Annual Report

***for the year ended* 30 June 2022**

Lifestyle Communities Ltd
ABN: 11 078 675 153

Our story and purpose

Cover image: Artist impression of Clubhouse at Lifestyle Woodlea

This page: Artist impression of Clubhouse at Lifestyle Meridian

We're champions for facilitating a bigger life for our homeowners. A cohort of like-minded retired, semi-retired and working downsizers who belong to a generation that's seen more change than any before; and possibly any to come.

We build communities because our homeowners have worked hard for what they have, and they deserve beautifully designed and low maintenance homes in concert with best-in-class amenities. We create communities because our homeowners haven't given up on returning to a time when they built strong communities around their own homes. We nurture the homeowners within our communities because they seek a space that's truly their own, that strikes the perfect balance between connection and privacy, independence, and activity.

Like us, our homeowners rail against an earnestly bland existence or disappearing into a sea of sameness; the one-size-fits all approach that places limitations on what's possible. Which is why we actively listen to them; to their hopes for now and their dreams for the future, so the next time they ask, "what's next?" we've already been busy reimagining.

But, most of all, we champion bigger, more enhanced lives for our homeowners because we know that reducing their property footprint takes a giant leap of faith. This is why we believe it's a privilege to walk alongside them as they elevate the next phase of their lives.

Like us, we believe they're just getting started.

After all, they're the generation of change. And they're not done yet.

Scan the QR code to view our 'Lifestyle Story'


Lifestyle Wollert Clubhouse

Contents

Chair and Managing Director's Review

For the 2022 Financial Year

Dear fellow shareholders,

We are pleased to present the 2022 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 high-quality affordable housing for those looking to downsize in Victoria.

FY22 was a unique period in the Company's history. Melbourne-wide lockdowns in the early part of the year impacted home inspections, sales appointments, and other face-to-face activities. Through this time, we maintained our marketing presence and adjusted our sales process to adapt to the virtual environment. We continued to educate the ageing baby boomer generation on the benefits of downsizing and the improved standard of living they can enjoy as result of the equity they release in the process. Increasing desire to 'seize the moment' as restrictions eased resulted in an increase in demand through the Christmas/New Year period which continued through the remainder of the financial year. We were delighted with the team's efforts to deliver 401 new home settlements in this environment.

We now have over 4,500 homeowners living in our communities and it was pleasing to get "back to business" in the second half of the year. The events and experiences that have been part of our DNA since the beginning returned, as did our sporting carnivals, arts, and other social groups. These efforts have translated into increased referral rates and price growth on resales of our established homes.

Our organisational culture was ever-present to assist our team's health and wellbeing, ensuring they were supported and empowered. We onboarded several new team members during the year as we prepare to launch 7 new communities for development and sale during FY23. Our recruitment strategy places a high importance on recruiting to our values and culture to ensure this is protected as we grow. In our recruitment we are seeing a strong desire from candidates wanting to work for a business with a strong culture and purpose and this has assisted us in continuing to attract high calibre candidates.

During the year we were excited to welcome first homeowners to our latest community in Clyde, a 275-home community in Melbourne's fast-growing Southeast corridor. Construction has commenced on our first integrated micro grid with 450kw of solar panels and a 150kw centralised battery, all managed by a fibre-optic communication system to optimise energy management and costs for our homeowners. We plan to embrace this technology at other new communities commencing construction in the coming year. We also opened our latest clubhouse design at Lifestyle St Leonards, and we were humbled to again be awarded the Urban Development Institute of Australia's Victorian award for excellence in special purpose living for our community at Mount Dunned. This is the sixth year in a row that we have received this coveted award.

We finished the year with 3,193 settled homes under management across 19 operating communities. In addition to the Phillip Island site announced in August 2021, new land acquisitions at Merrifield, Ocean Grove, and Leopold (Bellarine) during the year increased our total portfolio of completed homes, homes under development, and homes yet to be developed to 5,391, which gives us a strong pipeline of undeveloped land to underpin the growth of the business for years to come. We continue to assess new land acquisition opportunities that meet our investment criteria, and our land acquisition plan remains focused in Victoria where we continue to build on our brand and referral network.

Underlying profit after tax rose 69% to $61.4 million for the 2022 financial year with market-based valuation changes lifting statutory profit after tax to $89.9 million. New home settlements for FY22 were 401 (FY21: 255) and resale settlements attracting a deferred management fee (DMF) were 143 (FY21: 105). Annuity income from site rentals and deferred management fees increased by 25% to $40.6 million (FY21: $32.4 million). The increase in cash flow from community operations generated by the higher number of homes under management has enabled the Company to declare a final dividend of 6.0 cents per share, bringing the full year dividend to 10.5 cents per share, an increase of 31.3% from FY21.

