Annual Report

for the year ended 30 June 2021

Lifestyle Communities Limited
ABN: 11 078 675 153

Our story and purpose

When we bought our first site in 2003, there was a determination from our founders to create something that was different; to build communities that created a fulfilling lifestyle and a new-found sense of purpose for our homeowners. That motivation has driven significant growth from the humble beginnings of our inception to the creation of 24 communities (and growing) across Victoria.

It was in 2003 at Melbourne café Giorgio's, that James Kelly, Dael Perlov and Bruce Carter sowed the first seed of the business—to create affordable and sustainable communities for the over 50s market. Their motivation to build homes that encompassed interactive and engaging urban design, coupled with exceptional resort-style facilities, was foreign to the existing retirement housing market. The landscape at the time was expensive with sub-standard amenities, and in nearly every instance, the homeowner was secondary to the purpose of the community. Armed with extensive research and a passion to create something truly revolutionary, Lifestyle Communities was born with a purpose to be socially and ethically responsible in creating affordable, homeowner-centric communities for retiring Australians.

Our first site was purchased in Brookfield (Melton) in 2004 with the intention to build 229 homes. A home designer was appointed, and the business adopted a design and service philosophy that still serves us to this day: "You never get a second chance to make a first impression".

In 2006 we acquired more land in Shepparton and from there, two more sites were acquired across Victoria. Our community-focused business model resonated strongly across the market to the extent that we floated on the Australian Stock Exchange in 2007 (ASX: LIC).

Our first shareholder remains on the register today with investors attracted to not only the ethical operating model, but the balanced returns resulting from our 90-year land lease model. We also run a capital disciplined model working with existing shareholder equity to organically grow the business into the future.

We now have 24 communities in various stages of management or development and are currently geared to buy at least 2 new sites every year. Our unique heritage and outstanding record of achievement are driven by our strong values-based culture established almost 20 years ago, standing the test of time, and resonating to this day.

Ever mindful of the adage "A customer may forget what you told them, but they will never forget how you made them feel", we are committed to making our growing portfolio of over 4000 homeowners feel included, empowered, respected, engaged, and valued. Their story is integral to our continued success and growth and drives the strong referral rate that Lifestyle experiences today.

We will continue to be a business for purpose with a passion to deliver high quality affordable houses to our customers as well as long term sustainable returns to shareholders. That is what we do.

Clubhouse at Mount Duneed

Lifestyle Mount Duneed

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Chair and Managing Director's Review

For the 2021 Financial Year

Dear fellow shareholders,

We are pleased to present the 2021 Lifestyle Communities Annual Report and set out the progress we made during the year to meet our objective of being the most customer centric and innovative provider of provider of high-quality affordable housing for those looking to downsize in Victoria.

With a stringent lockdown imposed nine days into the new financial year, the challenges experienced through 2020 continued and were significant for all of Victoria and for Victorian businesses. Lifestyle Communities was no exception, with home inspections, sales appointments and market launches unable to be conducted in person for more than half the year. Our operating communities and homeowners were also affected with community facilities shut down in accordance with Government directions.

Our team responded well to the rapidly changing environment, with construction activity continuing largely on schedule and our office-based team members adapting to working from home. Our sales and marketing team continued their push into digital channels, interspersed with face-to-face interactions as restrictions allowed. While sales were flat year on year, this was a solid achievement given the length of the lockdowns and restrictions on people's movement.

Our community operations team has done a terrific job keeping our homeowners informed and engaged throughout the pandemic. Although some adjustments were necessary to keep homeowners safe and to comply with public health orders, our community managers remained on-site and provided constant communication and support to homeowners through wellness, safety, and connection initiatives. Pleasingly, we were able to conduct our community meetings in person at each community in September, re-establishing the personal connection with all homeowners.

In many ways, the pandemic has highlighted the benefits and importance of the Lifestyle Communities model of living. Community character came to the fore during lockdowns as homeowners in our communities showed generosity of spirit to look out for one another in what were very challenging circumstances. We would like to take this opportunity to thank everyone that took the time to check on a neighbour, wave from the front porch, drop off a cooked meal, share a laugh, or just generally help keep an eye out for their fellow Victorians.

Despite the disruption, the team opened four new clubhouses and welcomed first homeowners to three new communities at Wollert, Deanside, and St Leonards. This level of activity has never previously been achieved in the Company's history and we are very proud of what the team has delivered. Our development activity is currently focused on our newest communities at Mount Duneed, Kaduna Park, Wollert, Deanside, and St Leonards. Planning activities continue at Tyabb, Pakenham, Clyde and Woodlea and our latest project, Lifestyle Meridian at Clyde North, commenced construction in July 2021.

At the same time, we have continued to evolve our housing and facilities to keep pace with the needs of our market and customers. This has involved replanning the footprint and spaces within our clubhouses and reallocating lot sizes to meet the demands of the baby boomer for bigger homes, all without compromising density. Our service delivery continues to evolve to meet the changing expectations of our homeowners. Our newest community, Lifestyle Meridian, will include our first ever micro grid which will substantially reduce the cost of electricity for homeowners through a combination of community solar and a centralised battery system. This will be the first of its kind for a land lease community in Australia.

During the year we undertook a materiality assessment on environment, social and governance initiatives seeking feedback from key stakeholders to help prioritise our focus and develop a strategy for implementation within our business. The outcome of the assessment prioritised the social aspects of our business model and delivering on our core purpose of affordable and sustainable housing. The micro grid is an example of the steps we are taking to improve our environmental impact without compromising our core purpose. With that balance in mind, we are pleased to announce our plan to achieve operational carbon neutrality by no later than 2035. Our plan will incorporate year on year reductions in our carbon footprint and will seek to leverage projects like the micro grid to improve environmental outcomes whilst managing the cost of the transition.

Lifestyle Communities ended the year with 2,784 settled homes across 18 communities. Over the year we increased our total portfolio of completed homes, homes under development, and homes yet to be developed to 2,094 with the acquisition of an additional site at Woodlea and an adjacent site to our St Leonards community, increasing the community size to 359 homes. We have a strong pipeline of new land acquisitions which will support the growth of Lifestyle for years to come.

Our land acquisition plan remains focused in Victoria where we continue to build on our brand and referral network. We have the capacity to secure two new sites per year with the possibility of an additional site over and above this as we continue to investigate opportunities in Melbourne's key growth corridors.

An increased number of resales, strong price growth in established communities, and the growing sustainable rental annuity stream, underpinned a 15.1% rise in recurring revenue. This increase in cash flow from community operations has enabled the Company to declare a final dividend of 5.0 cents per share, bringing the full year dividend to 8.0 cents per share, an increase of 45.5% from FY20.

Our team has shown commitment and resilience throughout the past year to achieve the pleasing results outlined in this report. Although trading conditions remain volatile, we are well placed to benefit from the upswing in demand for enquiry and inspections leading to increased sales rates that has been evident post the emergence of prior lockdowns.

After joining the Board four years ago, Georgina Williams has advised that she intends to retire with effect from 31 August. Georgina's contribution to the Board during that time has been significant, and on behalf of all Board members and management, we offer Georgina our very best wishes for the future.

We are pleased to announce the Lifestyle Communities foundation donated over $127,000 this year to cancer-based charities. The foundation is funded through allocating $50 for every home that we have under management at the start of each year and is directed towards matching what communities raise in supporting cancer-based charities.

Finally, on behalf of the Board, we would like to thank all our homeowners, our talented team, and our shareholders for great support during the 2021 financial year

James Kelly
Managing Director
18 August 2021

Philippa Kelly
Chair
18 August 2021


Lifestyle Wollert Clubhouse

Directors' report

Our business

Lifestyle Communities builds, owns, and operates land lease communities which provide affordable housing options to Australians over 50. Developed as an affordable housing solution for Australia's ageing population, Lifestyle Communities' land lease model allows working, semi-retired, and retired people over 50, to downsize from their family home to free up equity in retirement, whilst enjoying resort style living including pools, gyms, clubhouse, cinema, lawn bowls, tennis and much more.

The Directors are pleased to present their report together with the financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled (the Group), for the year ended 30 June 2021 and the auditor's report thereon. There were no significant changes in the nature of the Group's principal activities during the financial year.

How we operate

24 **Communities** – 18 in operation and 6 in planning or development

2,790+ affordable homes under management

Australian-based Board 50% female, 50% male

4,000+ homeowners live in our communities

117 Employees – 67% female, 33% male

5,000+ homes in our portfolio

Our Values


Our customer is our only truth
Be constantly curious
Do it from the heart
Deliver. Delight. Everyday
Own it, sort it
Play as a team

Lifestyle Kaduna Park

Our Board and Governance

The Board is accountable to securityholders and responsible for demonstrating leadership and oversight so that the operations of Lifestyle Communities are managed effectively. The Board's governance objectives are to:

- Uphold and support the culture and values of Lifestyle Communities.
- Positively contribute to the performance of the Company, including the creation of shareholder value; and
- Increase the confidence of all stakeholders including homeowners, security holders, Employees, suppliers, and the broader community

Philippa Kelly (Chair)

Non Executive Director
(LLB, F Fin, FAICD)

Philippa has been a Director of Lifestyle Communities Limited since September 2013 and was appointed Chair in August 2019.

Philippa is also a member of the Audit Committee (Chair until August 2019), and Remuneration Committee

Philippa has more than 20 years' experience in senior operational and leadership roles within the property sector. She was formerly Chief Operating Officer of the Juilliard Group, one of Melbourne's largest private property owners. Previously she was Head of Institutional Funds Management of Centro Properties Group (now Vicinity Centres).

Philippa has a background in law and investment banking, specialising in IPOs and mergers and acquisitions. She has extensive experience across property and finance, governance and risk management.

Philippa is currently a Non-Executive Director of oOh!media and Hub Australia. Philippa is a Deputy Chancellor of Deakin University and Chair of its Finance and Business Committee.

James Kelly

Managing Director
(BBldg)

James was appointed Managing Director in September 2007 and is one of the founders of Lifestyle Communities Limited.

With over 40 years' experience in property development and construction, James brings to Lifestyle Communities a wealth of knowledge and experience in the property industry. Prior to establishing Lifestyle Communities, James held several senior management roles in property and related sectors, including CEO of Dennis Family Corporation and roles at Coles Myer and Lend Lease Corporation. James is the founding Chair of the Residential Land Lease Alliance, the peak body for the land lease industry. He is also on the Board of the Caravan Industry Association of Australia. James has not held any directorships in any other listed entities during the past three years.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The Honourable Nicola Roxon

Non Executive Director
(BA/LLB (Hons), GAICD)

The Honourable Nicola Roxon was appointed to the Board of Lifestyle Communities Limited as a Non Executive Director on 1 September 2017. Ms Roxon is also Chair of the Remuneration and Nominations Committee.

Nicola's current roles are Independent Chair of HESTA, Chair of VicHealth and a Director of Dexus and Health Justice Australia. Ms Roxon also chairs the ESG Committee of Dexus.

Her previous non executive roles include Chair of Bupa, Cancer Council Australia, the Accounting Professional and Ethical Standards Board and an Adjunct Professor at the Sir Zelman Cowen Centre at Victoria University.

Ms Roxon has more than 20 years' experience with a background in the public sector and significant expertise in highly regulated consumer industries and the not for profit sector. Ms Roxon has deep industry knowledge of the health, government and professional services sector. In 15 years in politics she held many relevant positions including Federal Attorney General and Federal Minister for Health and Ageing. She worked previously as an Industrial lawyer and advocate at Maurice Blackburn and the National Union of Workers.

Georgina Williams

Non Executive Director
(BCom, BA, GAICD)

Georgie is a professional director and serves on a number of Boards and was appointed to the Board of Lifestyle Communities as a Non Executive Director on 1 September 2017.

As well as Lifestyle Communities she is currently a director on People's Choice, Sunsuper and UN Women Australia. On both Lifestyle and People's Choice Georgie also serves as a member of the Audit committee. She is a member of the Corporate Governance committee at People's Choice, the Investment committee and the Member Outcomes committee of Sunsuper and Chairs Corporate Plans Committee.

Georgie has over 25 years experience in Banking and Superannuation including roles as Chief Executive Officer, Food and Wine Victoria; Group Executive Engagement, Advocacy and Brand at Australian Super; and Head of Brand and Marketing at the Bank of Melbourne. She has also held a number of executive positions at NAB over many years in both Australia and the United Kingdom, which included roles in the commercial banking, wealth, strategy and marketing departments.

She was recognised as one of Australia's Top 50 CMO's in 2016 by CMO Magazine. She currently serves as a judge on the Top 50 CMO panel 2020 determining Australia's top marketers.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Mark Blackburn

Non Executive Director
(Dip of Bus (Acc) GAICD)

Mark was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1 December 2019. He is also Chair of the Audit Committee.

Mark retired as Group CFO and Company Secretary of McMillan Shakespeare in December 2020.

He has 23 years' experience as a CFO in both listed and unlisted companies in the financial services, manufacturing, and mining sectors.

In particular, Mark has expertise in financial management and advice, the management of financial risks, capital management as well as leading key strategic projects including acquisitions and divestures.

David Blight

Non Executive Director
(BAppSc)

David Blight was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 15 June 2018.

David has more than 35 years of experience in property investment, development and management in Australia and globally. He is currently the Co founder and CEO of ARA Australia, the Australian business of Singapore based ARA Asset Management Limited.

David's previous roles include Vice Chairman of ING Real Estate and Global Chairman and CEO of ING Real Estate Investment Management based in The Netherlands. He has also held senior executive positions with Armstrong Jones, Mirvac Group and APN Property Group.

David is also a Non-Executive Director of the ASX listed Japara Healthcare Limited and various private companies.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretaries

Darren Rowland
(B Bus (Acc), CA, GAICD)

Darren was appointed as Company Secretary on 9 July 2018. Darren joined the Lifestyle Communities team as Chief Financial Officer in May 2018 and has previously held a number of senior finance and commercial roles with Toll Holdings Limited predominantly in the resources and marine logistics industries. Prior to joining Toll, Darren gained valuable experience in commercial and finance roles based in Dublin and London.

Melissa Norris
(LLB (Hons), BSc (Hons), LLM, AGIA ACG (CS), GAICD)

Melissa was appointed as Company Secretary on 1 September 2020 and has held a number of senior legal and governance roles. She brings experience from a range of industries including FMCG, retail, mining and healthcare. A registered lawyer and Chartered Company Secretary, Melissa has also graduated from the AICD Company Director's Course and holds a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

Mark Licciardo
Resigned September 2020.

Director's interests

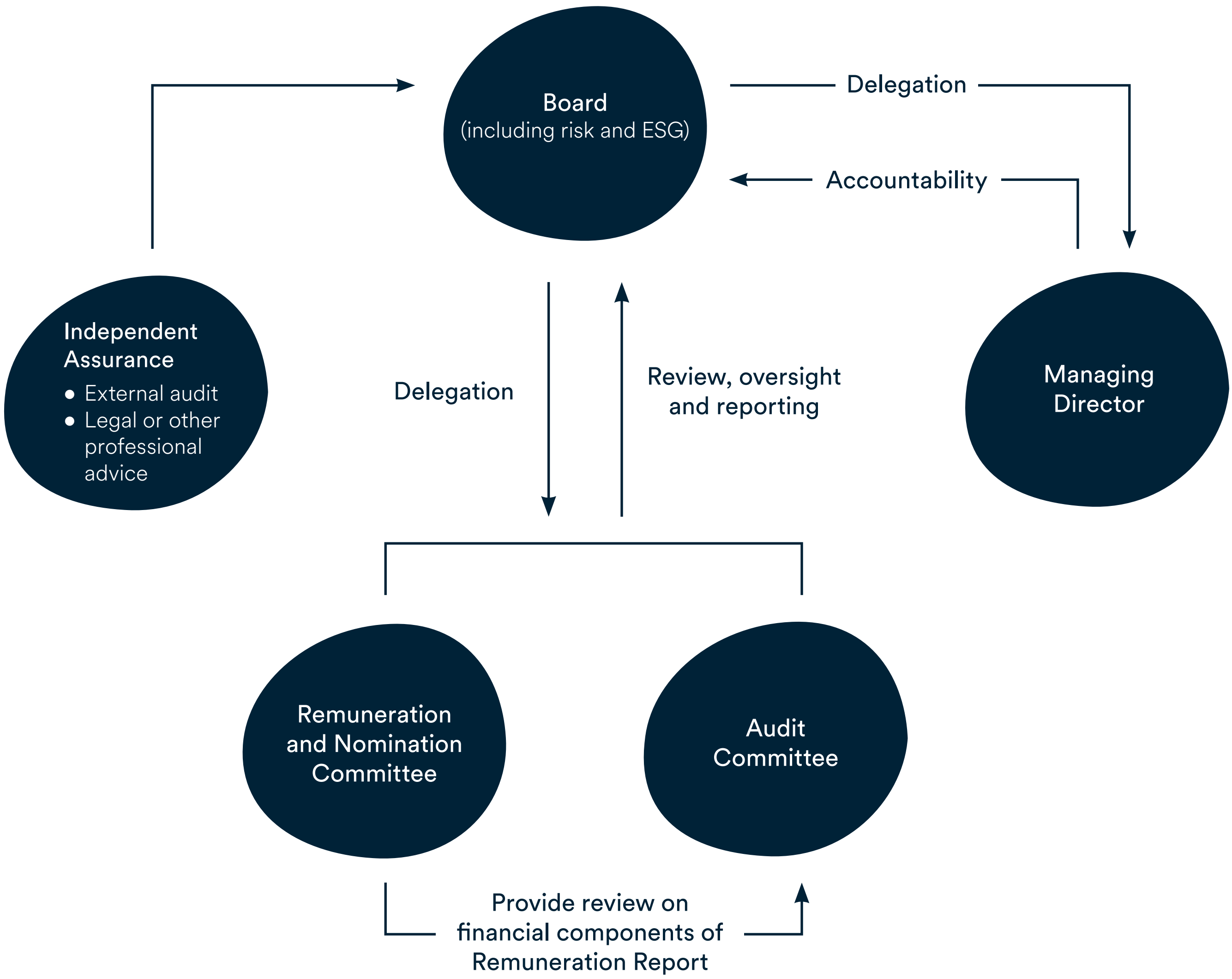
Director	Fully paid ordinary shares
James Kelly	9,077,001
Philippa Kelly	75,000
The Honourable Nicola Roxon	6,000
Georgina Williams	8,000
David Blight	5,000
Mark Blackburn	2,400

There are no outstanding options over ordinary shares issued to Directors

Our Approach to Corporate Governance and Risk

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lifestyle Communities Limited support and have adhered to the ASX principles of corporate governance. The Company's Corporate Governance Statement is published on its website at LifestyleCommunities.com.au.

