,013,343
Transactions with owners in their capacity as owners:						
Employee share schemes		-	34,871	-	-	34,871
Issue of shares - employee share schemes	6	545,000	-	-	-	545,000
Dividends paid	5	-	-	(1,554,741)	-	(1,554,741)
		545,000	34,871	(1,554,741)	-	(974,870)
Balance as at 31 December 2015		63,572,710	1,528,352	56,551,500	1,385,911	123,038,473
Balance at 1 July 2016		63,822,710	1,561,850	65,920,305	-	131,304,865
Profit for the half year		-	-	12,042,342	1,993	12,044,335
Total comprehensive income for the half-year		63,822,710	1,561,850	77,962,647	1,993	143,349,200
Transactions with owners in their capacity as owners:						
Employee share schemes		-	23,142	-	-	23,142
Repayment of employee share scheme loans	6	52,560	-	-	-	52,560
Dividends paid	5	-	-	(1,563,177)	-	(1,563,177)
		52,560	23,142	(1,563,177)	-	(1,487,475)
Balance as at 31 December 2016		63,875,270	1,584,992	76,399,470	1,993	141,861,725

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2016

	Half-Year 31-Dec-16 $	31-Dec-15 $
Cash flow from operating activities		
Receipts from customers	49,117,339	40,952,462
Payments to suppliers and employees	(42,899,081)	(46,910,831)
Income taxes paid	(2,494,415)	(2,784,345)
Interest received	9,120	107,261
Interest paid	(777,839)	(923,097)
Net cash flows (used in) / provided by operating activities	2,955,124	(9,558,550)
Cash flow from investing activities		
Purchase of property, plant and equipment	(327,751)	(459,586)
Purchase of investment properties and capitalised costs	(10,997,725)	(250,115)
Net cash flows used in investing activities	(11,325,476)	(709,701)
Cash flow from financing activities		
Proceeds from exercise of options / repayment of employee share scheme loans	52,560	545,000
Proceeds from external borrowings	9,500,000	20,110,819
Repayment of external borrowings	-	(13,712,038)
Distributions paid to non-controlling interests	-	(3,409,351)
Dividends paid	(1,563,177)	(1,554,741)
Net cash flows provided by financing activities	7,989,383	1,979,689
Net (decrease) / increase in cash held	(380,969)	(8,288,562)
Cash at the beginning of the half-year	793,553	7,999,152
Cash at the end of the half-year	412,584	(289,410)

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Lifestyle Communities Limited during the half-year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

Lifestyle Communities Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the director's report.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* as appropriate for for-profit entities, and the Corporations Act 2001.

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

(b) Rounding amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, selected amounts in the directors' report have been rounded to the nearest one million dollars, or in certain cases, to the nearest dollar (where indicated).

(c) Accounting standards issued but not yet operative

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 15: Revenue from Contracts with Customers

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or 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 or 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 effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

(ii) AASB 9: Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure: the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The impact of AASB 9 has not yet been quantified.

NOTE 2: 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 of residential accommodation. As a result disclosures in the consolidated financial statements and notes are representative of this segment.

NOTE 3: FAIR VALUE ADJUSTMENTS

	Half-year 31-Dec-16 $	Half-year 31-Dec-15 $
Net gain from fair value adjustments - investment properties	11,284,537	7,693,455

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.

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

NOTE 4: FINANCE COSTS

	31-Dec-16	31-Dec-15
(i) Finance costs expensed		
Bank loans	361,223	387,139
Other interest	35,783	-
Amortisation of loan facility fees	37,527	70,096
	434,534	457,235

(ii) Finance costs capitalised
Finance costs expensed excludes interest capitalised as part of inventory:

	31-Dec-16	31-Dec-15
Bank loans (b)	603,854	587,860

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.

(b) The Company has an $80,000,000 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 2016 debt was $55,500,000 (plus overdraft of $253,610) with $27,178,936 allocated to development debt and $28,321,064 allocated to pre-development debt (as at 30 June 2016 debt was $46,000,000 (plus overdraft of $2,558,487) with $33,607,940 allocated to development debt, and $12,392,060 allocated to pre-development debt).

NOTE 5: DIVIDENDS

	31-Dec-16	31-Dec-15
(a) Final dividends		
Dividends paid 1.5 cents per share (2015: 1.5 cents per share) fully franked at 30%	1,563,177	1,554,741
(b) Interim dividends declared after balance date and not recognised		
Since balance date the directors have declared an interim dividend of 1.5 cents per share (2015 1.0 cent per share) fully franked at 30%	1,564,177	1,040,118

	Half-year 31-Dec-16 $	30-Jun-16 $
NOTE 6: CONTRIBUTED EQUITY		
104,278,467 Ordinary shares (30 June 2016: 104,211,800)	63,875,270	63,822,710

	Number	$
31 December 2015 half-year		
Balance as at 1 July 2015	102,961,799	63,027,710
Issue of shares - employee share schemes	737,500	545,000
Balance as at 31 December 2015	103,699,299	63,572,710
30 June 2016 half-year		
Balance as at 1 January 2016	103,699,299	63,572,710
Issue of shares - employee share schemes	512,501	250,000
Balance as at 30 June 2016	104,211,800	63,822,710
31 December 2016 half-year		
Balance as at 1 July 2016	104,211,800	63,822,710
Issue of shares - employee share schemes	66,667	-
Repayment of employee share scheme loans	-	52,560
Balance as at 31 December 2016	104,278,467	63,875,270

NOTE 7: RETAINED EARNINGS

Movements in retained earnings were as follows:

	31-Dec-16	30-Jun-16
Balance 1 July	65,920,305	49,246,482
Net profit	12,042,342	19,268,682
Dividends paid	(1,563,177)	(2,594,859)
	76,399,470	65,920,305

NOTE 8: NON-CONTROLLING INTERESTS

	31-Dec-16	30-Jun-16
Interest in:		
Retained earnings	1,993	-

NOTE 9: BORROWINGS

(i) Bank overdraft

(a) As at reporting date the company has a bank overdraft of $253,610 (total cash at bank is $666,194 and total bank overdraft is $253,610 providing net cash of $412,584). Cash at bank exists due to timing of cleared funds from home settlements. The bank overdraft is provided as part of the $80,000,000 facility with Westpac Banking Corporation.