The land lease sector underwent several corporate transactions in FY22 which saw the continued institutionalisation of the land lease asset class. This contributed to the continued compression of rental capitalisation rates as demand for assets remained strong. We welcomed some new entrants into the land lease market in Victoria and we are looking forward to working with these new players as we collectively continue to educate the sizeable addressable market on the advantages of the land lease model and the benefits of downsizing. A substantial proportion of Victoria's established housing stock is owned by people over 50 and there is a huge opportunity for this generation to free up equity by downsizing and at the same time recycle their existing housing stock for first home buyers.

It is these two macro themes that have underpinned the Lifestyle Communities business model since it was founded in 2003. On the one hand there is Australia's ageing population, a large proportion of which do not have sufficient superannuation to adequately fund their retirement. On the other hand, there are first home buyers who are always in the market buying the homes that our customers are selling, supported by Government incentives and stimulus. The dynamic of these two macro themes working in concert as well as our average selling price at circa 75% to 80% of the median house price for the relevant catchment, underpins the resilience of the Lifestyle Communities model through various property market cycles.

In FY22 we invested $1.6 million upgrading our IT systems. This digital transformation included building a new website, replacing our finance systems with SAP, and introducing Salesforce to give us an end-to-end view of our customers. A journey which can often be more than 10 years. We recognise the important role that high quality systems play in helping maintain our personal touch with our customers as we continue to grow and scale. Our newly launched homeowner portal will provide our homeowners with a simple to use platform to stay in touch, engage with content, access benefits, book their facilities, and communicate directly with us in real time from any device.

In March 2022 we were pleased to welcome Claire Hatton to the Board. Claire has a mix of experience in both public and private markets and a background in technology. We are looking forward to Claire's contribution as she continues to evolve her understanding of the Lifestyle Communities business and our customer promise.

The Lifestyle Communities foundation continued its commitment to support cancer-based charities and match dollar-for-dollar any funds raised by homeowners. During the year we donated over $138,000. This brings the total donations by Lifestyle Communities and our homeowners since the foundation started to over $1 million. The foundation is funded through allocating $50 for every home that we have under management at the start of each year. Another great attendance at the Mother's Day classic walk saw the Lifestyle Communities team achieve an award for being the highest fundraiser. A very proud achievement for all involved.

Our team has shown dedication and ingenuity throughout the past year to achieve the pleasing results outlined in this report. Although supply chain disruptions, inflationary pressures, and rising interest rates will present further challenges in FY23, we are well placed to benefit from the lessons learned in FY22 and the solid platform that we have established. On behalf of the Board, we would like to thank all our homeowners, our talented team, and our shareholders for their great support during the 2022 financial year.

Philippa Kelly
Chair
17 August 2022

James Kelly
Managing Director
17 August 2022

CHAIR AND MANAGING DIRECTOR'S REVIEW

Lifestyle Deanside display home

Directors' report

Our business

Our business has thrived by providing affordable, contemporary housing for our homeowners in beautiful community settings. To maintain this offering we consistently monitor all settings, including local house prices, national economic indicators, demographics, design trends, environmental advances and customer expectations.

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 2022 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

26

26 Communities – 19 in operation and 7 in planning or development

3,193 affordable homes under management

Australian-based Board 50% female, 50% male

4,500+ homeowners live in our communities

120 Employees – 68% female, 32% male

5,300+ homes in our portfolio + pipeline

DIRECTORS' REPORT

DIRECTORS' REPORT

Our Board and Governance

Lifestyle Communities' governance framework plays a critical role in helping the business deliver on its strategy. It provides the structure through which business objectives are set, performance is monitored, and risks are managed. It includes a framework for decision making across the business and provides guidance on the standards of behaviour expected of Lifestyle Communities' people.

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.

Reporting suite

Lifestyle Communities' reporting suite for FY22 includes the following documents:

FY22 Annual Report
A review of Lifestyle Communities' financial and operational performance for FY22, the Group's remuneration report and its financial statements.

FY22 Results Presentation
An overview of Lifestyle Communities' operational and financial performance for the financial year.

Corporate Governance Statement
An overview of Lifestyle Communities' governance framework and practices.

Modern Slavery Statement
An overview of Lifestyle Communities' approach to Modern Slavery risks in its supply chain.

Copies of all of the above reports are available for download at:
lifestylecommunities.com.au

Philippa Kelly (Chair)

Non Executive Director
(LLB, F Fin, FAICD)

Philippa was appointed to the Board of Lifestyle Communities Limited as a Non Executive Director on 18 September 2013.

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 governance and risk management, property, and finance.