Corporate Governance Framework
The roles, responsibilities and accountabilities of the Board and Board Committees are articulated in the Board and Board Committee Charters, which are available on the Company's website at LifestyleCommunities.com.au. The framework is summarised below:



Meetings of Directors

The number of meetings of Directors (including meetings of committees of Directors) held during the time the Director held office or was a member of the committee during the financial year and the number of meetings attended by each of the Directors are:

	Director's Meetings		Audit Committee		Remuneration and Nomination Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Philippa Kelly	11	11	4	4	4	4
James Kelly	11	11	-	-	-	-
The Honourable Nicola Roxon	11	10	-	-	4	4
Georgina Williams	11	11	4	4	-	-
David Blight	11	11	-	-	4	4
Mark Blackburn	11	11	4	4	-	-

The Honourable Nicola Roxon was unable to attend a meeting which was convened at short notice due to the announcement of the stage 4 lockdown in Victoria in July 2020.

The team getting excited at the Kaduna Park clubhouse grand opening

Our Approach to Risk

At Lifestyle Communities, we recognise we have a duty of care to our homeowners, Employees, investors, and the wider community to ensure all risks in our communities and business are appropriately managed. At the forefront of our approach is our culture. As a 'Business for Purpose' we are focused on exceeding expectations and maintaining a level of professional and personal conduct that delights our customers, teammates, investors and the broader community.

Lifestyle Communities recognises that making business decisions which involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long term value for security holders and meeting commitments to Lifestyle Communities' homeowners, Employees, business partners and the communities in which it does business. Lifestyle Communities conducts risk assessments at critical decision points during the investment and operational phases of our business to identify, manage and monitor risks in meeting target returns.

We will take commercial risks where we have the capability to manage those risks and we recognise the importance of building and fostering a risk aware culture. Through setting standards, adopting processes and undertaking training, we aim to develop a disciplined and constructive control environment in which all team members understand their roles and obligations and take responsibility for risks and controls in their area of authority.

Lifestyle Communities' risk management framework consists of multiple layers:

1. **Our Culture:** All Employees are responsible for managing risk through identification, assessment, and treatment of risks. This includes the implementation, active management and compliance with appropriate processes, procedures, checklists and other controls.

2. **Our Leadership Team:** Responsible for developing the risk management framework and for adapting it to changes in the business and the external environment in which the Group operates (including physical and regulatory changes which might impact our social and environmental performance). Members of the Leadership Team are jointly responsible for building risk management capabilities throughout the business through actively engaging with Employees in risk management processes and supporting training initiatives.

3. **Internal Controls and Reporting:** The Group's internal control processes are in place to ensure that information is reported to the Leadership Team, and the Board of Directors of the Company ("Board") if appropriate, on a regular basis.

4. **The Board and Board Committees:** The Board oversees our risk management framework and delegates particular focus areas to the respective committees.

5. **External Audit:** Our external auditor provides regular and independent assessment on the effectiveness of financial controls and processes in connection with the preparation of Lifestyle Communities' financial statements and governance disclosures. External Audit also provides an opinion on the accuracy, validity and reliability of disclosed data and information.

The Company's key risk categories include:

Covid 19

There are high levels of uncertainty regarding the duration and impact of the Covid 19 global health pandemic on the Victorian property market and its associated impact on the Company's settlements and resales. There remains ongoing risk to our homeowners, team members, suppliers, and our supply chain. There also remains risk of shut down of our facilities, development sites and broader parts of the economy. Given the experience to date, the Company has well established response plans in place and will continue to monitor the situation closely.

Site selection

If the Company makes a poor site acquisition it may not generate adequate financial returns on the investment and the objective of recovering 100% of the development costs may not be met. The Company attempts to mitigate this risk by maintaining a comprehensive land acquisition strategy and by carrying out detailed due diligence on potential new sites. The Company also uses the significant experience it has gained from acquiring 23 sites and developing most of these during the past 18 years.

Sales and settlements
The Company is exposed to the rate of sales of new and existing homes, the sales price of new homes (and to a lesser extent the sales price of existing homes) and to the timing of settlements of new homes (revenue is only recorded when a sale of a home is settled). The Company's experience to date is that sales rates and realisations are closely related to the difference between the median house price in the area and the home price in the Lifestyle Community. This is a critical determiner in the site selection process and the acquisition case.

Community Development
The Company is exposed to various risks inherent in developing greenfield projects. Effective management of the construction program is important to ensure; high quality product is delivered; cash flow is managed efficiently and returns are maximised. The Company mitigates this risk by implementing a robust project governance framework, using a panel of trusted suppliers, and taking a stage by stage approach to construction based on a required level of presales.

Financing risk
There is a risk the Company will not achieve its growth strategy due to insufficient capital or the inability to obtain new debt facilities. The Company may also experience refinancing risk if its debt facility is cancelled in a short period of time. The Company mitigates these risks by: maintaining a Statement of Financial Position with a reasonably low level of gearing; ensuring it complies with all debt covenants and reporting obligations; ensuring sufficient remaining term for debt facilities. The Company tightly manages the commencement and rate of development of new communities.

Community management
It is important our communities are well managed and homeowners have a high level of satisfaction and safety. A well managed community will: provide a safe living environment for homeowners; generate new sales from homeowner referrals; add to the Lifestyle Communities brand; assist in facilitating resales of existing homes; and improve the profitability of the community management business. The Company mitigates community management risk by maintaining a transparent sales and contract process, undertaking careful selection of community management teams, maintaining community facilities to a high standard, ensuring regular community activities and events, and maintaining the common areas and gardens to a high standard.

Regulatory Compliance and Governance
The Company seeks to avoid reputational and compliance incidents by implementing a strong operating and control environment and seeking professional advice in relation to the management of its legal compliance and tax affairs. The Company's operations, business, and financial model are specifically impacted by how the provisions of the Residential Tenancies Act 1997 (Vic), the Social Security Act 1991 (Commonwealth) and a number of other legislative schemes are currently interpreted and administered by the relevant regulatory authorities. Changes to the current administrative practice or specific legislative amendments, could have an adverse impact on the operating and financial performance of the Company. The Company takes an active role in engaging with, and providing submissions to, the relevant regulatory bodies through its membership and participation in the Victorian Caravan Parks Association and the Residential Land Lease Alliance.

Cyber Risk
The Company recognises the increasing risk of cyber-attacks as more and more systems and processes are moved online and into the cloud. Cyber threats could potentially interrupt business operations and lead to a loss of productivity and loss of business records, including customer data. This could cause reputational and financial damage. During the year, the Company implemented a number of recommendations made by KPMG following the cyber health check it undertook in FY20. This included moving file servers into the Azure data centre, enabling biometric passwords and multi-factor authentication, and rolling out mandatory training for all Employees. The Company will continue to undertake cyber risk mitigation activities and system improvements on a rolling basis.

Climate Change
As with all Australian sites, the Company's properties are exposed to the impacts of climate change. We acknowledge that tragic events such as the recent bushfires and floods in Australia are linked to a changing climate and similar events are likely in the future. During the year, Lifestyle Communities worked with independent environmental consultants, WSP, to complete a high-level climate change risk assessment to better understand the potential impacts of various climate scenarios, to identify opportunities to mitigate long-term impacts and, ultimately, to influence the location, design and management of existing and future communities. The risk assessment modelled a number of potential physical hazards that may impact the business assuming global temperatures

rise by 3.7 degrees by 2100. These hazards include increasing temperatures and heatwaves, intense rainfall, storms and hail, bushfires, floods, drought, and coastal inundation. There are also risks of increased operating costs as the economy transitions to a low carbon future.

Proceedings against the Company

The Directors are not aware of any current or threatened Court proceedings of a material nature in which the Company is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

Non audit services

The Company's auditor, PricewaterhouseCoopers was appointed on the 18th November 2019. During FY21, the Company spent an additional $104,000 with PricewaterhouseCoopers on advice in relation to the Company's tax affairs and equity incentive scheme.

The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature, scope and timing of these non-audit services means that auditor independence was not compromised.

Indemnification and insurance of directors and officers

During the financial year the Company paid premiums in respect of a Directors' and Officers' insurance policy.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

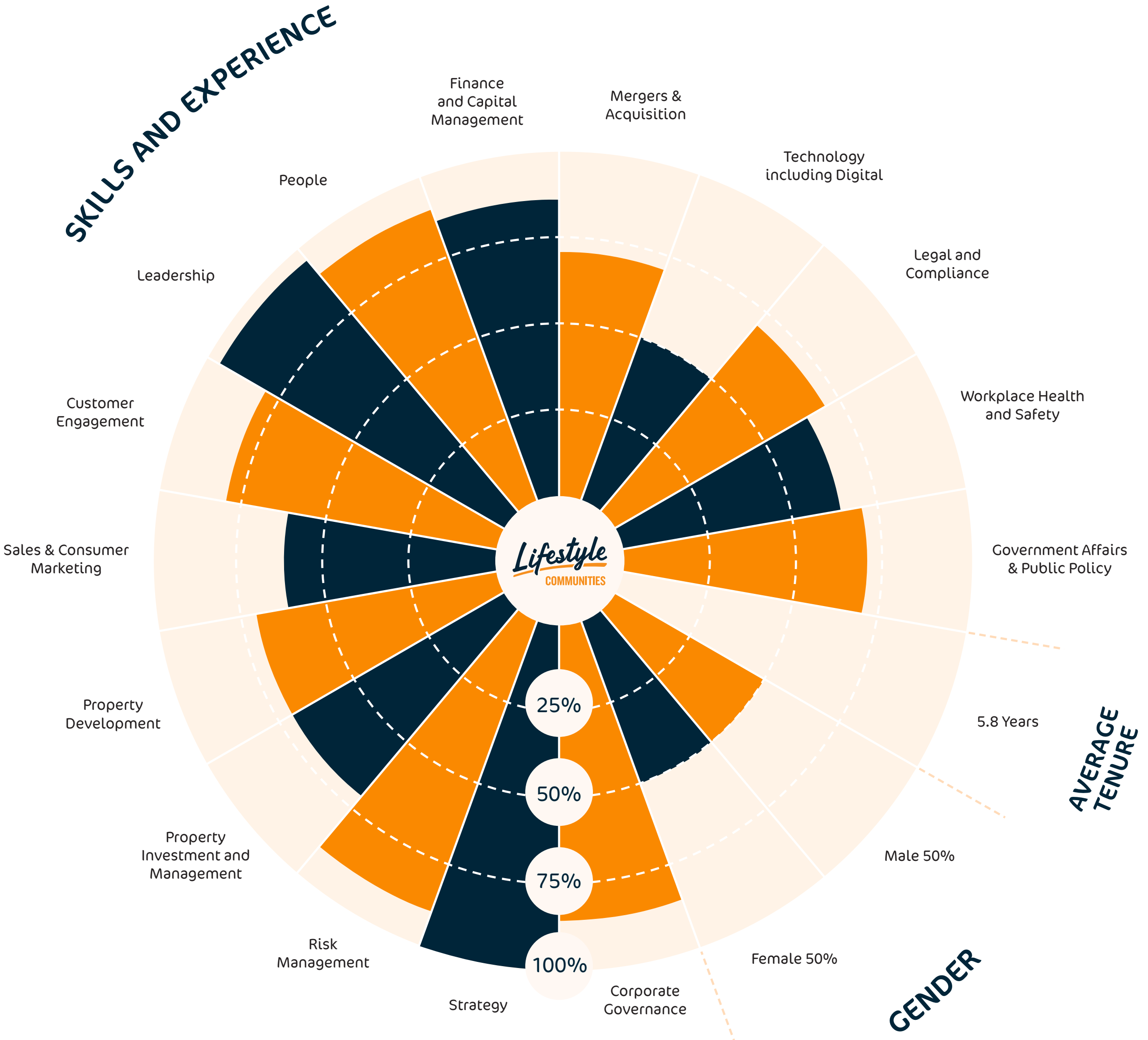
Board Effectiveness

Lifestyle Communities is committed to having a Board whose members have the capacity to act independently of management and have the collective skills and diversity of experience necessary to optimise the long term financial performance of Lifestyle Communities to deliver long term sustainable profitable returns to shareholders. The Board undertakes an annual review of its effectiveness across a range of dimensions to identify strengths and areas for development.

The Board models its activity on the best practice guidance set out in the ASX Principles and Recommendations, as described in the Company's Corporate Governance Statement available on the Company website at www.lifestylecommunities.com.au.

Board Composition
The Board currently comprises one Executive Director and five Non Executive Directors. The membership of the Board is reviewed periodically having regard to the ongoing and evolving needs of Lifestyle Communities. The Board considers a number of factors when filling vacancies including qualifications, skills and experience, independence, tenure and diversity.

Board Skills Matrix
The Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively. The Board believes that it has the right experience and skills currently to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation as shown in the diagram below:



Operating and Financial Review

Overview

The Company continued to successfully develop and manage its portfolio of affordable communities during the 2021 financial year. Profit after tax attributable to shareholders was $91.1 million (2020: $42.8 million).

Financial and Operating Highlights

		FY21	FY20	Change	Change (%)
Key financial data					
Revenue	A$ millions	**138.7**	127.3	11.4	9.0%
Earnings before interest and tax	A$ millions	**129.1**	62.5	66.6	106.6%
Net profit before tax	A$ millions	**130.6**	61.1	69.5	113.7%
Net profit after tax	A$ millions	**91.1**	42.8	48.3	112.9%
Operating cash flow	A$ millions	**(31.9)**	5.7	(37.6)	(659.6%)
Community cash flow[1]	A$ millions	**19.5**	16.2	3.3	20.4%
Gearing[2]	%	**33.2**	30.6	2.6	8.5%
Earnings per share	A$ cents	**87.3**	41.0	46.3	112.9%
Total dividend per share	**A$ cents**	**8.0**	**5.5**	**2.5**	**45.5%**
Homes settled	No. of homes	**255**	253	2	0.8%
Homes sold[3]	No. of homes	**247**	280	(33)	(11.8%)
Average realised sales price new homes (GST incl)	A$'000	**485**	410	75	18.3%
Total number of homes (gross)	No. of homes	**2,792**	2,537	255	10.1%
Total number of homes (after NCI)[4]	No. of homes	**2,591**	2,336	255	10.9%
Total number of homeowners	No. of people	**4,014**	3,681	333	9.0%
Average age of homeowners	Years	**75**	73	2	2.5%
Number of resales settled[5]	No. of homes	**105**	80	25	31.3%
Average realised sales price resales (GST incl)[6]	A$'000	**404**	391	13	3.3%

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. Net sales represent deposits on new homes less cancellations.
4. Gross number of homes adjusted for share of communities owned by non controlling interests (NCI).
5. Includes resales attracting a deferred management fee, there were a further 16 resales settled in FY21 (FY20: 22 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.
7. Included in the table 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 but have been provided to give a better understanding of the performance of the Company during the 2021 financial year.

Fair Value Adjustments

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

The Company's Investment Property Valuation Policy requires that each asset in the portfolio must be externally valued at least every two years by an independent external valuer who is considered an industry specialist in valuing these types of investment properties. The independent valuer can only value an investment property on three consecutive occasions.

For FY21, eleven of eighteen operating communities have been externally valued by independent valuers Colliers, M3, and ValuedCare. For the remaining communities, the Directors have estimated the fair value internally utilising inputs from the independent valuations.

The fair value adjustment typically comprises three components:

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

In FY21, the Company recorded a fair value increase of $108.6 million pre-tax and $76.0 million post tax. The breakdown of the fair value increase for FY21 into the components above is as follows:

	FY21 $ million	FY20 $ million
Uplift in value arising from settled homes during the year (255 new home settlements FY20: 253)	**21.6**	22.6
The uplift created as a result of the contractual rent increase	**8.8**	-
Movements as a result of changes to valuation assumptions	**78.2**	16.3
Total Fair Value Adjustment	**108.6**	**38.9**

A combination of new home settlements achieved in FY21, a continued compression in capitalisation rates for land lease assets, and movements in the residential property market, has resulted in a $108.6 million uplift in the value of the Company's property portfolio (FY20: $38.9 million). Capitalisation rates on the annuity rental stream have compressed from a range of 6.25% to 6.5%, to a range of 5.5% to 5.75% across the portfolio.

In FY20 the uplift typically created as a result of the rental increase was nil. This reflected the embargo on rent increases legislated by the Victorian State Government during the Covid 19 pandemic. More information on the valuation of the Company's investment properties is contained in Note 3.1 of the financial statements.

Dividends

A fully franked dividend of 2.5 cents per share was paid on 8 October 2020 (representing the 2020 final dividend). A fully franked dividend of 3.0 cents per share was paid on 7 April 2021 (representing the 2021 interim dividend).

Since the end of the financial year the Directors have resolved to pay a fully franked dividend of 5.0 cents per ordinary share (representing the 2021 final dividend).

Our Response to Covid-19

Like all businesses, Lifestyle Communities was affected by Covid-19 from early March 2020. Our philosophy in managing the impact of restrictions was to focus on the health and wellbeing of our team, our homeowners, and our communities as a priority. The business operated throughout four separate lockdowns during the year and implemented several measures to adapt to the constantly evolving global health pandemic:

Our Operating Communities

Covid-19 is particularly challenging for our homeowners, many of whom are in the higher risk demographic. Safety and security of our homeowners remains our highest priority and in response we acted swiftly to implement appropriate safety protocols. Community facilities were closed and re-opened in accordance with the advice of Government Authorities. Our Community management teams remained onsite to assist our homeowners during periods of lockdown. Our Wellness program rotated from physical activities and engagement events when conditions allowed, to an online Wellness presence to assist our homeowners to remain active and engaged during periods of lockdown. This included a range of online activities aimed at reducing loneliness during isolation. All communities continue to operate under Covid-safe practices and respond to Government advice as appropriate.

Our Development Sites

All development sites adapted very quickly to Covid-safe operating practices and construction continued throughout the period albeit with some restrictions and adjusted work practices. In addition to maintaining construction progress, our development team prepared and enacted contingency plans when lockdowns were in place. Due to these measures, our developments remain largely on track, and we were able to proceed with clubhouse openings at Mount Duneed, Kaduna Park, Wollert and Deanside during the year.

Our Sales and Marketing

Our team embraced a mix of face-to-face and virtual sales techniques with continued use of the "zoom room" proving popular for virtual appointments and consultations. Onsite inspections and display suite tours continued where restrictions permitted with a mix of virtual, one-on-one appointments, and normal operations all deployed during the period. We have embraced the learnings during Covid and are currently offering customers a choice of the type of engagement that best suits their individual circumstances and needs.

Our Support Office

Our office-based team has transitioned to working from home and back again several times throughout the year. We have created a virtual office to encourage continued cross-functional engagement with both work related and social activities ongoing to nurture and adapt our culture.

Our Funding and Balance Sheet

In June 2020 we extended the Company's debt facilities, increasing the headroom by $50 million and extending the tenor such that the next refinancing event is in March 2024. The increased facilities enabled us to continue to acquire land during the uncertain trading period and add additional sites to our development pipeline.

Our Suppliers

A key part of Lifestyle Communities' success is through our suppliers, who help us deliver our customer commitments and the highest levels of customer service. Our suppliers are predominantly local, small businesses who have grown as Lifestyle Communities has grown. They collectively employ hundreds of people and were equally affected by the pandemic. Lifestyle Communities remained committed to its suppliers, held rates firm, and continued to pay weekly. Our commitment to our suppliers is being reciprocated as restrictions have eased and demand for qualified tradespeople is increasing across the market.