(ii) Non-current secured loans

(b) As at reporting date the company has drawn $55,500,000, in addition to the bank overdraft of $253,610, of the $80,000,000 facility with Westpac Banking Corporation. The facility has an expiry of greater than one year, expiring on 26 August 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, and Officer properties.

NOTE 10: 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-16	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	$	$	$	$
Investment properties	-	-	175,262,528	175,262,528
Total assets measured at fair value	-	-	175,262,528	175,262,528

30-Jun-16	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	$	$	$	$
Investment properties	-	-	163,676,707	163,676,707
Total assets measured at fair value	-	-	163,676,707	163,676,707

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

The fair value of investment properties is determined by a combination of 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 capitalisation rates, discount rates, deferred management fee annuity value, and management expense rates are derived from independent 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 the major inputs obtained from the independent valuations such as rental capitalisation rates, discount 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
Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.
Rental annuity - the directors adjust the weekly rental rate to actuals for those communities not valued within the current year to reflect more accurate rents due to 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 ($)	177.18 - 186.23	169.65 - 183.03
Anticipated % expenses (as a percentage of rental income)	28% - 41.5%	28% - 41.5%
Rental capitalisation rates (%)	8% - 8.5%	8% - 8.5%
Rental values per unit ($)	69,093 - 83,368	67,905 - 81,934
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit ($)	25,446 - 46,083	25,446 - 46,083
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.58	0.17 - 1.58

NOTE 10: FAIR VALUE MEASUREMENTS (continued)

	Half-year 31-Dec-16	Full-year 30-Jun-16
	$	$
(d) Reconciliation of recurring level 3 fair value movements		
(i) Investment properties		
Opening balance	163,676,707	132,757,442
Additions (contracted land and capitalised costs)	301,284	11,994,400
Net unrealised gain from fair value adjustments	11,284,537	18,924,865
Closing balance	**175,262,528**	**163,676,707**

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

(ii) 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 apart from making adjustments to the weekly rental income for those communities not valued in the current year. 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

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	$	$	$	$

(ii) Investment properties

The impact of changes to the inputs that derive the valuation of investment properties is assessed below:

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.

	Post Tax Profit 31-Dec-16	Post Tax Profit 31-Dec-15	Equity 31-Dec-16	Equity 31-Dec-15
Rental expense rate				
+2%	(2,190,518)	(1,683,989)	(2,190,518)	(1,683,989)
-2%	2,190,518	1,683,989	2,190,518	1,683,989
Rental capitalisation rate				
+0.50%	(4,240,597)	(3,222,929)	(4,240,597)	(3,222,929)
-0.50%	4,798,389	3,625,935	4,798,389	3,625,935
Deferred management fee per unit				
+5%	1,579,455	1,522,564	1,579,455	1,522,564
-5%	(1,579,455)	(1,522,564)	(1,579,455)	(1,522,564)
Land prices (undeveloped land)				
+10%	1,690,333	2,225,408	1,690,333	2,225,408
-10%	(1,690,333)	(2,225,408)	(1,690,333)	(2,225,408)

NOTE 11: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2016 that has significantly affected or may significantly affect:
(a) the operations, in financial periods subsequent to 31 December 2016, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2016, of the consolidated entity.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Below are the changes in commitments and contingent liabilities since 30 June 2016:

(a) Bank guarantees as at 31 December 2016 are $100,640

(b) The Australian Taxation Office has recently commenced a GST Business Systems Review with the Company as part of their usual review process. The review is in its early phase and the outcome is currently unknown. As a result, the Directors are not able to form a view on whether any additional GST liability will be incurred as it is not practicable to determine.

(c) A contract was executed on 14 August 2015 to purchase land in Bittern for $5,000,000. A second contract was executed on 10 September 2015 to purchase a second adjoining parcel of land in Bittern for $2,000,000. At balance date deposits of $270,000 have been paid. The contracts are conditional on receiving planning approval to develop the site. No liability has been recorded for this land as the contracts are still conditional.

(d) A contract was executed on 23 May 2016 to purchase land in Ocean Grove for $12,600,000. At balance date a deposit of $1,260,000 has been paid. The contract is conditional on receiving planning approval to develop the site. No liability has been recorded for this land as the contract is still conditional.
The company expects to fund these commitments via liquidity within bank borrowings and future net development cash inflows.

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 11 to 20, 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 financial position of the consolidated entity as at 31 December 2016 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.

Tim Poole
Chairman

James Kelly
Managing Director

Melbourne, 15 February 2017

PITCHER PARTNERS

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

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 consolidated entity's financial position as at 31 December 2016 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 Lifestyle Communities Limited, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PITCHER PARTNERS

LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES

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

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 Lifestyle Communities Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Peter Jose

Pitcher Partners

P A JOSE
Partner

15 February 2017

PITCHER PARTNERS
Melbourne