Job Keeper Program

The Company's revenue reduced by more than 30% in March 2020 compared to March 2019 and as such the Company qualified for the Federal Government's Job Keeper program from April 2020 through to September 2020. The Company received $1.66 million during this period ($802k in FY21 and $858k in FY20). The grant was used to ensure that all our team were retained during the period of significant disruption from July to October when sales offices were shut, office-based staff were sent home, development capacity was reduced, and financial and operating results were significantly affected. Our focus during lockdown was to prepare the business to bounce back quickly when restrictions were eased. Maintaining our talented team was critical to the business' performance post lockdown.

The Company's dividend policy sizes the dividend based on cash flow generated by operating communities. It explicitly excluded the JobKeeper grant.

Our Land Acquisition Strategy

The Company remained active in the land acquisition market during the period, acquiring two new sites at Woodlea and St Leonards, securing the future development pipeline. The Company has sufficient headroom in its debt facility to continue to pursue acquisition opportunities that meet our investment criteria.

Update on communities

	New homes				Resales						
Community	**Settled FY21**	**Settled FY20**	**Net sales FY21**	**Net sales FY20**	**Settled FY21**	**Settled FY20**	**Net sales FY21**	**Net sales FY20**	**New homes sold not settled**	**Total homes settled**	**Total homes in portfolio**
Brookfield		-		-	**13**	14	**12**	19	-	228	228
Seasons		-		-	**8**	3	**10**	4	-	136	136
Warragul		-		-	**5**	10	**6**	7	-	182	182
Casey Fields		-		-	**12**	10	**14**	10	-	217	217
Shepparton	**8**	20		12	**17**	7	**19**	5	-	300	300
Chelsea Heights		-		-	**7**	11	**8**	8	-	186	186
Hastings		-		-	**12**	7	**13**	7	-	141	141
Lyndarum		-		-	**5**	5	**6**	5	-	154	154
Geelong		1		-	**7**	5	**9**	3	-	164	164
Officer		-		-	**4**	7	**5**	6	-	151	151
Berwick Waters		7		4	**5**	9	**7**	9	-	216	216
Bittern		32		6	**14**	11	**15**	12	-	209	209
Ocean Grove	**34**	117	**9**	60	**10**	3	**12**	4	1	219	220
Mount Duneed	**55**	57	**21**	71	**2**	-	**2**	-	21	112	191
Kaduna Park	**91**	19	**58**	48		-		-	38	110	169
Wollert North	**36**	-	**44**	41		-		-	67	36	246
Deanside	**24**	-	**34**	38		-		-	48	24	266
Tyabb		-		-		-		-	-	-	240
St Leonards	**7**	-	**82**	-		-		-	75	7	359
Meridian											274
Pakenham East		-		-		-		-	-	-	175
Clyde		-		-		-		-	-	-	230
Woodlea											180
Phillip Island											260
Total	**255**	**253**	**248**	**280**	**121**	**102**	**138**	**99**	**250**	**2,792**	**5,094**

An update on each of the communities in planning or development at 30 June 2021 is as follows:

- Lifestyle Shepparton settled the last home during the year.
- Construction of Ocean Grove is complete. The last home settled in July 2021.
- Lifestyle Mount Duneed launched for sale in August 2018 and first settlements occurred in December 2019. The construction of the clubhouse and community facilities is complete. The community is 70% sold.
- Construction commenced at Lifestyle Kaduna Park in July 2019 and first homeowners were settled in May 2020. Construction of the clubhouse and community facilities was completed in February 2021. Kaduna Park is 88% sold.
- Lifestyle Wollert commenced construction in October 2019 and welcomed first homeowners in November 2020. The construction of the clubhouse and community facilities is complete and was opened in May 2021. Wollert is 42% sold.
- Lifestyle Deanside was rebranded from Plumpton during the year to better reflect the emerging suburb. Construction commenced in February 2020 and we welcomed first homeowners in February 2021. Construction of the clubhouse and community facilities is complete and was opened to homeowners in June 2021. Deanside is 27% sold.
- The contracts for the acquisition of land for the Lifestyle Community in Tyabb were executed in March 2019. The contracts are conditional on obtaining a planning permit. The initial permit application was rejected by council and the

Company has lodged an appeal with VCAT. The hearing concluded in May 2021, and we are awaiting the outcome.
- Lifestyle St Leonards was acquired in November 2019 and construction commenced in August 2020. We welcomed first homeowners in June 2021 which was two months ahead of plan. In June 2021 we acquired the site next door which allowed us to increase the community to 359 homes and introduce additional community facilities. The combined community is 23% sold.
- The land for the future Lifestyle Community in Pakenham was acquired in February 2020. The contract is subject to planning approval and is expected to deliver first customer homes settlements in FY24.
- The land for the future community in Clyde North, Lifestyle Meridian, was acquired in May 2020 and settled in early July 2021. Civil works have commenced, and the community will be launched for sale in September 2021.
- The land for the future community at Clyde was acquired in June 2020 on 3 year settlement terms.
- The land for the future community at Woodlea is due for settlement in December 2022. Construction is planned to commence soon after.
- The contract for the future community on Phillip Island was signed in August 2021.

Environmental, Social and Governance

From the beginning, Lifestyle Communities has been a business for purpose. At our heart is our values-based culture, developed to inspire our people to innovate and create memorable customer experiences. Lifestyle Communities was born with a purpose to be socially responsible in creating affordable, homeowner-centric communities for Australians over 50.

There are numerous environmental and social benefits underpinning the business. These include:

- Community living promotes inclusion and reduces loneliness
- Lifestyle Communities' affordable homes allow homeowners to free up equity by downsizing. This helps improve living standards in retirement and reduces financial anxiety
- Downsizing releases established housing stock in Melbourne's outer suburbs where demand is currently outstripping supply. These homes are typically purchased by first home buyers.
- The footprint of Lifestyle Communities' homes is much smaller, the designs are more modern, and use newer technology than established housing stock in the outer suburbs. This results in lower energy use and less greenhouse gas emissions.
- The density of our communities is much greater than in traditional suburbs. This helps reduce urban sprawl
- All Lifestyle Communities come with a fully electric town car and a mini-bus free for homeowner use at no additional charge. This helps reduce cost of living, promotes car pooling and shared transport, reduces traffic and greenhouse emissions
- Each Lifestyle Communities development contributes millions of dollars to the local economy, creates local employment, and provides ongoing support to local businesses

Lifestyle Communities now has over 4,000 homeowners occupying 2,792 homes and a pipeline to develop at least another 2,300+ homes over the next 3 – 5 years.

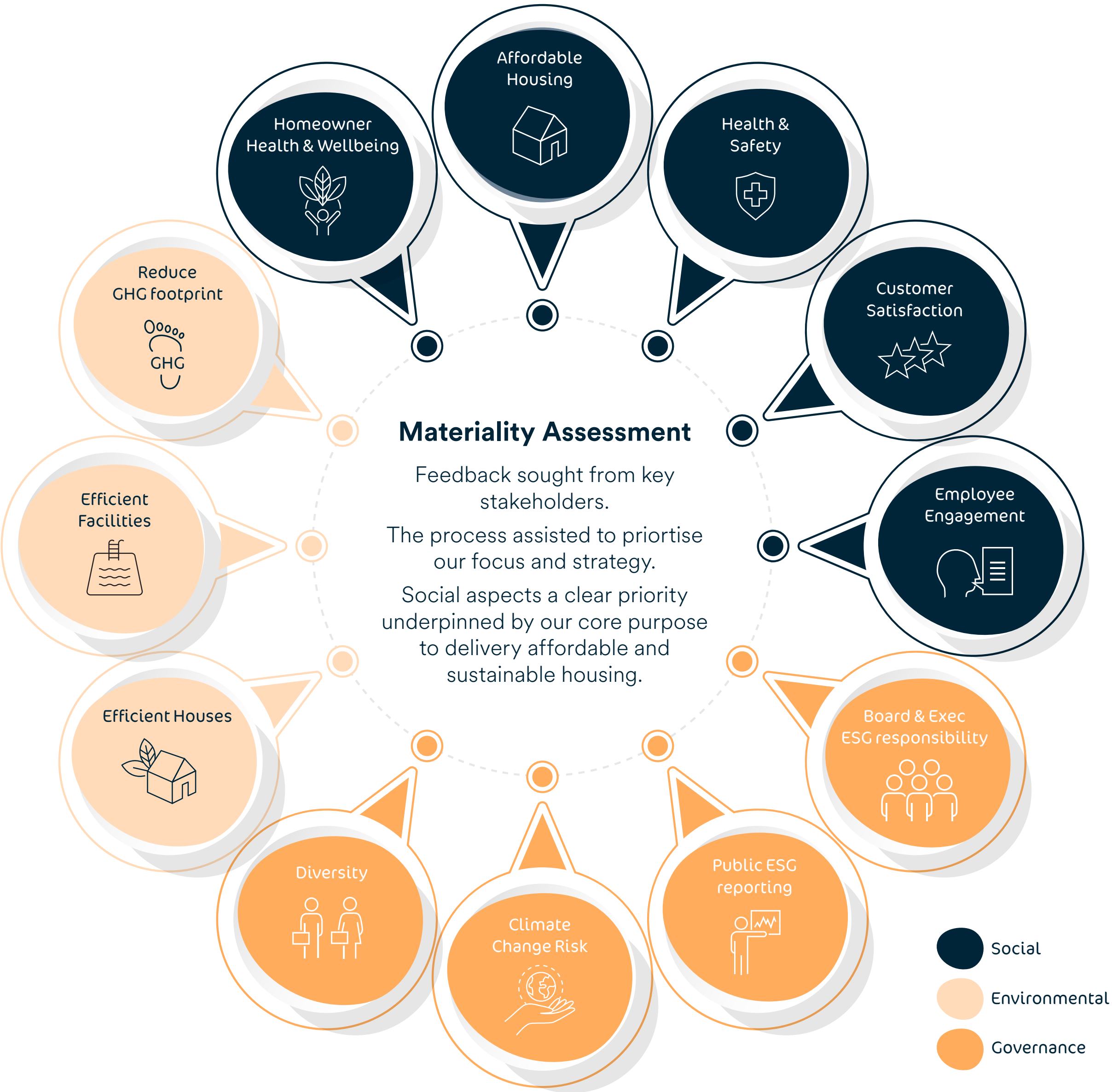
Board and Executive Responsibility

The Board has overall responsibility for environment, social and governance (ESG). Our Managing Director and Chief Financial Officer lead our internal ESG working group which includes members of the Executive Team and subject matter experts from various parts of the business. The working group focuses on

- Investigating and reporting on ESG opportunities and risks
- Developing our ESG strategy for approval by the Board
- Driving the implementation of ESG initiatives and targets

Materiality Assessment

During the year we undertook a materiality assessment on environment, social and governance initiatives seeking feedback from key stakeholders to help prioritise our focus and develop a strategy for implementation within our business. The outcome of the assessment prioritised the social aspects of our business model and delivering on our core purpose of affordable and sustainable housing. A summary of the outcomes of the materiality assessment is presented on the next page.



Affordable Housing
Our mission is to enable working, semi-retired and retired people over 50 to live an independent life at an affordable price.

Our product and operating model have been deliberately designed to address inequality in housing options for Australia's ageing population. For those members of society with limited superannuation and savings, creating a high quality, yet affordable housing option allows our homeowners to free up some of the equity in their home and help fund a comfortable standard of living in retirement. We will never deviate from this mission.

Customer Satisfaction
Lifestyle Communities prides itself on our customer centric culture created from the ground up and nurtured through 18 years of organic growth. We have two adages that form the backbone of everything we do. They are:

1. You never get a second chance at a first impression; and
2. A customer may forget what you told them, but they will never forget how you made them feel.

Our customer centric culture is evident from the very first meeting with prospective customers. Our sales team are recruited from service based industries, not real estate, and we do not pay sales commissions. This ensures that the sales process is thoughtful, considered, and not pressured.

Our customer information packs are transparent and this is reinforced through a comprehensive set of Q&A's. We encourage all of our customers to engage with their families to talk through their options; we won't take deposits at the first meeting. To ensure our homeowners fully understand what they are committing to, we sit down with every customer to explain the agreements in detail and answer any questions before signing. In 2020 we undertook a project to completely re-write all of our customer agreements to use positive, easy to understand language, and avoid legal jargon. We have shared our contracts with others in the industry and actively encourage them to adopt similar approaches to promote transparency and readability.

Our comprehensive touchpoint wheel maps every interaction with our customers and focuses our team on creating memorable experiences when in contact with customers. The quantity of these touchpoints and service moments have evolved over the years and is now a large contributor to our sales in both new and established communities. One way we measure the success of our customer experience strategy is by monitoring the percentage of sales that come via referral from an existing customer. Our referral rate for FY21 was over 50%

Whilst we strive for excellence always, we understand and acknowledge that from time to time, things may not always go to plan. Therefore, we have created a unique customer engagement process to ensure customer complaints and issues are heard and dealt with in a fair, consistent, timely, and courteous manner. Every community has its own Homeowners Committee which is elected by the community to engage with Lifestyle Communities and advocate on their behalf.

We actively seek feedback to ensure we learn from our mistakes and improve our service as a result. The below describes the various avenues available for customers to raise issues or complaints:

Community managers	Available on-site
Regional Operations Managers	Available by phone/email and attend Homeowner Committee meetings at each community quarterly or by invitation of the committee
Head of Community Operations	Available by phone/email and attends Homeowner Committee meetings quarterly for all communities
Managing Director	Available by phone/email and attends every community every 6 months to host a meeting of all homeowners

Each of the team members noted above share their contact details with all homeowners and in addition to the above structured engagements, are available to meet and discuss homeowner issues on an ad-hoc basis as required.

Lock and leave homes are great at holiday time

All complaints are recorded in the complaints register which is reviewed on a monthly basis. The Board receives reporting on customer complaints including periodic themes and trends, and specific updates on any material matters

Homeowner Health and Wellbeing
Our Wellness Program
The Lifestyle Communities wellness program makes it easy to get involved in a range of activities that support health and wellbeing. Our dedicated full-time wellness team deliver a variety of activities, seminars and events offering relevant and targeted support for people over 50. Our hotly contested Spring and Autumn sporting carnivals see hundreds of homeowners competing across a range of sports including lawn bowls, darts, croquet, pool, and much more. Teams from each community compete with winners proceeding to regional finals and ultimately the grand final.

Social Committees
Social committees are established at all communities and run by volunteers. The social committees arrange a wide variety of activities and are a great way to foster inclusiveness, promote active lifestyles, and reduce loneliness.

Our Ambassador Program
We understand it can be daunting moving into a new community and forming new friendship groups. Our ambassador program matches new homeowners with volunteers within the community to ease social anxiety and ensure new homeowners enjoy not just the facilities on offer but also the many benefits of living within an engaged and inclusive community.

Employee Engagement and Development
We know that if we expect our team to deliver the highest levels of customer experience to our homeowners then we must deliver a commensurate Employee experience. Each year, we conduct an Employee survey to measure Employee engagement and gather valuable feedback from our team. The ability to maintain Employee engagement and productivity during these challenging times is crucial to our overall performance. In the most recent survey, our team's average score was 9.0 out of 10, consistent with 9.0 in the previous survey. We continue to look for new and interesting ways to engage our team and have embraced the many opportunities technology gives us to interact. Whilst lockdown forced us to adapt, there have been many initiatives that have stayed with us as restrictions have eased. In particular, introducing an all-company video call every Monday morning is a great way to communicate, share major milestones, keep in touch with our team, and celebrate our successes.

Our learning and development program includes a mix of online, in-classroom, and on-the-job training facilitated by both internal and external subject matter experts. All teams are regularly trained in core skills relevant to their role as well as core competencies required for any role. These include the customer journey, company policies, core systems, cyber security, and modern slavery. In FY21 Lifestyle Communities spent $117,000 on over 200 external training and development courses for our team.

Health, Wellbeing, and Safety
Our team is critical to our success and their health, wellbeing and safety is of utmost priority. Throughout FY21 our team embraced the challenging circumstances and implemented new systems and processes to ensure the business continued to grow whilst maintaining our focus on the health and wellbeing of our team.

In FY21 we achieved zero fatality and life changing injuries in our business, which was consistent with the previous years. Our team is empowered to constructively raise issues and to intervene or stop work if they feel unsafe or witness unsafe practices. During the year, our People and Capability team facilitated external training to equip our team with numerous tools to cope with a range of circumstances which can be challenging to our team's mental health. This includes dealing with difficult situations and coping with grief. Our externally managed and confidential Employee assistance program is free for all team members and available 24 hours per day, 7 days per week.

Lifestyle Communities operates solely in Victoria, Australia. All Employees are engaged under contracts that comply with national Employment standards and are regularly reviewed for alignment with all relevant awards. Our code of conduct ensures that team members enjoy a working environment which protects human rights, prohibits discrimination, promotes inclusion, grants rights of freedom of association, and aligns with Australian employment laws and regulations.

Diversity and Inclusion
Lifestyle Communities is committed to developing diversity in its workplace by providing an environment in which recruitment, appointments, advancement and opportunities are considered on a fair and equitable

basis. Lifestyle Communities does not tolerate discrimination, vilification, harassment or victimisation within its workforce, and has developed an Employee Code of Conduct to provide guidance on the expected behaviours of all Employees. This Policy reinforces Lifestyle Communities' values and culture, and aligns with our mission to work as a connected, respectful and supportive team and to operate with heart in everything we do.

Lifestyle Communities recognises the value of attracting and retaining Employees with diverse backgrounds, knowledge, experience and abilities. We believe that embracing such diversity contributes to better Group performance due to the many benefits arising from diversity, including:

- **A broader pool of Employees**
  Accepting diversity in recruitment and advancement increases the available labour pool for selection;
- **Accessing different perspectives and ideas**
  Engaging persons from diverse backgrounds enables different approaches to problem solving and decision making; and
- **Improving efficiency and retention**
  Engaging workplace diversity and inclusion will foster a culture whereby persons from different backgrounds are valued, providing motivation for increased retention and productivity.

Gender diversity is of particular importance to Lifestyle Communities as over 40% of homes are occupied by single females and over 60% of our homeowners are female. It is the Group's policy to have 50% female representation on the Board.

Lifestyle Communities has developed targets for female representation in the leadership team and across the team as a whole, which are designed to reflect an appropriate gender balance that best supports the Lifestyle Communities customer. These targets, and the Group's progress toward meeting them are presented below:

Employee group	Target	Actual at 30 June 2021
Board	50% female, 50% male	50% female, 50% male
Executive Team	40% female, 40% male, 20% any gender	37% female, 63% male
Entire Workforce	40% female, 40% male, 20% any gender	67% female, 33% male

In addition, through its team development program, Lifestyle Communities is able to identify emerging leaders who show high leadership potential. Emerging leaders are given focused training and mentoring to accelerate their cultural and business leadership capabilities. The pool presently comprises 67% women and 33% men, helping to secure a strong pipeline for the future.

Responsible Supply Chain Management
As a business for purpose, Lifestyle Communities has always taken an ethical approach to partnering with our suppliers. We are proud of the many local businesses we work with and that have grown with us over the years. During FY21 we launched our Supplier Code of Conduct. This document clearly outlines how we do business. It makes clear how we should behave, what we expect of our business partners, and how we expect them to treat their business partners. Our supplier code of conduct has eight core principles:

1. We are committed to safety
2. We comply with laws and regulations
3. We treat people with dignity and respect
4. We act with honesty and integrity, upholding ethical standards
5. We are committed to true and fair, transparent, financial dealings
6. We undertake responsible sourcing activities and consider sourcing solutions that minimise environmental and social impacts
7. We have a responsibility to safeguard our reputation, property, assets, and information
8. We proactively manage risk

In FY21 Lifestyle Communities lodged its first Modern Slavery Statement which included a commitment that we are opposed to slavery in all its forms, servitude, forced or compulsory labour, human trafficking, debt bondage, and child labour. We will continue to develop and improve our efforts during FY22.

Our Code of Conduct and Modern Slavery Statement are underpinned by our Procurement Policy, a copy of which is available on our website.

Lifestyle team members and our suppliers are encouraged to discuss any concerns with their Lifestyle Communities contact or anyone from our Senior Leadership Team. Our Whistleblower policy is also a safe and confidential way to report concerns or misconduct. Any form of retaliation against a person using the Whistleblower policy in good faith will not be tolerated. A copy of our Whistleblower policy and how to report a concern is available on our website.

Greenhouse Gas Emissions
During the year, we engaged independent sustainability consultants WSP to conduct our first ever greenhouse gas emissions inventory.

The GHG Protocol is the world's most widely used greenhouse gas accounting standards for companies. Under the Protocol, GHG Emissions are broken into 3 categories and there are guidelines provided in the international GHG Protocol, which is used as the standard guide for organisations in Australia when reporting GHG emissions. Given homes are owned by the homeowners, who pay for the electricity they use, homeowner electricity is classed as a Scope 3 emission. Community facilities are under the management of Lifestyle Communities; therefore the electricity use of these areas is classed as a Scope 2 emission for Lifestyle Communities reporting. The relevant sources for Lifestyle Communities listed below:

- Scope 1 Direct emissions – On-site gas use by LIC, fuel used for LIC vehicles
- Scope 2 Purchased electricity – Electricity used by LIC managed facilities
- Scope 3 Indirect emissions – Energy used by homeowners in LIC Communities

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

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

Notes
1. The shift between scope 2 and scope 3 emissions was driven by Victoria's lockdown in 2020 as community facilities were closed and homeowners spent more time at home.
2. Absolute emissions decreased marginally during the period due to improved efficiency of new communities coming online
3. Carbon Intensity per home, which adjusts for the increasing number of homes under management, reduced by 9%

As part of the scope of works, we also asked WSP to compare the average greenhouse gas emissions of a Lifestyle house to the average greenhouse gas emissions of a typical home in Melbourne's outer suburbs (reflective of the homes our customers are moving out of). The comparison is presented below:

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

3.35 tonnes
of carbon per annum

Average
Lifestyle House

5.2 tonnes
of carbon per annum

Typical **1-person** house in the suburbs

8.1 tonnes
of carbon per annum

Typical **2-person** house in the suburbs

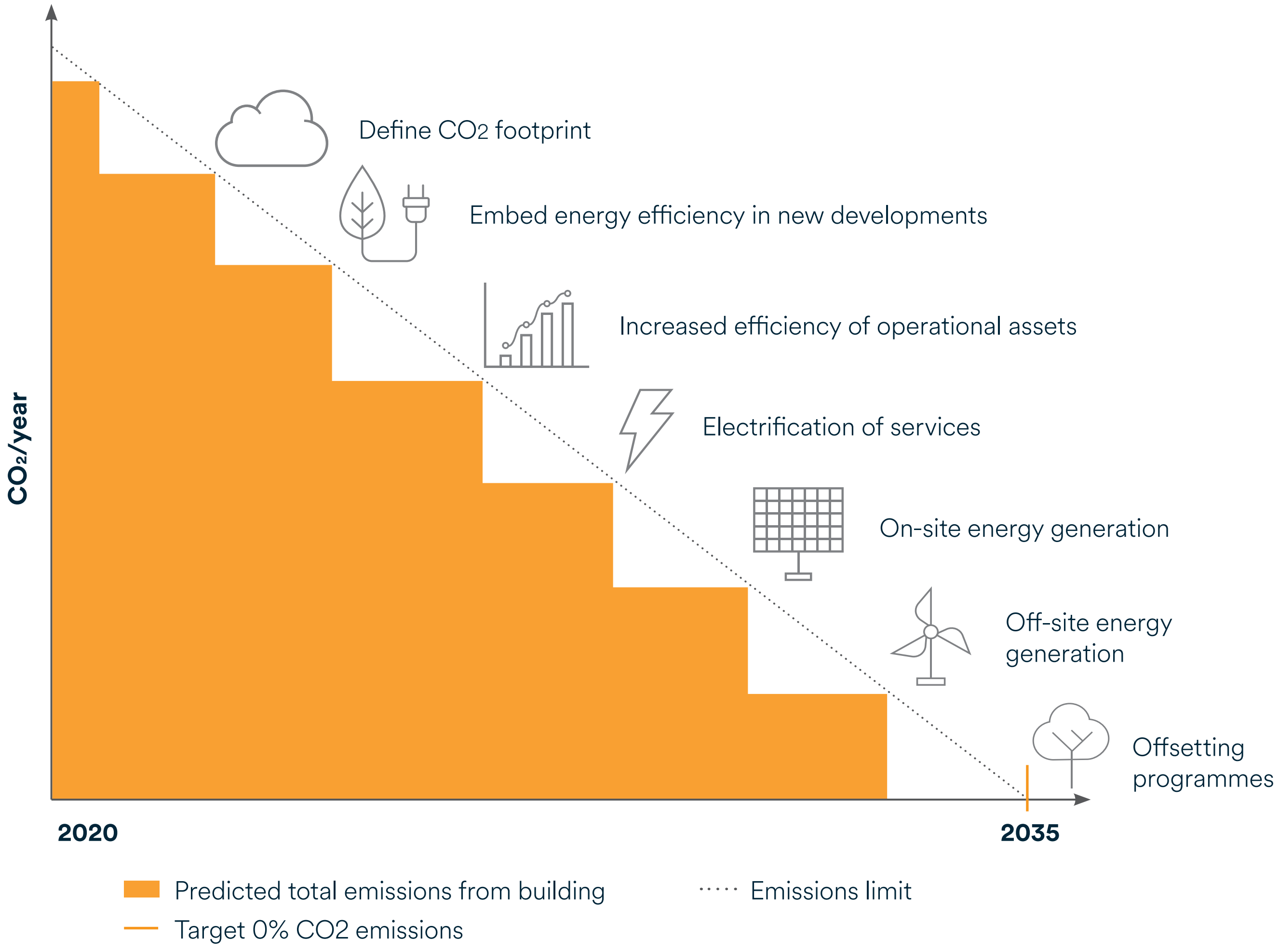
The "typical" house above refers to an average home in Broadmeadows Victoria with no pool, using gas for heating and cooking, modelled using the Governments energy made easy website: energymadeeasy.gov.au.

Net Zero Future

As can be seen above, the emissions intensity of our communities continues to improve as we develop new communities and embrace new technology, increase solar installations, and improve building design techniques.

We are pleased to announce our target to achieve net zero operational emissions for scope, 1, 2 and 3 by no later than the year 2035. The plan to achieve this is outlined below:

Pathway to net zero emissions



We have selected 2035 as the most appropriate target for Lifestyle for the following reasons:

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

Lifestyle is already progressed on this path. Achievements to date include:

- CO_2 footprint complete
- Energy efficient design continuously reviewed and improved with each new community developed
- All Lifestyle Communities developed after 2016 include 100% electric homes (no-gas)
- Our existing communities include significant on-site solar generation
- Lifestyle Meridian will be our first community to include a solar powered community micro-grid with centralised battery storage

Setting the pace at Mount Duneed

The Lifestyle Communities Foundation

In 2014, one of the founding directors of Lifestyle Communities, Dael Perlov, passed away from pancreatic cancer at the age of 46. In 2015, we set up the Lifestyle Communities Foundation in his memory. The Foundation supports fundraising activities across all communities, focused on raising funds for cancer based charities. Lifestyle Communities contributes $50 for each occupied home in our communities each year and matches dollar for dollar funds raised by our homeowners for cancer based charities.

In 2021, the Lifestyle Foundation donated a total of $127,000 to cancer-based charities.

Across our communities, major events such as The Biggest Morning Tea, World's Greatest Shave, Movember, have been hosted with amazing results. Equally individuals have raised funds by taking part in external events such as Relay for Life, Good Friday Appeal, The Mother's Day Classic, and the Starlight Children's Foundation. Other charities supported include the Cancer Council, Peter MacCallum Cancer Centre, Monash Children's Cancer Centre, Royal Children's Hospital, the Australian Melanoma Research Foundation and many more.

Our Approach to Tax

Lifestyle Communities manages its tax affairs in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes.

Our Tax Governance Framework sets out the key principles adopted by Lifestyle Communities' which are summarised as follows:

- Maintain compliance with all relevant tax laws, regulations, and tax governance processes, to demonstrate good corporate citizenship
- A low tax risk appetite that ensures Lifestyle Communities remains a sustainable business and a reputable and attractive investment proposition
- A commitment to engage and maintain relationships with tax authorities that are open, transparent and co operative
- An operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low tax jurisdictions.

Tax Contribution Summary

In addition to providing affordable housing solutions to Australia's ageing population, Lifestyle Communities contributes to the Australian economy, through various taxes levied at federal, state and local government level. In FY21 these totalled more than $14.3 million and were either borne by Lifestyle Communities as a cost of our business or collected and remitted as part of our broader contribution to the Australian Taxation System. Detailed below are the taxes paid and / or collected and remitted for the 2021 financial year:

- Income Tax: $5.8 million
- Net GST: ($3.0) million
- PAYG Withholding: $4.0 million
- State Taxes (including Payroll Tax, Land Tax, Stamp Duty, and Growth Area Infrastructure Contribution): $6.2 million
- Fringe Benefits Tax: $0.1 million
- Local council rates and levies: $1.2 million

Note: GST was a net refund in FY21 due to the timing of construction costs and settlements

Executive Confirmations

The Managing Director and the Chief Financial Officer have provided a written statement to the Board that:

1. In accordance with the Corporations Act 2001 ("the Act") section 295A, we, the undersigned, declare that to the best of our knowledge and belief, and in each of our opinions:
   (a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the Act;
   (b) the financial statements and associated notes of the consolidated entity for the financials year comply with the accounting standards as required by section 296 of the Act;
   (c) the financial statements and associated notes for the financial year give a true and fair view of the financial position of the consolidated entity as at 30 June 2021 and of its performance for the period as required by section 297 of the Act;
   (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   (e) any other matters that are prescribed by the regulation for the purposes of this declaration in relation to the financial statements and the associated notes of the consolidated entity for the financial year are also satisfied.

2. Also, in accordance with ASX Corporate Governance Council Best Practice Recommendations 4.2 and 7.2, with regard to the system of risk management and internal compliance and control of the consolidated entity for the year, to the best of our knowledge and belief, and in each of our opinions:
    i. the statements given in paragraph (1) above are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors of the Company;
    ii. the risk management and internal compliance and control systems of the consolidated entity are operating effectively, in all material respects; and
    iii. subsequent to 30 June 2021, no changes or other matters have arisen that would have a material effect on the operation of the risk management and internal compliance and control system of the consolidated entity.

Events after reporting date

In July 2021, the Company completed planned settlements on contracted land parcels at Wollert and Clyde. These settlements were funded out of existing debt facilities and increased the drawn debt to $227 million.

On the 12th of August, the Company executed a contract to acquire an additional site at Phillip Island. The land is expected to settle in September 2021 with construction anticipated to commence in mid-2022.

As part of its continued focus on capital management, the Company has agreed terms with its lending group, The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia, to extend the headroom in its debt facility by $100 million. The combined facility limit will be $375 million. All other material terms and covenants remain unchanged. The additional headroom will be used to fund the continued acquisition and development of new sites.

The Group had no other matters or circumstances since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Outlook for FY22 and Beyond

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

The Company enters FY22 with 250 new homes sold and awaiting settlement and, with the land already in the pipeline, has the ability to deliver 1,100 to 1,300 new home settlements over the next 3 years. Resale settlements attracting a DMF are anticipated to be in the range of 450 to 550 over the next 3 years. There remains a risk that sales and settlements may be negatively affected by the ongoing uncertainty and restrictions in relation to the Covid-19 pandemic and its impact on the property market and supply chain in Victoria.

The Company's balance sheet and debt position is robust. The Company will have access to over $145 million in cash and undrawn facilities which is sufficient to support the current development pipeline and continued acquisition of new sites. The next refinancing is due in June 2025. Operating cash flow is underpinned by the ongoing rental annuities from our 2,792 homes under management.

We are excited to launch Lifestyle Meridian for sale in September 2021. This project will see the next evolution of housing and clubhouse designs and will also feature a first of its kind rooftop solar + centralised battery community micro-grid. During FY22 we will also upgrade our technology platform, implementing Salesforce and SAP Business ByDesign to support continued growth.

Richard and Donna, the stars of our marketing campaign


U.S. POLO ASSN

Remuneration Report

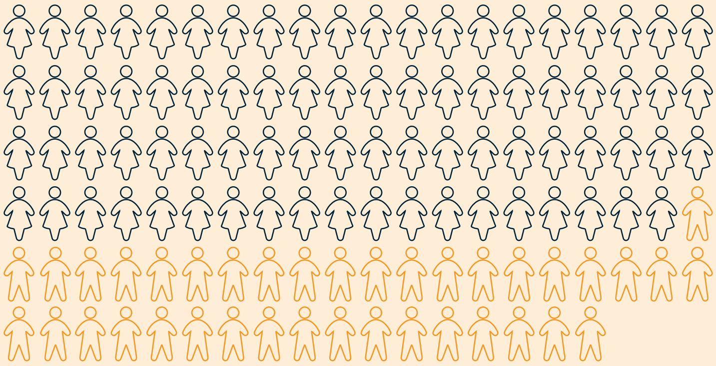
Our culture


INNOVATION
EMPOWERMENT
CARE
EMPATHY
KINDNESS
TAKING RISKS
LISTENING
APPROACHABILITY
POSITIVE LANGUAGE
RECOGNITION
CELEBRATING SUCCESSES
PASSION
RESPONSIVENESS
yes
Led from the top, our culture is shaped by the team living and breathing these behavioural traits, allowing us to deliver an amazing place to work and provide a wonderful experience to our homeowners.

How we operated

117 Total Employees

67% women



33% men

Gender split for emerging leaders

66.7% Women

33.3% Men

Gender split for executive team

37.5% Women

62.5% Men

Gender split for the Board

50% Women

50% Men

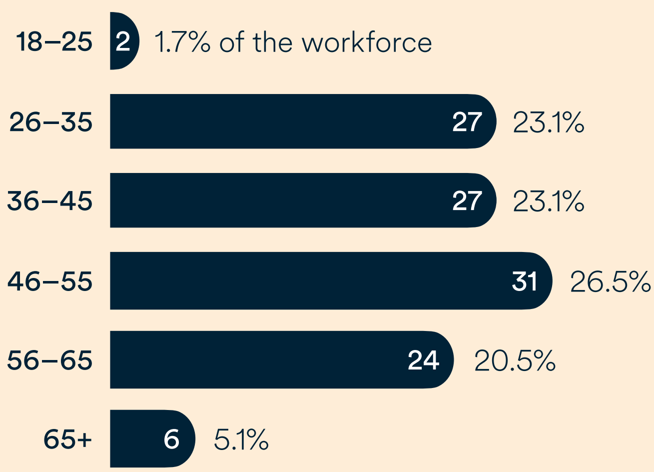
Final Employee engagement score of

9 out of 10

207

External courses attended by team members for professional development

Breakdown of employees by age



Remuneration report

Dear Shareholders,

On behalf of the Board, I am pleased to present the Lifestyle Communities Remuneration Report for the 2021 financial year. This report sets out Lifestyle Communities' approach to remuneration and its link to performance.

COVID-19 Impact
As noted in the letter from our Chair and Managing Director, the impact of COVID-19 and consequent lockdowns and restrictions over FY21 was significant for all of Victoria and for Victorian businesses. Lifestyle Communities was no exception, with particular limitations imposed on inspections, sales and marketing processes, and our office-based team members. Our operating communities and homeowners were also impacted with community facilities shut down in accordance with Government directions.

For our people, and the impact on their remuneration, we were conscious of keeping them employed and motivated to use lockdown constructively. Lifestyle was pleased to retain its team during the period and, in addition, to also focus on recruiting the best talent in the market. This gives us confidence the team is well positioned to deliver great results for the future.

The Lifestyle team continued to trade throughout the year and was able to adapt to the rapidly changing environment. Their ongoing focus on nurturing our homeowners and prospective customers, driving project delivery, and gearing up for the post lockdown sales period was a tribute to them.

Our construction team adopted Covid-safe practices and implemented contingency plans to keep the developments on track.

Our sales and marketing team continued their push into digital, interspersed with face-to-face interactions as restrictions allowed.

And our community operations team did a terrific job keeping our homeowners informed and engaged throughout the pandemic. Although some adjustments were necessary to keep homeowners safe and to comply with public health orders, our community management team were still able to operate throughout the lockdown and provide support to homeowners through wellness, safety, and connection initiatives.

We continued to build a strong pipeline of new land acquisitions which will support the growth of Lifestyle for years to come.

FY21 Remuneration

Despite the team's focus and versatility, the Board took a cautious approach to remuneration in this uncertain environment and froze salaries across the business. We were determined to retain and support our team and believe the remuneration freeze was fair and well understood by the team.

Each year, the Board sets a target range for new home settlements which is the backbone of the equity incentive scheme and drives growth across the organisation. The single new home settlement target continued to drive performance across the business and support good behavioural outcomes.

Acknowledging the circumstances of FY21 the targets were set at 170 to 230 new home settlements and the maximum number of options available were reduced by 40%, compared to FY20. This approach was designed to ensure our team remained motivated and incentivised, even in disrupted circumstances, and continued to drive returns for shareholders.

We believe these changes for FY21 ensured core Lifestyle principles were maintained and our remuneration approach was 'fit for purpose'.

Happily, the Victorian housing market rebounded strongly once lockdown conditions were eased. The timeframe for selling and settling established housing stock compressed significantly and resulted in a pull forward of settlements. Again, the team adapted quickly to ensure new homes were available for settlement and this resulted in 255 new homes settlements being achieved, exceeding the high-end of our settlement range.

Our Team

I'd like to take this opportunity to record the Board's thanks to the whole Lifestyle Communities team for their approach to an unprecedented and challenging operational environment. The pandemic stress-tested our culture and performance delivery, and the team rose above uncertainty to meet the challenge and propel the business forward. Thank you to James and the leadership team for supporting all Employees through the pandemic. We know the situation had an impact not just on their work at Lifestyle Communities but also extended to their families and the broader community and we want to acknowledge their thought and commitment to the business, our customers and each other.

The following report sets out further detail on the Company's approach to remuneration.

Yours sincerely

The Honourable Nicola Roxon
Non Executive Director, Chair of the Remuneration and Nominations Committee

18 August 2021

1. Introduction

1.1 About this report

The Remuneration Report forms part of the Directors' Report. It outlines the overall remuneration strategy, framework and practices adopted by Lifestyle Communities Limited (the Company) and has been prepared in accordance with Section 300A of the *Corporations Act 2001* and its regulations. This entire remuneration report is audited.

2. Remuneration and Nomination Committee

2.1 Role of the Remuneration and Nomination Committee

The objective of the Committee is to ensure that remuneration policies and structures are fair, competitive, and aligned with the long-term interests of the Company. A copy of the Committee's charter is available on the Lifestyle Communities website.

The Remuneration and Nomination Committee's key responsibilities are to make recommendations to the Board on:

- The Company's remuneration framework;
- Formulation and operation of Employee incentive plans;
- Remuneration levels of the Managing Director and other key management personnel; and
- The level of Non-Executive Director fees.

2.2 Change to the Remuneration Committee

The Remuneration Committee was amended to the Remuneration and Nomination Committee in FY21 to reflect the following additional objective:

- Oversight of the selection, appointment, and reappointment of Directors to the Board

2.3 The Use of External Advisors

Remuneration consultants are engaged from time to time to provide independent information and guidance on remuneration for Directors and the Executive Team. The independent consultants facilitate discussion, conduct external benchmarking, and provide commentary on a number of remuneration issues and structures. Any advice provided by independent consultants is used as a guide and is not a substitute for the considerations and procedures of the Board and the Remuneration and Nominations committee.

During FY21, no recommendations in relation to the remuneration of Directors or the Executive Team were provided as part of these engagements.

3. Details of Key Management Personnel

Directors	Position	Commencement date
Philippa Kelly	Chair of the Board (appointed 14 August 2019) Non-Executive Director Member Audit Committee Member Remuneration and Nomination Committee	18 September 2013
The Honourable Nicola Roxon	Non-Executive Director Chair Remuneration and Nomination Committee	1 September 2017
Georgina Williams	Non-Executive Director Member Audit Committee	1 September 2017
David Blight	Non-Executive Director Member Remuneration and Nomination Committee	15 June 2018
Mark Blackburn	Non-Executive Director Chair Audit Committee	1 December 2019
Executive Director		
James Kelly	Managing Director	Founder, 2003
Other Executive KMP		
Chris Paranthoiene	Head of Acquisitions and Development	13 March 2007
Richard Parker	Head of Sales	11 January 2016
Yvonne Slater	Head of Development Delivery	8 January 2018
Darren Rowland	Chief Financial Officer and Company Secretary	21 May 2019
Simon Goninon	Head of Community Operations	30 March 2020

There were no changes to key management personnel during the year.

4. Our People and Culture Strategy

Lifestyle Communities has built a strong customer centric culture throughout the business. This has been achieved through a clearly defined set of values that we use for recruiting, and also for measuring our team. The 4 pillars of this strategy are:

Our Recruitment

To find, attract, and imbed market-leading senior talent who embody our culture and values, delivering business priorities aligned to strategy. Our recruitment ensures our talent have the required skills, experience, behaviours and commitment to purpose—allowing homeowners to live a bigger life. We will never compromise on this strategy.

Our People

Our thoughtful investment in nurturing our people directly results in our team delivering impactful and meaningful experiences to our homeowners.

We are focused on attracting, engaging, nurturing, growing, retaining and rewarding our team.

We create an environment where individuals feel valued for their contribution to business outcomes.

Our Remuneration

Our complete remuneration process keeps us competitive in the market—retaining leading talent and rewarding and recognising the performance and behaviours of our team and individual performance towards the overall achievement of company targets and sustainable value for stakeholders.

Our Performance

In addition to our individual performance measures through our ROADMAP process, we closely and continually monitor our customer referral rate, our team engagement survey results and our recruitment and retention outcomes.

Each of these areas provide a complete snapshot of the achievement of our People and Culture Strategy.

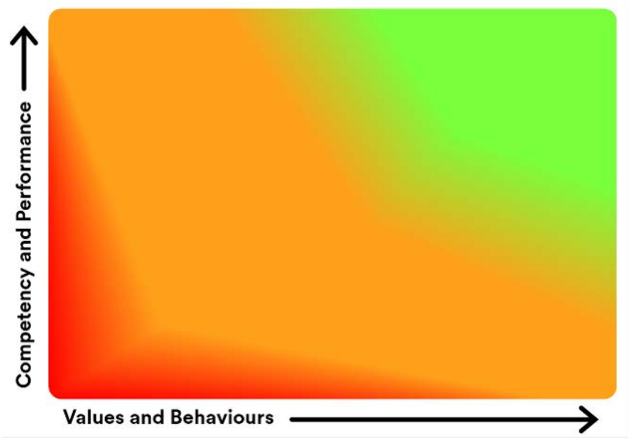
5. Capability and Performance

The capability and performance of our team is assessed using the internal ROADMAP process. The process includes six-monthly reviews and quarterly check-ins. Our team are measured equally on their competency and performance as well as their demonstrated values and behaviours. Their overall result in the annual appraisal is mapped on the performance matrix shown to the right.

- A result in the red would require immediate performance or behaviour intervention and a clear action plan.
- A result in the orange indicates moderate performance overall or a team member taking on new learning objectives.
- A result in the green indicates a team member who is delivering outcomes to the highest standards consistently and delivers further value.

The ROADMAP process ensures that performance concerns are identified, addressed, and rectified appropriately to ensure optimum capability of all team members driven and managed by our Senior Leadership team. Note, the established ROADMAP process is used as a behavioural gate for the equity incentive scheme.

Performance Matrix



6. Structure of Executive Directors and Executive Team Remuneration

6.1 Framework

In determining Executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent;
- Aligned to the Company's strategic and business objectives and the creation of shareholder value; and
- Transparent, straightforward, and acceptable to shareholders.

6.2 Components of Executive Remuneration

Component

Fixed remuneration	Performance measurement process	How we set fixed remuneration
Base salary, superannuation, and other benefits.	Performance is reviewed annually using the ROADMAP process. Performance is assessed with regard to the individual's competency in their role and also their displayed values and behaviours.	Fixed remuneration is benchmarked against market data for comparable roles, industry peers and similarly sized publicly listed companies. A formal benchmarking exercise is undertaken every second year, or sooner where there is a material role change. In addition to external benchmarking, fixed remuneration is structured to ensure that high quality talent is attracted and retained, and is suitably motivated to meet Lifestyle Communities' strategic, cultural, and business objectives.

Variable remuneration	Performance measurement process	Relationship between remuneration and company performance
Equity Incentive Scheme (EIS) The equity incentive scheme provides an element of short-term and long-term incentive to the Executive Team. 25% of the options have a one-year service condition and will vest following completion of the audit and confirmation by the Board. The remaining 75% have deferred vesting conditions and are subject to ongoing competency and behavioural requirements.	Achievement of new home settlement target range set by the Board each financial year. Team members are required to continuously demonstrate minimum levels of values and behaviours throughout the performance and deferred vesting periods. The Board retains clawback rights if these standards are not met.	The Board and Remuneration Committee consider a range of factors in setting the annual target range for the EIS. This includes the Company's budget for new home settlements and analyst forecasts. New Home Settlements was chosen as the sole operational performance metric because it is the main driver of earnings growth and the creation of shareholder value under the Lifestyle Communities business model. It is also simple, easy to measure, and it is one that all Employees can play a role in achieving.

6.3 Structure of the Equity Incentive Scheme

Each year, the Board determine a target range for New Home Settlements and the amount of equity that will be made available to the Executive team, Emerging Leaders, and other team members for the upcoming financial year. Equity is issued to team members in the form of conditional rights to receive ordinary shares ("options").

If a behavioural target is not met, all options granted under the scheme will be forfeited. If the behavioural gate is met, the number of options that vest under a particular year's scheme depends on whether the lower, mid-point or upper New Home Settlement target is reached in that financial year. If the lower target is not reached, all options granted under the scheme are forfeited.

To be eligible to fully participate in the incentive scheme, team members must have been employed by the Company on 1 July of the target year and remain employed up until the options vest. Options are typically issued in the first quarter of each financial year to existing team members, any team members commencing employment with the Company after 1 July of the target year are entitled to a pro-rata incentive.

The options allocated to the Executive and other emerging leaders are subject to a staggered vesting program that seeks to provide short to mid-term Group performance incentives. The use of deferred equity provides further alignment between the interests of senior management and shareholders by supporting the maintenance of share value.

Options allocated to the Executive Team (excluding the Managing Director) have the following service (or escrow) conditions:

- 25% of options have a one-year service condition, competency and behavioural requirements, and will vest following completion of the audit and confirmation by the Board;
- 25% have a two-year service and ongoing competency and behavioural requirements; and
- 50% have three-year service and ongoing competency and behavioural requirements.

Options allocated to emerging leaders have the following service (or escrow) conditions:

- 50% of options have a one-year service requirement, competency and behavioural requirements, and will vest following completion of the audit and confirmation by the Board; and
- 50% have a two-year service and ongoing competency and behavioural requirements.

The allocation relating to all other team members requires them to meet minimum levels of values and behaviours and be employed by the Company at the time of vesting, which occurs after the completion of the audit and confirmation by the Board.

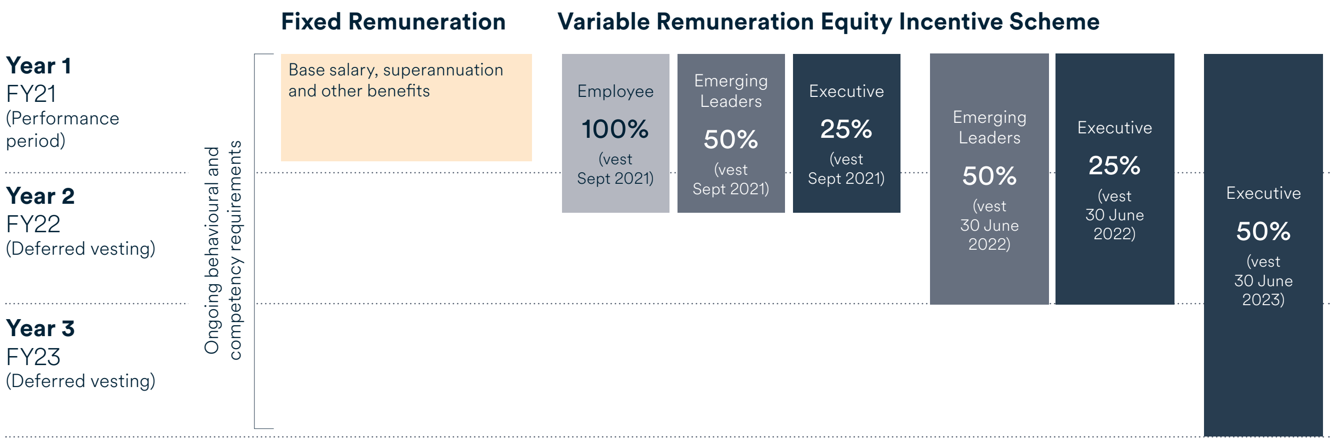
For accounting purposes, the fair value has been determined at the grant date for Employees employed prior to 1 July and at commencement date of Employees that joined the Company during the year. The expense will be recognised over the vesting periods noted above.

The operation of the equity incentive scheme is administered by an independent third party, Link Market Services. The Employee share trust related to the FY17 and FY18 equity incentive schemes continues to be administered by Smartequity Pty Ltd.

The following additional governance practices apply to the equity incentive scheme:

- The Board has absolute discretion to determine how options are awarded. The Board also has absolute discretion as to who will participate, the quantum, the conditions attaching to the award, whether vesting occurs or not (regardless of whether and how the performance conditions have been satisfied) and the treatment of the options in specific circumstances over the life of the options.
- The Board can apply clawback on vested and unvested options or forfeit these awards.
- The Board has the ability to determine, if a Change of Control Event has occurred or is likely to occur, the manner in which a Participant's Awards (whether vested or unvested) will be dealt with.
- A participant may not sell, assign, transfer, grant a security interest over or otherwise deal with options that have been granted to them, unless the Board approves.
- The Securities Trading policy prohibits Employees from dealing in Lifestyle Communities securities while in possession of price-sensitive information that is not generally available to the public. The policy requires all Employees to first obtain consent from the Chief Financial Officer prior to trading. The Managing Director and the Executive Team are required to obtain consent from the Chair prior to trading. The policy also prohibits entering into any derivative or margin lending arrangements over Lifestyle Communities securities at any time.
- The addition of the Values and Behaviours gateway as a pre-qualification to the entitlement to participate in the EIS reinforces the Board and Executive Team's commitment to maintaining our customer centric culture and appropriate behaviours.

The Board reviews the structure, targets, vesting conditions and outcomes delivered by the equity incentive scheme each year.



6.4 The relationship between remuneration and company performance

The following table demonstrates the link between the Company's remuneration structure and its performance over the last 5 years.

Performance measure	Unit	FY21	FY20	FY19	FY18	FY17
Statutory profit after tax	$m	**91.1**	42.8	55.1	52.7	27.7
Dividends declared and paid (fully franked) (cents)	cps	**8.0**	5.5	5.5	4.5	3.5
Closing share price (30 June)	$	**15.6**	9.5	6.6	5.9	4.1
Share price increase / (decrease)	%	**64.2%**	43.9%	11.9%	43.9%	41.4%
Employee share scheme expense	$m	**1.4**	0.3	0.9	0.5	0.3
New home settlements in the Year	Homes	**255**	253	337	321	278
Total Homes Settled	Homes	**2,792**	2,537	2,284	1,947	1,626
Total Portfolio (Settled and Unsettled)	Homes	**4,834**	4,494	3,563	2,995	2,667

7. Remuneration Details for FY21

Noting the high levels of uncertainty due to the ongoing impact of the Covid-19 global health pandemic, the Board determined to freeze all increases to fixed remuneration for all team members and Directors during FY21. The only changes to fixed remuneration applied during the year were as a result of changes in role or scope.

7.1 Managing Director

The total remuneration for the Managing Director (inclusive of superannuation) is $600,000 and includes a $20,000 car allowance as compensation for the high level of travel required between the Company's communities. The Managing Director does not participate in any short term or long-term incentive plans.

In FY20 the salary of the Managing Director was independently benchmarked, and the Board resolved to increase it in line with comparable roles in the market. The Board notes that this salary is low in the market, however the salary of the Managing Director remained unchanged throughout FY21 due to the ongoing COVID-19 uncertainty and consistent with the freeze on pay increases for the whole team. An increase will be applied during FY22.

There were no significant changes to the Managing Director's service agreement during FY21.

Significant conditions

Under the terms of the agreement, the contract may be terminated by either party giving three months written notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. The Managing Director has a three month restrictive period post termination.

7.2 Executive Team

As with the whole team, fixed remuneration for the Executive Team remained unchanged in FY21 due to the ongoing COVID-19 uncertainty. The allocation of options under the Equity Incentive Scheme was reduced by 40%, commensurate with the constrained sales environment in Victoria due to lockdown restrictions. Further information is detailed below at section 7.3.

There were no significant changes to Executive Team service agreements during FY21.

Significant conditions

Under the terms of all agreements, the contracts may be terminated by either party giving three months written notice. The Company may terminate the contracts at any time without notice if serious misconduct has occurred.

7.3 COVID-19 impact on the Equity Incentive Scheme for FY21

The EIS for FY21 was approved by the Board in June 2020 as part of the typical budget cycle. However, the scheme was not implemented as planned because Victoria entered a stage 4 lockdown on the 7th of July. Forecasting was very difficult during this period due to the high level of uncertainty regarding when lockdown restrictions would be eased and when the business could return to full service.

Lockdown restrictions eased on the 28th of October and the position was reassessed at that time. In November 2020, the Board adopted a revised scheme for FY21 which included targets that took account of the impact of lockdown and a 40% reduction to the number of options allocated

The following options were issued in relation to the FY21 equity incentive scheme. The revised performance range for FY21 was 190 – 230 new home settlements, with a commensurate 40% reduction (from FY20) in the number of options achievable. 255 new home settlements were achieved during FY21 and therefore the high end of the range was achieved. Vesting of the options is deferred in accordance with the vesting conditions outlined in section 6.4.

No. of options available	Low tier	Mid tier	High tier
Executive team	6,000	9,000	12,000
Senior leadership	1,200	1,800	2,400
All other team members	300	600	900

8. Non Executive Directors' remuneration

8.1 Fixed Fees

All Non-Executive Directors are paid fixed fees for their services to the Company. The level of fees is set to enable the Company to attract and retain Directors of high calibre, whilst incurring a cost that is reasonable having regard to the size and complexity of the Company.

The aggregate amount of fees paid to Non Executive Directors is within the overall amount approved by shareholders in a general meeting. The last determination was made at the Annual General Meeting held in November 2007 at which shareholders approved an aggregate amount of $1,000,000 per annum.

Fees payable to the Chair are currently set at $125,000 per annum (including superannuation). Fees paid to the other Non-Executive Directors are $80,000 per annum plus an additional $5,000 per annum for each committee Chair.

8.2 Review of Non-Executive Director's fees

In FY20 the fees for Non-Executive Directors were independently benchmarked, and the Board resolved to increase them in line with comparable roles in the market. The Board notes the current level of fees are low in the market, however the fees remained unchanged throughout FY21 due to the ongoing COVID-19 uncertainty and consistent with the freeze on pay increases for the balance of the business. The increase will be applied in FY22 and remains well within the shareholder approved aggregate noted in section 8.1.

8.3 Non-Executive Directors' Share Holding Policy

Lifestyle Communities introduced a new policy in FY20 which requires that all Non-Executive Directors hold a minimum shareholding in Lifestyle Communities equivalent to 100% of their annual base fee.

Non-Executive Directors are required to acquire their target shareholding independently. The shareholding does not comprise part of the remuneration package.

Non-Executive Directors have five years in which to purchase their shareholding requirement. The five-year period will commence from the later of the date the policy is adopted, or the Non-Executive Director takes up their position. Once the equivalent of a Non-Executive Director's annual base fee has been acquired in shares, the Non-Executive Director does not need to adjust shareholdings when there is an adjustment of the share price. On reappointment to the Lifestyle Communities Board, each Non-Executive Director must reassess their shareholding and top up to the new base fee.

9. Remuneration Details of Key Management Personnel

In this Annual Report, remuneration outcomes are presented based on the requirements of accounting standards (which has the benefit of being readily comparable with other companies) as well as the actual "take-home" pay received by Executive key management personnel (being cash, other benefits and the value of equity exercised during the relevant financial year).

Differences can arise based on options which carry a deferred vesting and exercise period. Options are expensed over the vesting period based on their fair value when originally granted to the Executive. This may be significantly different to their value, if and when, the incentive vests to that Executive.

The following table discloses the remuneration of the Directors and key management personnel of the Company for the 2021 financial year and for the previous financial year.

$000's	Year	Salary and fees	Annual and long service leave [1]	Super	Equity-based payments [2]	Total	Performance related	Take home pay [3]
James Kelly	**2021**	**575**		**25**		**600**	-	**600**
	2020	575	44	25		644		600
Philippa Kelly	**2021**	**114**		**11**		**125**	-	**125**
	2020	111		11		122		122
David Blight	**2021**	**80**		**0**		**80**	-	**80**
	2020	77		3		80		80
Nicola Roxon	**2021**	**85**		**0**		**85**	-	**85**
	2020	77		7		84		84
Georgina Williams	**2021**	**73**		**7**		**80**	-	**80**
	2020	73		7		80		80
Mark Blackburn	**2021**	**78**		**7**		**85**	-	**85**
	2020	45		4		49		49
Consolidated remuneration	**2021**	**1,005**		**50**		**1,055**	-	**1,055**
	2020	958		58		1,059		1,015
Key management personnel								
Darren Rowland	**2021**	**345**	**18**	**25**	**81**	**470**	**17.3%**	**370**
	2020	345	9	25	32	411	7.8%	370
Chris Paranthoiene	**2021**	**325**	**7**	**25**	**81**	**438**	**18.5%**	**350**
	2020	325	9	25	38	397	9.7%	350
Yvonne Slater	**2021**	**248**	**(3)**	**22**	**81**	**348**	**23.3%**	**270**
	2020	248	22	22	32	324	9.9%	270
Richard Parker	**2021**	**294**	**7**	**26**	**81**	**408**	**19.9%**	**320**
	2020	293	18	25	38	375	10.2%	318
Simon Goninon	**2021**	**229**	**11**	**21**	**66**	**327**	**20.3%**	**250**
* Appointed 30 March 2020	2020	40	4	4		48	0.0%	44
Sam Cohen	**2021**							**0**
* Resigned 27 March 2020	2020	180	38	11	(72)	156	(46.3%)	11
Consolidated remuneration	**2021**	**1,442**	**40**	**118**	**391**	**1,991**	**20%**	**1,560**
	2020	1,432	100	111	68	1,711	4.0%	1,363

1. Annual leave and long service leave represents movements in provisions.
2. Equity based payments represents the fair value of the options granted to key management personnel in FY19, FY20 and FY21 determined by allocating the grant date value on a straight-line basis over the period from the grant date to the vesting date.
3. Take home pay is a non-IFRS measure which includes salary and fees, super, and the cash value of any options exercised during the year (measured at the closing share price on the day of exercise or the termination date for anyone that departs during the year). These figures have been audited and are provided to give a better understanding of remuneration of Directors and Key Management Personnel.


Taking a dip

10. Shares and options held by key management personnel

Vested and unvested options not yet exercised

$	Granted as compensation (max. potential)	Value at grant date (max potential)	Forfeited/lapsed No.	Forfeited/lapsed %	Final entitlement	Value at grant date (final entitlement)	Vested No.	Vested %	Exercised	Balance at 30 June 2021 Vested and exercisable	Balance at 30 June 2021 Unvested
Darren Rowland											
FY19 Options – Granted July 2018	20,000	116,200	(5,000)	25%	15,000	87,150	15,000	100%		15,000	
FY20 Options – Granted July 2019	20,000	136,000	(20,000)	100%	0	0					
FY21 Options – Granted November 2020	12,000	135,240			12,000	135,240					12,000
Chris Paranthoiene											
FY19 Options – Granted July 2018	20,000	116,200	(5,000)	25%	15,000	87,150	15,000	100%		15,000	
FY20 Options – Granted July 2019	20,000	136,000	(20,000)	100%	0	0					
FY21 Options – Granted November 2020	12,000	135,240			12,000	135,240					12,000
Simon Goninon											
FY19 Options – Granted July 2018		0				0					
FY20 Options – Granted July 2019		0				0					
FY21 Options – Granted November 2020	12,000	135,240			12,000	135,240					12000
Yvonne Slater											
FY19 Options – Granted July 2018	20,000	116,200	(5,000)	25%	15,000	87,150	15,000	100%		15,000	
FY20 Options – Granted July 2019	20,000	136,000	(20,000)	100%	0	0					
FY21 Options – Granted November 2020	12,000	135,240			12,000	135,240					12,000
Richard Parker											
FY19 Options – Granted July 2018	20,000	116,200	(5,000)	25%	15,000	87,150	15,000	100%		15,000	
FY20 Options – Granted July 2019	20,000	136,000	(20,000)	100%	0	0					
FY21 Options – Granted November 2020	12,000	135,240			12,000	135,240					12,000
Total	220,000	1,685,000	(100,000)	63.60%	120,000	1,024,800	60,000		-	60,000	60,000

Note, it remains the Company's intention to settle all options with equity purchased on-market.

Shares

$000	Shares held at the beginning of the year	Purchased on market	Options exercised	Sold	Shares held at the end of the year
Directors					
James Kelly	10,577,001			(1,500,000)	9,077,001
Philippa Kelly	75,000				75,000
David Blight	5,000				5,000
Nicola Roxon	5,000	1,000			6,000
Georgina Williams	8,000				8,000
Mark Blackburn	2,400				2,400
Management					
Darren Rowland	2,500				2,500
Chris Paranthoiene	116,341			(3,114)	113,227
Simon Goninon	0				0
Yvonne Slater	2,695				2,695
Richard Parker	10,000				10,000

11. Remuneration report voting at Annual General Meeting

Lifestyle Communities Limited received 98.88% of votes in support of its remuneration report at the 2020 Annual General Meeting.

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Auditor's Independence Declaration

As lead auditor for the audit of Lifestyle Communities Ltd for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
18 August 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

$000's	Note	2021	2020
Development revenue			
Home settlement revenue		**102,716**	96,105
Cost of sales		**(81,338)**	(75,238)
Gross profit from home settlements		**21,378**	20,867
Management and other revenue			
Rental revenue	2.1	**25,043**	22,964
Deferred management fees	2.1	**7,342**	5,165
Utilities revenue	2.1	**2,732**	2,698
Finance revenue	2.1	**68**	346
Job Keeper	2.1	**802**	858
Total management and other revenue		**35,987**	**32,031**
Fair value adjustments	2.2	**108,590**	38,943
Less expenses			
Development expenses (sales and marketing)	2.1	**(6,466)**	(6,456)
Community operating expenses	2.1	**(11,203)**	(9,720)
Deferred management fee expenses	2.1	**(1,596)**	(2,179)
Utilities expenses	2.1	**(2,787)**	(2,905)
Corporate overheads	2.1	**(11,881)**	(9,694)
Other expenses		**-**	1,590
Finance costs	2.1	**(1,462)**	(1,347)
Profit before income tax		**130,560**	61,130
Income tax expense	2.4	**(39,449)**	(18,312)
Profit from continuing operations		**91,111**	**42,818**
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share (cents)		**87.30**	41.03
Diluted earnings per share (cents)		**87.06**	40.98

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

For the year ended 30 June 2021

$000's	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	4.3	**2,300**	16,381
Trade and other receivables	2.6	**1,086**	1,094
Inventories	3.3	**83,745**	45,109
Other assets	2.7	**1,543**	563
Total current assets		**88,674**	63,147
Non current assets			
Inventories		**41,498**	28,822
Other assets	2.7	**874**	1,237
Property, plant and equipment	3.4	**13,252**	9,112
Investment properties	3.1	**636,455**	493,602
Right of use assets		**523**	733
Total non current assets		**692,602**	533,506
TOTAL ASSETS		**781,276**	**596,653**
LIABILITIES			
Current liabilities			
Trade and other payables	2.8	**43,793**	33,588
Lease liabilities		**211**	168
Current tax liabilities	2.4	**1,712**	244
Provisions	5.2	**1,275**	1,073
Total current liabilities		**46,991**	35,073
Non current liabilities			
Trade and other payables	2.8	**50,230**	41,629
Interest bearing loans and borrowings	4.4	**190,000**	145,000
Lease liabilities		**405**	616
Provisions		**190**	163
Deferred tax liabilities	2.4	**115,365**	82,799
Total non current liabilities		**356,190**	270,207
TOTAL LIABILITIES		**403,181**	**305,280**
NET ASSETS		**378,095**	**291,373**
EQUITY			
Contributed equity	4.5	**63,859**	63,784
Reserves	4.6	**3,472**	2,188
Retained earnings	4.6	**310,764**	225,401
TOTAL EQUITY		**378,095**	**291,373**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

2021

$000's	Note	Contributed equity	Reserves	Retained earnings	Total equity
Balance at 1 July 2020		63,784	2,188	225,401	291,373
Profit for the year		-	-	91,111	91,111
Total comprehensive income for the year		**-**	**-**	**91,111**	**91,111**
Transactions with owners in their capacity as owners					
Vesting of treasury shares		75	(75)	-	-
Employee share scheme expense		-	1,359	-	1,359
Dividends paid or provided for	4.7	-	-	(5,748)	(5,748)
Balance at 30 June 2021		**63,859**	**3,472**	**310,764**	**378,095**

2020

$000's	Note	Contributed equity	Reserves	Retained earnings	Total equity
Balance at 1 July 2019		63,641	2,196	188,854	254,691
Profit for the year		-	-	42,818	42,818
Total comprehensive income for the year		**-**	**-**	**42,818**	**42,818**
Transactions with owners in their capacity as owners					
Vesting of treasury shares		143	(270)	-	(127)
Employee share scheme expense		-	262	-	262
Dividends paid or provided for	4.7	-	-	(6,271)	(6,271)
Balance at 30 June 2020		**63,784**	**2,188**	**225,401**	**291,373**

The above statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

$000's	Note	2021	2020
Cash flow from operating activities			
Receipts from customers		**149,101**	138,783
Payments to suppliers and Employees [1]		**(172,218)**	(123,387)
Job keeper received		**1,139**	521
Income tax paid		**(5,792)**	(5,619)
Interest received		**19**	109
Interest paid		**(4,175)**	(4,708)
Net cash provided by/(used in) operating activities	2.5	**(31,926)**	**5,699**
Cash flow from investing activities			
Purchase of property, plant and equipment		**(5,560)**	(2,613)
Purchase of investment properties		**(15,573)**	(30,156)
Net cash provided by/(used in) investing activities		**(21,133)**	**(32,769)**
Cash flow from financing activities			
Principal elements of lease payments		**(274)**	(260)
Proceeds from external borrowings		**45,000**	45,000
Dividends paid		**(5,748)**	(6,271)
Net cash provided by/(used in) financing activities		**38,978**	**38,469**
Net increase/(decrease) in cash and cash equivalents held		**(14,081)**	11,399
Cash and cash equivalents at the beginning of the financial year		**16,381**	4,982
Cash and cash equivalents at end of financial year		**2,300**	**16,381**

1. Due to Lifestyle Communities' accounting policies and legal structure, payments to suppliers and Employees includes all gross costs of infrastructure construction (i.e. civil works, clubhouse and other facilities). Under some other structures these costs may be classified as investing cash flows. Therefore, cash flows from operations will be negatively impacted when Lifestyle Communities is in the cash-intensive development phase of a community's construction. In FY21 payments to suppliers and Employees includes $60 million of such costs (FY20: $35.5m).

The above statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2021

1. How we have prepared this report

1.1 Basis of Preparation

This financial report is a general purpose financial report, that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Lifestyle Communities Limited and controlled entities as a consolidated entity. Lifestyle Communities Limited is a company limited by shares, incorporated and domiciled in Australia. Lifestyle Communities Limited is a for-profit entity for the purpose of preparing the Financial Statements.

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

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

Compliance with IFRS

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

Historical cost convention

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

Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the Consolidated Financial Statements and in the Directors' Report have been rounded to the nearest thousand dollars or in certain cases, to the nearest dollar.

1.2 Principles of consolidation

The consolidated Financial Statements are those of the consolidated entity, comprising the Financial Statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

1.3 Significant accounting estimates and judgements

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

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

(a) Significant accounting judgments

(i) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

(b) Critical accounting estimates and judgements

(i) Valuation of investment properties

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

(ii) Share based payment transactions

The Group measures the cost of equity-settled transactions with Employees by reference to the fair value of the equity instruments at the date at which they are granted. Refer to Note 5.3 for further detail. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

1.4 Joint operations

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 6.2.

2. How we have performed this year

2.1 Profit from continuing operations

Profit from continuing operations before income tax has been determined after the following specific revenues and expenses:

Revenues

The Group has five main revenue streams including Home Settlement Revenue, Rental Revenue, Deferred Management Fee revenue, Utilities Revenue and Interest revenue. The Group met the eligibility criteria for the Federal Government's Job Keeper income in March 2020 and recognised income from April 2020 to September 2020. The Group did not meet the eligibility criteria for extensions to the JobKeeper program.

(i) Home settlement revenue

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

$000's	2021	2020
Number of settlements	**255**	253
Home settlement revenue	**102,716**	96,105
Cost of sales	**(81,338)**	(75,238)
Gross profit from home settlements	**21,378**	20,867
Gross profit margin %	**20.8%**	21.7%
Development expenses (sales, marketing, and project management)	**(6,466)**	(6,456)

New home settlements were 255 in FY21 (FY20: 253) and this, combined with a change in home and project mix, has translated into higher revenue and gross margin from home settlements. The gross profit margin percentage decreased compared to the prior period due to the mix of homes being settled and the stage of development each project is up to. Cost of sales includes $28.1m for the share of community infrastructure sold to each homeowner and expensed upon settlement (FY20: $23.9m).

(ii) Community Operations

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

$000's	2021	2020
Number of homes under management at 30 June	**2,792**	2,537
Rental revenue	**25,043**	22,964
Community operating expenses	**(11,203)**	(9,720)
Net Community surplus	**13,840**	13,244
Margin	**55.26%**	57.67%

Rental revenue and community operating expenses both increased during FY21 due to an increased number of homes under management as new communities commence operation and homes progressively settle. Rental revenue is contractually fixed to increase by the greater of CPI or 3.5% annually however the Victorian State Government legislated an embargo on rental increases during the Covid 19 pandemic. This meant the rental increase due to be implemented on 1 July 2020 could not proceed. The increase due on 1 July 2021 proceeded as expected. The gross margin decreased due to the status of new communities. Rent does not commence until the clubhouse opens however costs commence earlier, which has a short-term impact on overall community margins. Clubhouses at Mount Duneed, Kaduna Park, Wollert, and Deanside were all opened during the year and rent commenced at each community in the first week after clubhouse opening.

(iii) Deferred management fee

The deferred management fee is a contribution to the management and maintenance of the community and assists in keeping weekly site fees affordable. The deferred management fee is considered highly susceptible to factors outside the Group's influence until realised, including the timing and the amount of consideration received, which is based on a percentage of the resale value at the time the home is sold, the value of which is at the homeowners discretion and subject to prevailing market conditions. These factors result in a degree of variability in the timing and quantum of the expected consideration, and as such revenue from deferred management fee is recognised at a point in time upon the resale settlement of the home when the vendor transfers control of the home and community infrastructure to the incoming homeowner. Revenue for deferred management fees are recognised under AASB 15.

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

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

$000's	2021	2020
Number of resales attracting a deferred management fee	**105**	80
Deferred management fees	**7,342**	5,165
Deferred management fee expenses	**(1,596)**	(2,179)

121 resale settlements were achieved in FY21 (FY20:102) of which 105 resales attracted a deferred management fee (FY20: 80). The Company offers a smart buy guarantee whereby no deferred management fee is payable if a homeowner lists their property within the first 12 months. 4.3% of homeowners that settled in FY21 used the Smart Buy Guarantee compared with 6.2% in FY20.

At the end of FY21 there were 26 resale homes available for sale and 31 resale homes sold and awaiting settlement across the communities (30 of these will attract a DMF).

Deferred management fee expenses are expenses incurred to assist with sales and marketing of resale homes. These costs reduced during the period due to a restructure of the sales team implemented during FY20.

(iv) *Utilities revenue*

Lifestyle Communities operates embedded networks for electricity, water and gas (where applicable at each community). Utilities are individually metred, billed to homeowners monthly, and recorded as revenue in the respective month. Lifestyle Communities adjusts its rates to homeowners on a regular basis based on usage and the price Lifestyle Communities pays to the relevant wholesalers. It is the Company's intention to utilise its increasing scale to negotiate favourable commercial outcomes for homeowners and pass on the lowest possible cost of utilities to homeowners. The Company does not seek to make a profit from utilities.

$000's	2021	2020
Utilities revenue	**2,732**	2,698
Utilities expenses	**(2,787)**	(2,905)

Utilities revenue is billed to homeowners monthly and recorded as revenue in the respective month.

(v) *JobKeeper*

$000's	2021	2020
JobKeeper	**802**	858

The Company's revenue reduced by more than 30% in March 2020 compared to March 2019 and as such the Company qualified for the Federal Government's Job Keeper program from April 2020 through to September 2020. The Company received $1.66 million during this period ($802k in FY21 and $858k in FY20). The grant was used to ensure that all our team were retained during the period of significant disruption from July to October when sales offices were shut, office-based staff were sent home, development capacity was reduced, and financial and operating results were significantly affected. Our focus during lockdown was to prepare the business to bounce back quickly when restrictions were eased. Maintaining our talented team was critical to the business' performance post lockdown.

(vi) *Finance revenue and costs*

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

$000's	2021	2020
Interest income	**23**	52

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

(a) *Finance costs expensed*

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Establishment fees are amortised over the life of the facility. The average interest rate paid in FY21, including commitment fees, was 2.45% down from 2.83% in FY20.

$000's	2021	2020
Interest on secured loans	**1,237**	1,122
Amortisation of loan facility fees	**225**	225

(a) *Finance costs capitalised*

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

$000's	2021	2020
Interest on secured loans	**3,065**	3,156

(vii) *Corporate overheads*

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

$000's	2021	2020
Corporate overheads	**11,881**	9,694

Corporate costs increased compared to the prior period due to increased headcount to support the business growth, an increase in the cost of the employee incentive scheme due to share price growth, and an increase in insurance premiums due to prevailing market conditions.

(viii) *Depreciation, amortisation and impairment*

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136 Impairment of Assets. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset or cash generating unit exceeds its recoverable amount. The recoverable amount of an asset cash generating unit is defined as the higher of its fair value less costs of disposal and value in use.

2.2 Fair Value Adjustments

	FY21 $ million	FY20 $ million
Uplift in value arising from settled homes during the year (255 new home settlements FY20: 253)	**21.6**	22.6
The uplift created as a result of the contractual rent increase	**8.8**	-
Movements as a result of changes to valuation assumptions	**78.2**	16.3
Total Fair Value Adjustment	**108.6**	**38.9**

(a) Fair value adjustments—Investment Properties

Fair value adjustment results from valuing communities at 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. More information on fair value adjustments is contained in note 3.1.

2.3 Earning per share

The following reflects the income and weighted average number of shares used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

$000's	2021	2020
Net profit	**91,111**	**42,818**

(b) Weighted average number of shares

$000's	2021	2020
Ordinary shares	**104,545**	104,545
Treasury shares	**(178)**	(196)
Weighted average number of ordinary shares for basic earnings per share	**104,367**	104,349
Effect of dilution:		
Options	**283**	131
Weighted average number of ordinary shares adjusted for dilution	**104,650**	**104,480**

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these Financial Statements.

It remains the Company's intention to settle outstanding options with equity purchased on-market.

2.4 Income Tax Expense

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The parent entity and its wholly owned subsidiaries have implemented tax consolidation and have formed an income tax-consolidated Group from 18 March 2011. This means that: each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity; and the parent entity assumes the current tax liabilities and deferred tax assets arising in respect of tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries. The tax consolidated Group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated Group, arising under the joint and several liability provisions of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(a) The major components of tax expense (income) comprise:

$000's	2021	2020
Current tax	**6,883**	5,453
Deferred income tax	**32,566**	12,931
(over)/under provision in respect of prior years	**-**	(72)
	39,449	**18,312**

(b) Deferred income tax expense included in income tax expense comprises

$000's	2021	2020
Decrease / (increase) in deferred tax assets	**(27)**	858
Increase in deferred tax liabilities	**32,593**	12,073
	32,566	**12,931**

Deferred tax liabilities increased in line with the increased fair value adjustment. This tax liability will only be realised should an investment property be disposed of on an individual basis, which the Company views as unlikely.

(c) Reconciliation of income tax to accounting profit:

$000's	2021	2020
Accounting profit before tax	**130,560**	61,130
Tax	**30.00%**	30.00%
	39,168	**18,339**
Add / (less):		
Tax effect of:		
Share options expensed during year	**263**	78
Entertainment	**18**	25
Capital loss adjustments	**-**	(58)
Over provision for income tax in prior year	**-**	(72)
Income tax expense	**39,449**	**18,312**

(d) Current tax liabilities

Current tax relates to the following:

$000's	2021	2020
Opening balance	**244**	974
Income tax payable	**6,883**	5,453
Tax payments	**(5,415)**	(5,619)
Over provision in prior years	**-**	(564)
Current tax liabilities	**1,712**	**244**

(e) Deferred tax

Deferred tax relates to the following:

$000's	2021	2020
Deferred tax assets		
The balance comprises		
Capital raising costs	**-**	6
Right of use liability	**185**	235
Tax losses	**-**	92
Provision for Employee entitlements	**439**	371
Accruals and business expenses	**505**	547
Credited to equity—purchase of treasury shares	**-**	65
Share based payments	**210**	-
Superannuation	**3**	-
	1,342	**1,316**
Deferred tax liabilities		
Interest capitalised	**1,368**	1,189
Investment property fair value adjustments	**115,182**	82,605
Accrued income not assessable	**-**	102
Right of use asset	**157**	219
	116,707	**84,115**
Net deferred tax liability	**115,365**	**82,799**

(f) Deferred tax assets not brought to account

$000's	2021	2020
Capital tax losses	**267**	267

2.5 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

$000's	2021	2020
Operating profit after income tax	**91,111**	42,818
Cash flows excluded from profit attributable to operating activities		
Non cash flows in profit:		
depreciation	**1,342**	999
amortisation	**434**	434
share based payments	**1,359**	262
fair value adjustment	**(108,590)**	(38,943)
Changes in assets and liabilities:		
(increase)/decrease in trade and other receivables	**24**	(488)
(increase)/decrease in other assets	**(842)**	(200)
(increase)/decrease in inventories	**(50,431)**	(22,951)
increase/(decrease) in trade and other payables	**(594)**	13,663
increase/(decrease) in provisions	**228**	(2,593)
increase/(decrease) in current tax	**1,467**	(730)
increase/(decrease) in deferred tax	**32,566**	13,428
Net cash flow from operating activities	**(31,926)**	**5,699**

2.6 Trade and other receivables

$000's	2021	2020
Other receivables	**1,086**	1,094

(a) Fair value and credit risk

Due to the short term nature of other receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

2.7 Other assets

$000's	2021	2020
Security deposits	**413**	404
Other assets	**1,273**	1,154
Prepayments	**731**	242
Total	**2,417**	**1,800**

(a) Fair value and credit risk

Due to the short-term nature of other current assets, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of other current assets.

2.8 Trade and other payables

$000's	Note	2021	2020
Trade payables	(a)	**45**	2,523
Customer deposits	(b)	**1,742**	656
GST payable	(c)	**180**	616
Other payables and accruals	(c)	**15,857**	13,011
Contracted land-current	(e)	**25,969**	16,782
Contracted land-non-current	(e)	**50,230**	41,629
Total		**94,023**	**75,217**

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 7 to 30 day terms. Due to the short term nature of trade payables, their carrying amount is assumed to approximate their fair value.

(b) Customer deposits

These represent deposits received from customers that are recognised as revenue upon home settlement.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Where applicable receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) Other payables

Other payables are non-traded payables, are non-interest bearing and have an average term of 30 days.

(e) Contracted land

Includes amounts payable on five parcels of land for contracts entered into prior to the reporting date (including stamp duty). Two of the five contracts, totalling $26 million are expected to settle in the 2022 financial year. The balance will settle progressively over the subsequent year.

2.9 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.

3. Our business assets

3.1 Investment properties

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

At 30 June 2020, the fair value has been determined by a combination of the discounted annuity streams associated with completed home units and the fair value of the undeveloped land. The gain arising from the change in the fair value of investment properties has been recognised in the profit or loss.

(a) Reconciliation of carrying amounts at the beginning and end of the period

$000's	2021	2020
Opening balance	**493,602**	399,750
Additions (contracted land and capitalised costs)	**34,263**	54,915
Net unrealised gain from fair value adjustments	**108,590**	38,937
Closing balance	**636,455**	**493,602**

The Company's Investment Property Valuation Policy requires that each asset in the portfolio must be externally valued at least every two years by an independent external valuer who are considered industry specialists in valuing these types of investment properties. The independent valuer can only value an investment property on three consecutive occasions.

For FY21, eleven of eighteen operating communities have been externally valued by independent valuers Colliers, M3 and Valued Care. For the remaining communities, the Directors have estimated the fair value internally utilising inputs from the independent valuations.

Fair Value Measurement, Valuation Techniques, and Inputs

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

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

Rental revenue is valued using the rent capitalisation approach

Rental capitalisation rates are derived from a combination of independent and Directors' valuations. The rates were taken directly from independent valuations for the eleven communities independently valued in the current year. In the remaining communities (independently valued in the prior year) the directors have adjusted the rental capitalisation rates to reflect the mid-point of the rates adopted by the three independent valuers for the eleven properties that were valued in the current year.

Weekly rental rates were taken directly from the valuations for the eleven communities independently valued in the current year using contract weekly rates.

In relation to the remaining communities (independently valued in the prior year) the Directors have adjusted the rental rate adopted in the prior year to take into account the 3.5% rental increase that was applied on 1 July 2021. This approach is consistent with the approach adopted by the independent valuers.

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

Deferred management fee valuations are derived from a combination of independent and Directors' valuations. Inputs, including discount rates, deferred management fee annuity value, and management expense rates are derived from independent valuations. For the eleven communities independently valued in the current year, the valuation per home was taken directly from the independent valuations and multiplied by the number of settled homes per community at 30 June 2021. For the remaining communities not independently valued this year, the deferred management fee valuations were increased by 4% which reflects an average of the increase applied by the independent valuers to a representative sample of mature communities.

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

Investment properties, other than those owned as part of a joint operations, are subject to a first charge, forming in part the security of the Group's loans as disclosed in Note 4.4(d).

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

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

	FY21	**FY20**	**Impact on fair value as at 30-Jun-21**
Weekly rentals ($)	**198.39 – 211.01**	191.68 – 202.98	Increase
Anticipated % expenses (as a percentage of rental income)	**30.7% – 41.0%**	30.7% – 41.0%	Nil
Rental capitalisation rate (%)	**5.5% – 5.75%**	6.25 – 6.5%	Increase
Rental values per unit ($)	**115,062 – 216,724**	95,773 – 121,615	Increase
Deferred management fee discount rates (%)	**13.00% – 14.25%**	13.00% – 14.25%	Nil
Deferred management fee values per unit ($)	**36,000 – 88,172**	31,229 – 82,742	Increase
Valuation of undeveloped land (per hectare) ($'million)	**0.19 – 2.5**	0.19 – 2.20	Nil

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

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

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

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

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

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

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

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

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

Current year adjustments and impact of Covid
There are high levels of uncertainty regarding the duration and impact of the Covid 19 global health pandemic on the Victorian property market. There remains ongoing risk to our homeowners, team members, suppliers, and our supply chain. There also remains risk of periodic shut down of our facilities, development sites, and broader parts of the economy. The Group has a pandemic management plan in place and will continue to monitor the situation closely. Our philosophy is to focus on the health and wellbeing of our team, our homeowners, and our communities as a priority. We are committed to take an informed approach that is sensible, balanced and kind, having regard to the expert medical advice of Australian Authorities.

Some of the independent valuers have included disclosures in their reports noting the high level of uncertainty in relation to the impacts of Covid-19 and the limited market-based information available at the time of issuing their reports. All have noted the response of governments, businesses and individuals is fluid and the impacts of future events may significantly change expectations for the market and the land lease sector. As such, valuers have recommended that reliant parties keep the valuations under frequent review. Directors regularly review transactions in the market and maintain regular dialogue with independent valuers.

3.2 Fair value measurements

(a) Fair value hierarchy

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

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

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

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

000's	Level 1	Level 2	Level 3	Total
30 Jun 21				
Recurring Fair Value Measurements				
Investment properties	-	-	636,455	636,455
Total assets measured at fair value	-	-	636,455	636,455
30 Jun 20				
Recurring Fair Value Measurements				
Investment properties	-	-	493,602	493,602
Total assets measured at fair value	-	-	493,602	493,602

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

(i) Investment properties

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

Rental capitalisation rates - rates were taken directly from the valuations for the eleven communities independently valued in the current year. In relation to the remaining seven operating communities (independently value in the prior year) the Directors have adjusted the rental capitalisation rates to reflect the mid point of the rates adopted by the three independent valuers.

Deferred management fee annuity - the valuation for this component is taken directly from independent valuations for the eleven properties independently valued in the current year. For the remaining seven communities not independently valued this year, the deferred management fee valuations were increased by 4% which reflects an average of the increase applied by the independent valuers to a representative sample of mature communities.

Rental annuity - for all communities the Directors have increased the rent by 3.5% to reflect the increase that was applied on 1 July 2021 The next rent increase is due on 1 July 2022.

Undeveloped land is measured at fair value, which is reflective of the most recent purchase price paid. Land is accrued upon an unconditional contract, refer to Note 2.8.

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

(i) Investment properties

The Company obtains independent valuations of each community at least every two years, refer to Note 3.1.

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

(i) Investment properties

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

Rental income

Rent is contractually fixed to increase by the greater of CPI or 3.5% annually and was increased on 1 July 2021. The next rent increase is due on 1 July 2022.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
$000's	**2021**	**2020**	**2021**	**2020**
Rental expense rate				
+2%	**(7,773)**	(5,524)	**(7,773)**	(5,524)
–2%	**7,773**	5,524	**7,773**	5,524
Rental capitalisation rate				
+0.50%	**(20,539)**	(12,783)	**(20,539)**	(12,783)
–0.50%	**24,602**	14,929	**24,602**	14,929
Deferred management fee per unit				
+5%	**5,479**	4,319	**5,479**	4,319
–5%	**(5,479)**	(4,319)	**(5,479)**	(4,319)
Land prices (undeveloped land)				
+10%	**9,661**	8,635	**9,661**	8,635
–10%	**(9,661)**	(8,635)	**(9,661)**	(8,635)
Rent revenue				
+3.5%	**11,470**	6,650	**11,470**	6,650
–3.5%	**(11,470)**	(6,650)	**(11,470)**	(6,650)

3.3 Inventories

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

$000's	2021	2020
Current		
Housing	**46,894**	27,321
Civils and Infrastructure	**36,851**	17,788
	83,745	45,109
Non current		
Housing	**1,745**	2,756
Civils and Infrastructure	**39,753**	26,066
	41,498	28,822
Total	**125,243**	**73,931**

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2021 totalled $81.3 million for the Group (2020: $75.2 million). The expense has been included in the cost of sales line item.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

$000's	2021	2020
Buildings	**40 years**	40 years
Plant and equipment	**4 to 25 years**	4 to 25 years
Computer equipment	**2 to 3 years**	2 to 3 years
Motor vehicles	**4 to 12 years**	4 to 12 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

000's	Buildings	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
Year ended 30 June 2021					
Balance at the beginning of the year	3,651	3,352	1,390	719	9,112
Additions	919	3,668	698	242	5,527
Disposals	-	(45)	-	-	(45)
Depreciation	(108)	(700)	(269)	(265)	(1,342)
Balance at the end of the year	**4,462**	**6,275**	**1,819**	**696**	**13,252**
At 30 June 2021 Cost	5,001	8,412	2,648	1,472	17,533
Accumulated depreciation	(539)	(2,137)	(829)	(776)	(4,281)
Net Carrying Amount	**4,462**	**6,275**	**1,819**	**696**	**13,252**

000's	Buildings	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
Year ended 30 June 2020					
Balance at the beginning of the year	3,078	3,076	864	624	7,642
Additions	811	782	689	331	2,613
Disposals	(144)	-	-	-	(144)
Depreciation	(94)	(506)	(163)	(236)	(999)
Balance at the end of the year	**3,651**	**3,352**	**1,390**	**719**	**9,112**
At 30 June 2020 Cost	4,082	4,857	1,950	1,230	12,119
Accumulated depreciation	(431)	(1,505)	(560)	(511)	(3,007)
Net Carrying Amount	**3,651**	**3,352**	**1,390**	**719**	**9,112**

4. How we fund the business and manage risks

4.1 Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity by assessing the cost of equity (share issue), cost of debt (borrowings) or a combination of both.

4.2 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash, trade and other receivables and trade payables.

(i) Classification

The consolidated entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through profit and loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the profit or loss.

(ii) Recognition and derecognition

The regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Non derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transactions costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

The Group manages its exposure to key financial risk, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts. These procedures are sufficient to identify when mitigating action might be required. The Board reviews and agrees policies for managing each of these risks as summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in Note 4.4.

Long term debt obligations

As at balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk (being the bank bill business rate):

$000's	2021	2020
Financial assets		
Cash and cash equivalents	**2,300**	16,381
Financial liabilities		
Secured loans—bank finance	**190,000**	145,000
Net exposure	**(187,700)**	**(128,619)**

If interest rates had moved and been effective for the period, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
$	**2021**	**2020**	**2021**	**2020**
Consolidated				
+1% (100 basis points)	**(1,237)**	(1,050)	**(1,237)**	(1,050)
–1% (100 basis points)	**1,237**	1,050	**1,237**	1,050

When determining the parameters for a possible change in interest rate risk, management has taken into consideration the current economic environment at balance sheet date and historical movements.

A proportion of the impact on post tax profit is deferred due to the capitalisation of interest to inventory which is recognised when units are sold.

Market risk
At balance date, the Group has no financial instruments exposed to material market risks other than interest rate risk.

Credit risk
There are no significant concentrations of credit risk within the Group.

Credit risk arises from the financial assets for the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date has been assessed as minimal as the financial assets have been assessed as having a high likelihood of being received.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a bank facility. The Group ensures that there is sufficient liquidity within the bank facility by maintaining internal credit requirements that are more conservative than the financier.

The Group's debt as at balance date is outlined at Note 4.4.

The table below represents the undiscounted contractual settlement terms for financial instruments and management expectation for settlement of undiscounted maturities.

The remaining contractual maturities of the Group's financial liabilities are:

$000's	2021	2020
6 months or less[1]	**41,512**	31,086
1–2 years[2]	**55,921**	45,682
3–4 years[3]	**196,640**	149,762
	294,073	**226,530**

(1) This amount is represented by the following financial liabilities:
- $1.7 million relates to customer deposits which typically convert to settlement within six months or less (2020: $0.6 million).
- $11.9 million relates to trade and other payables, refer to Note 2.8 for further detail (2020: $12.3 million).
- $26 million relates to amounts payable on two parcels of land for contracts entered into prior to the reporting date (including stamp duty) expected to settle within six months of the reporting date.
- $1.9 million relates to expected interest on the secured loan

(2) $50.2 million relates to amounts payable on three parcels of land for contracts entered into prior to the reporting date (including stamp duty) expected to settle within 1 - 2 years of the reporting date. $5.7 million relates to expected interest on the secured loan.

(3) • $6.6 million relates to expected interest on the secured loan
• $190 million is the repayment of the existing loan balance

The Group has met all required covenants since the arrangements commenced and therefore expects that all current arrangements will continue until the sooner of repayment or expiry.

4.3 Cash and cash equivalents
Cash and cash equivalents include cash on hand and at banks, bank overdrafts and short-term deposits with an original maturity of three months or less held at call with financial institutions.

$000's	2021	2020
Cash and cash equivalents	**2,300**	16,381

4.4 Interest bearing loans and borrowings

$000's	2021	2020
Secured loans—bank finance	**190,000**	145,000

(a) Secured loans bank finance maturity
The Company maintained its $275 million of senior debt facilities under a common terms deed with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia. The facilities comprise a $165 million tranche with a maturity of March 2024 and a $110 million tranche with a maturity of June 2025. There is also a $2 million facility for bank guarantees used during developments held with The Commonwealth Bank of Australia. As at reporting date the Company has drawn $190 million of the $275 million facility. See note (d) below for further details of the borrowing facility.

(b) Fair values
Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value.

(c) Terms and conditions
The Group has met all required covenants since the arrangements commenced and therefore expects that all current arrangements will continue until the sooner of repayment or expiry.

(d) Assets pledged as security
The $275 million facility is secured by the following:

General Security Deeds between The Commonwealth Bank of Australia, National Australia Bank, HSBC Bank Australia and:

- Lifestyle Communities Limited
- Lifestyle Investments 1 Pty Ltd
- Lifestyle Management 1 Pty Ltd
- Lifestyle Developments 1 Pty Ltd

- Lifestyle Investments 2 Pty Ltd
- Lifestyle Management 2 Pty Ltd
- Lifestyle Developments 2 Pty Ltd
- Lifestyle Communities Investments Cranbourne Pty Ltd
- Brookfield Village Management Pty Ltd; and
- Brookfield Village Development Pty Ltd.

Mortgage granted by Lifestyle Investments 1 Pty Ltd over the properties at Melton (Brookfield), Tarneit (Seasons) and Warragul.

Mortgage granted by Lifestyle Investments 2 Pty Ltd over the properties at Shepparton, Hastings, Wollert (Lyndarum), Geelong, Officer, Berwick Waters, Bittern, Ocean Grove, Mount Duneed, Kaduna Park, Wollert North, Deanside and St Leonards.

(e) Defaults and breaches

During the current or prior year there have been no defaults or breaches of any banking covenants as set out in the Business Finance Agreements with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia.

4.5 Contributed equity

$000's	2021	2020
104,545,131 Ordinary shares (30 June 2020: 104,545,131)		
Ordinary Shares	**64,523**	64,523
177,934 Treasury shares (30 June 2020: 196,063)	**(664)**	(739)
Total	**63,859**	**63,784**

(i) Reconciliation of Ordinary shares

	2021		2020	
	Number	**$000**	**Number**	**$000**
Opening balance	**104,545,131**	**64,523**	104,545,131	64,523

(ii) Reconciliation of Treasury shares

(a) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Treasury shares represent shares purchased by an Employee Share Trust that have not been issued to Employees at balance date pursuant to the Equity Incentive Scheme.

4.6 Retained earnings and reserves

(a) Movements in retained earnings were as follows

$000's	2021	2020
Opening balance	**225,401**	188,854
Profit for the year	**91,111**	42,818
Dividends paid	**(5,748)**	(6,271)
	310,764	**225,401**

(b) Reserves

$000's	2021	2020
Opening balance	**2,188**	2,196
Share based payments expense	**1,359**	262
Vesting of Employee shares	**(75)**	(270)
Closing balance	**3,472**	**2,188**

4.7 Dividends

(a) Dividends

$000's	2021	2020
Dividends paid 5.5 cents per share (2020: 6.0 cents per share) fully franked	5,750	6,271
Dividends declared after balance date and not recognised		
Since balance date the directors have approved a dividend of 5.0 cents per share (2020: 2.5 cents per share) fully franked at 30%	**5,227**	2,614

(b) Franking account balance

$000's	2021	2020
Franking account balance	**25,001**	21,712

Balance of franking account on a tax paid basis at balance date adjusted for franking credits arising from payment of current tax payable and franking debits arising from the payment of dividends declared at balance date.

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

(c) Dividend considerations

As a general principle, the Directors of Lifestyle Communities intend to declare dividends out of post-tax, operating cash flow generated from community management. In FY21 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 3.0 cents per share ($3.1 million) and declare a final fully franked dividend of 5.0 cents per share ($5.2 million).

Considerations in determining the level of free cash flow from which to pay dividends include: operating cash flow generated from community management; the projected tax liability of Lifestyle Communities Limited; the level of corporate overheads attributable to community roll out; the level of interest to be funded from free cash flow; and additional capital needs of the development business.

Special consideration was given this year to the impact of Covid-19 on the Group's ability to declare a dividend. Whilst there is ongoing uncertainty regarding the Victorian property market and the impact of future sales and settlement, the Group's annuity income stream from rent income and deferred management fees, which are the primary contributor to the dividend, remained robust. The Federal Government's JobKeeper subsidy was used to retain our team during Victoria's stage 4 lockdown and was explicitly excluded from the Dividend calculation.

The Group is not subject to externally imposed capital requirements.

5. How we remunerate our Employees and auditors

5.1 Employee benefits expense

(i) Short term Employee benefit obligations

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

(ii) Long term Employee benefit obligations

The provision for Employee benefits in respect of long service leave and annual leave which are not expected to be settled wholly within twelve months of reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by Employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

The consolidated entity makes contributions to defined contribution superannuation plans in respect of Employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the Employee services are received.

(iv) Share based payments

The consolidated entity operates an equity incentive scheme (EIS). The Equity Incentive Scheme is explained in section 7 of the Remuneration Report and additional information is contained in Note 5.3 below.

$000's	2021	2020
Wages and salaries	**10,963**	9,814
Defined contribution superannuation expense	**937**	770
Share based payments expense	**1,359**	262
Movement in employee provisions	**228**	215
Total	**13,487**	**11,061**

5.2 Employee provisions

$000's	2021	2020
Current		
Annual leave	**871**	699
Long service leave	**404**	374
Non current		
Long service leave	**190**	163

5.3 Share based payments

(a) Recognised share based payment expenses

$000's	2021	2020
Expenses arising pursuant to the EIS	**1,359**	262

(b) Equity Incentive Scheme, 'EIS'

The Equity Incentive Scheme is explained in section 6.3 of the Remuneration Report.

(c) Shares granted pursuant to the EIS

The following table outlines shares granted pursuant to the EIS:

	(Maximum potential)		Forfeited/ lapsed				Vested			Balance at 30 June 2021	
	Granted as compensation	Value at grant date ($)	No.	%	Final entitlement	Value at grant date (final entitlement)	No.	%	Exercised	Vested & exercisable	Unvested
FY19 Options – granted November 2019	149,000	864,200		0	149,000	864,200	149,000	100	(32,973)	116,027	
FY20 Options – granted November 2019	259,000	1,761,200	(259,000)	100	0	-		0			
FY21 Options – granted November 2020	178,279	2,009,204	(11,545)	6	166,734	1,879,092		0			166,734
										116,027	**166,734**

$000's	2021	2020
Opening balance	**131**	
Issued during the year	**178**	408
Exercised during the year	**(14)**	(18)
Forfeited/lapsed during the year	**(12)**	(259)
Closing balance	**283**	**131**

Of the 166,734 unvested options, 97,814 are planned to vest in September 2021, 27,420 are planned to vest on 30 June 2022, and 41,500 are planned to vest on 30 June 2022. All unvested options have ongoing service, competency and behavioural requirements.

The weighted average exercise price of options is nil. The weighted average share price at the date of exercise for share options exercised during the period was $10.91 and the expiry date for all options outstanding at the end of the year is 10 years from the date of grant.

5.4 Key Management Personnel Remuneration

Key management personnel remuneration included within Employee expenses for the year is shown below:

$000's	2021	2020
Short term Employee benefits	**2,447**	2,476
Post employment benefits	**168**	172
Share based payments	**391**	70
	3,006	**2,718**

5.5 Auditors remuneration

$000's	2021	2020
Amounts received or due and receivable for current auditors:		
An audit or review of the financial report of the entity and any other entity in the consolidated group.	**171**	142
Other services in relation to the entity and any other entity in the consolidated group – tax compliance, general tax advice, GST advice and other agreed upon procedures.	**104**	114
	275	**256**

The auditor of Lifestyle Communities Limited is PricewaterhouseCoopers who were appointed on the 18th November 2020.

6. How we structure the business

6.1 Related party disclosures

(a) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(b) Subsidiaries

The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

		2021 %	2020 %	2021 $	2020 $
Lifestyle Investments 1 Pty Ltd	Australia	**100**	100	**8,751,551**	8,751,551
Lifestyle Developments 1 Pty Ltd	Australia	**100**	100	**-**	-
Lifestyle Management 1 Pty Ltd	Australia	**100**	100	**-**	-
Brookfield Management Trust (Trustee:	Australia	**100**	100	**-**	-
Brookfield Village Management Pty Ltd)					
Brookfield Development Trust (Trustee: Brookfield Village Development Pty Ltd)	Australia	**100**	100	**-**	-
Lifestyle Communities Investments					
Cranbourne Pty Ltd	Australia	**100**	100	**-**	-
Cameron Street Developments Unit Trust					
Lifestyle Investments 2 Pty Ltd	Australia	**100**	100	**2**	2
Lifestyle Developments 2 Pty Ltd	Australia	**100**	100	**2**	2
Lifestyle Management 2 Pty Ltd	Australia	**100**	100	**2**	2
Lifestyle Chelsea Heights Pty Ltd	Australia	**50**	50	**-**	-
				8,751,557	**8,751,557**

(c) Loans from related parties
There are no loans from related parties.

(d) Transactions with related parties
There were no transactions with related parties in the current or prior years.

6.2 Joint Operations

The Group has a 50% interest in the joint arrangements at Chelsea Heights and Casey Fields together with BGDU Pty Ltd. and Tradewynd Pty Ltd respectively to develop and manage the communities.

The principal place of business of the joint operation is in Victoria, Australia.

The agreements related to the joint arrangements require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

6.3 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 17 December 2016, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports as they are part of a Closed Group as defined by the Corporations Act 2001:

- Lifestyle Communities Limited
- Lifestyle Investments 2 Pty Ltd
- Lifestyle Developments 2 Pty Ltd
- Lifestyle Management 2 Pty Ltd
- Lifestyle Communities Investments Cranbourne Pty Ltd
- Lifestyle Investments 1 Pty Ltd
- Lifestyle Management 1 Pty Ltd
- Lifestyle Developments 1 Pty Ltd
- Brookfield Village Management Pty Ltd
- Brookfield Village Development Pty Ltd

Pursuant to the abovementioned legislative instrument, the Company and each of the subsidiaries entered into a Deed of Cross Guarantee on the 19th of June 2015 or have been added as parties to the Deed of Cross Guarantee by way of an Assumption Deed dated the 4th of June 2019. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Statement of Financial Position for the Closed Group are the same as the financial statements for Lifestyle Communities Limited and its controlled entities.

6.4 Parent entity

Required disclosures relating to Lifestyle Communities Limited as a parent entity:

Consolidated Statement of Financial Position

$000's	2021	2020
Assets		
Current assets	226,618	185,509
Total Assets	**228,642**	**187,875**
Liabilities		
Current liabilities	(29,347)	(5,314)
Total Liabilities	**157,772**	**111,404**
Equity		
Issued capital	62,732	62,658
Reserves	3,472	2,188
Retained earnings	4,667	11,625
Total Equity	**70,871**	**76,471**
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Net profit/(loss)		
Profit for the year	7,474	12,225
Other comprehensive income	-	(539)
Total comprehensive income	**7,474**	**11,686**

7. Information not recognised in the financial statements

7.1 Lessor Commitments

Operating lease commitments receivable

The Group has entered into commercial property leases with its residents in relation to its investment property portfolio, consisting of the Group's land. The residential site leases provide for future lease commitments receivable as disclosed below.

These non-cancellable leases have remaining terms of between 81 and 90 years and are transferable. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at balance date were as follows:

$000's	2021	2020
No later than 1 year	30,059	26,620
Between 1 year and 5 years	120,237	103,271
Greater than 5 years	2,406,086	2,095,038
Total minimum lease payments	**2,556,382**	**2,224,929**

Minimum lease payments were determined by measuring the current year's rentals and measuring this over the standard 90 year lease agreement.

7.2 Commitments

Commitments for future development costs not recognised in the financial statements at balance date are $310 million. These commitments include future construction costs committed for Kaduna Park, Mount Duneed, Deanside, Wollert, St Leonards and Meridian. The Group also has a commitment of $26.4 million for the acquisition of two parcels of land subject to conditional contracts.

7.3 Contingencies

There are no contingencies at reporting date.

7.4 Events Occurring After the Reporting Date

In July 2021, the Company completed planned settlements on contracted land parcels at Wollert and Clyde. These settlements were funded out of existing debt facilities and increased the drawn debt to $227 million.

On the 12th of August, the Company executed a contract to acquire an additional site at Phillip Island. The land is expected to settle in September 2021 with construction anticipated to commence in mid-2022.

As part of its continued focus on capital management, the Company has agreed terms with its lending group, The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia, to extend the headroom in its debt facility by $100 million. The combined facility limit will be $375 million. All other material terms and covenants remain unchanged. The additional headroom will be used to fund the continued acquisition and development of new sites.

The Group had no other matters or circumstances since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.


Lifestyle Seasons

The Director's Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes for the year ended 30 June 2021 are in accordance with the Corporations Act 2001 and:

   a. Comply with Accounting Standards, which, as stated in basis of preparation Note 1.1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. Give a true and fair view of the financial position and performance of the consolidated Group;

2. The Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

   a. The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. The consolidated financial statements and notes for the financial year comply with the Accounting Standards; and
   c. The consolidated financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company has entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other, refer to Note 6.3.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

Philippa Kelly
Chair

James Kelly
Managing Director

Melbourne, 18 August 2021

Independent auditor's report

To the members of Lifestyle Communities Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Lifestyle Communities Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

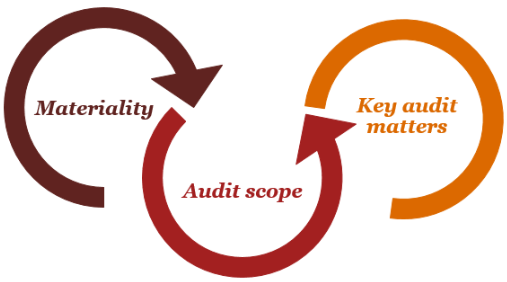
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $2.6 million, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of items as described below. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We adjusted profit before tax for the impact of the fair value gain caused by the changes in market based assumptions used in the valuation of the Group's investment properties, because of the volatility in results arising from such changes. We chose Group profit before tax,	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit Committee: – Fair valuation of investment properties • This is further described in the *Key audit matters* section of our report.

pwc

adjusted for the above items, because in our view, it is most representative of the Group's performance from ongoing operating activities.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Fair valuation of investment properties *(Refer to note 3.1) [$636.5m]* The fair value of investment properties comprises the discounted income streams consisting of rental income and deferred management fees associated with completed home units and the fair value of undeveloped land. The fair valuation of investment property is inherently subjective and impacted by, among other factors, prevailing market conditions, the individual nature and condition of each property, its location and the expected future income for each property. The following key assumptions are used in the valuation of investment properties, amongst others: ● capitalisation rate ● discount rate ● operating and capital expenditure ● deferred management fee values per unit. The Group's valuation policy requires all properties to be valued by external valuation experts at least once every two years. In the period between external valuations, the Directors perform internal valuations.	We developed an understanding of the relevant internal controls associated with the Group's approach to fair valuation of investment properties. We performed the following procedures, amongst others: ● Evaluated the Group's compliance with its policy on performing external valuations of properties at least once in every two years and rotation of valuation firms. ● Agreed the fair values of properties to the external valuations and assessed the competency, capability and objectivity of the relevant valuers. ● Performed tests to assess appropriateness of certain input data used in the valuations. These tests included, amongst others: - For a sample of contracts with residents across the portfolio, comparing the rental income used in the valuation to underlying contracts. - For a sample, comparing data for operating and capital expenditure and resident data used in the valuations to

Key audit matter	*How our audit addressed the key audit matter*
This was a key audit matter because of the: • financial significance of the investment property balance in the Consolidated Statement of Financial Position and of the impact of changes in the fair value of investment properties on the Group's profit or loss. • subjectivity and sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates and deferred management fee values per unit. This is further exacerbated by the impacts of COVID-19, that resulted in the external valuations obtained by the Group noting the high level of ongoing uncertainty and the limited market-based information available at the time of issuing their reports (refer Note 3.1).	observable historic data maintained by the Group. • Conducted enquiries with the external valuation experts to develop an understanding of the approach and methodology applied to the valuations and the risk factors considered applicable to the Group, including the disclosures in the external valuations regarding uncertainties caused by COVID-19 and the valuers' response thereto. We were assisted by PwC real estate valuation experts for a sample of these enquiries. • Assessed the appropriateness of key assumptions used in the valuations by reference to available market and other evidence, as relevant. • Evaluated the reasonableness of related disclosures made in Note 3.1 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 41 to 50 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Lifestyle Communities Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
18 August 2021

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 1 August 2021.

(a) Distribution of equity securities

(i) Ordinary share capital
104,545,131 fully paid ordinary shares are held by 3,283 individual shareholders

(b) Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Fully paid ordinary shareholders	Number	%	Current at (last notification date)
Brahman Capital Management Pty Ltd	**9,363,012**	**8.96%**	9 July 2021
James Kelly	**9,077,001**	**8.68%**	19 August 2020
Australian Super	**8,889,379**	**8.50%**	10 March 2021

Voting rights

All ordinary shares carry one vote per share without restriction.

(c) The number of shareholders by range of units and unmarketable parcel holders

	Total holders	Units	% of issued capital
Holding			
1 – 1,000	**1,751**	628,508	0.6%
1,001 – 5,000	**1,022**	2,545,400	2.4%
5,001 – 10,000	**223**	1,654,975	1.6%
10,001 – 100,000	**241**	7,030,287	6.7%
100,000 and over	**46**	92,685,961	88.7%
Total	**3,283**	**104,545,131**	**100.0%**
Unmarketable	**221**	1,034	0.0%
Minimum $500.00 parcel at $17 per share			

(d) Twenty largest holders of quoted equity securities

		Ordinary fully paid shares
1	JP Morgan Nominees Australia Pty Limited	19,101,303
2	HSBC Custody Nominees (Australia) Limited	11,283,622
3	National Nominees Limited	10,859,305
4	Brahman Pure Alpha Pte Ltd	9,265,125
5	Citicorp Nominees Pty Limited	6,438,603
6	Masonkelly Pty Ltd	6,266,265
7	BNP Paribas Noms Pty Ltd <Drp>	4,125,697
8	Netwealth Investments Limited <Wrap Services A/C>	3,525,931
9	Daken Investments Pty Ltd <Perlov Family A/C>	3,149,539
10	Kelly Superannuation Fund Pty Ltd	2,116,801
11	Australian Foundation Investment Company Limited	2,000,000
12	Armada Investments Pty Ltd	1,608,229
13	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	1,509,713
14	Tracey Ryan Investments Pty Ltd <Ryan Investment A/C>	1,333,900
15	Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda>	1,191,452
16	Australian Shareholder Nominees Pty Ltd <Legal Eagle Pl Colmansf A/C>	768,435
17	One Managed Investment Funds Ltd <Charter Hall Maxim Property Sec>	690,000
18	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <Drp A/C>	660,644
19	Maxima Ethan Pty Ltd <Maxi Fogelgarn S/Fund A/C>	517,069
20	BS Carter Investments Pty Ltd <BS Carter Family A/C>	487,362

Securities exchange

The Company is listed on the Australian Securities Exchange.

Corporate Information

Lifestyle Communities Limited	**ABN 11 078 675 153**
Registered Office	Level 1, 9-17 Raglan Street South Melbourne VIC 3205 Australia Telephone 61 3 9682 2249
Directors	Philippa Kelly – Non Executive Chair James Kelly – Managing Director The Honourable Nicola Roxon – Non Executive Director Georgina Williams – Non Executive Director David Blight – Non Executive Director Mark Blackburn – Non Executive Director
Company Secretaries	Darren Rowland Melissa Norris
Principal Place of Business	Level 1, 9-17 Raglan Street South Melbourne VIC 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford VIC 3067 Telephone 61 3 9415 5000 Fax 61 3 9473 2500 Investor queries (within Australia) 1300 850 505
Solicitors	Thomson Geer Level 39, 525 Collins Street Melbourne VIC 3000 Australia
Auditors	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia

Welcome to Lifestyle

Keeping our gardens neat and tidy at
Lifestyle Mount Duneed

Level 1/9 – 17 Raglan Street
South Melbourne VIC 3205
1300 50-55-60

lifestylecommunities.com.au