Philippa is currently an independent director of AustralianSuper and Chair of its Investment Committee. She is also a Non-executive Director of oOh!media (ASX:OML) and Hub Australia. Philippa is not related to James Kelly, Managing Director.

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 the Chair of the Blue Sky Foundation, a foundation he set up to research and focus on youth mental health.

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 started her professional life as an industrial lawyer and has more than 20 years' experience in law and the public sector, with deep industry knowledge of the health, government and professional services sector.

Prior to her non-executive director career, she spent 15 years in federal politics, including serving as Federal Attorney General and Federal Minister for Health and Ageing in the Rudd & Gillard Governments.

Ms Roxon has been a non-executive director since 2014, serving on boards of not-for-profits, unlisted and ASX listed companies. Nicola's current roles are as Chair of HESTA Superannuation Fund and VicHealth, and as 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 the Sir Zelman Cowen Centre at Victoria University.

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. He is also Chair of the Remuneration and Nomination Committee.

David has 39 years of experience in property investment, development and fund management in Australia and globally. He is currently the Chief Investment Officer of ARA Private Funds, the private equity real estate business of the ESR Group.

Prior to this he was the CEO and co- founder of ARA Australia, the Australian business of Singapore based ARA Asset Management, prior to it being acquired by the ESR Group in January 2022.

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.

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DIRECTORS' REPORT

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.

Claire Hatton

Non Executive Director
(BSc (BA), MBA, GAICD)

Claire Hatton was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1st May 2022.

Claire has 20 years of experience working in digital business and 25 years of senior international business experience in travel and technology industries across Australia, Asia, and the U.K.

Most recently, as an executive, Claire spent seven years on the Google Australia and New Zealand commercial leadership team.

Claire is a Non-Executive Director of Australian Pacific Travel Group, and a Non-Executive Director of ASX-listed company Tyro Payments Ltd (ASX: TYR). She is also the Co-Founder and Director of Full Potential Labs, a leadership development company working with global technology firms.

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 and professional services in Brisbane.

Melissa Norris
Resigned December 2021.

Anita Addorisio
(MPA, FCPA, FGIA)

Anita joined the Lifestyle Communities team as Company Secretary in December 2021. She is an experienced finance professional with 20 years' experience in senior finance roles within public and private entities across IT technology, mining, industrial and public practice sectors, including 7+ years ASX listed company secretary experience.

Anita specialises in corporate governance, secretarial support and statutory financial reporting. Her expertise also extends to IPO's, capital raisings, acquisitions, takeovers and restructures.

Director's interests

Director	Fully paid ordinary shares
James Kelly	7,077,001
Philippa Kelly	75,000
The Honourable Nicola Roxon	7,000
David Blight	11,000
Mark Blackburn	8,000
Claire Hatton (appointed 1 May 2022)	760

There are no outstanding options over ordinary shares issued to Directors.

Non-Executive Directors' Share Holding Policy
Lifestyle Communities introduced the Minimum Non-Executive Director Shareholding Policy in FY20 which requires all Non-Executive Directors to 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.

DIRECTORS' REPORT

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 Ltd 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:

The Board meets as often as necessary to discharge its responsibilities. This requires Board members to attend Board meetings each year, the Annual General Meeting, Committee meetings and unscheduled meetings as required.

Board meetings are typically held in our South Melbourne office but also include scheduled visits to projects under development and established communities. The Board also regularly meets with the Executive Leadership team including functional deep dive presentations and bi-annual strategy sessions.

In addition to these meetings, Directors also attend regular community visits outside of the scheduled Board program. This includes community events, town halls, and charity functions. These visits enable Directors to maintain the required deep understanding of the activities and operations of the Company. These events present further opportunities for engagement with our homeowners and our team.

Security Holders

Board of Directors (including ESG and Risk)

- Audit Committee
- Remuneration and Nomination Committee
- Independent Assurance (external audit, legal and other professional advice)

Board reserved powers and delegation of authority

Managing Director

Leadership Team

Our Team

Key Board activities during FY22

Key matters considered by the Board during FY22 are outlined below:

Chair's matters

Board composition, succession planning, performance and culture	Committee succession; Board composition, evaluation and succession; Board evaluation; Director training and development; Corporate governance updates; Employee indemnification policy; and Managing Director's performance review.

Strategic matters

Portfolio and strategy	Approving land acquisitions and commencement of construction at new developments; Approving t he strategic roadmap, 5-year plan and core business settings; Risk Management Framework and risk appetite; Quarterly reviews of each development in progress; Climate change – external landscape and risk exposure; Capital management framework and alternatives; COVID-19 updates, including safety measures, wellbeing steps, workforce planning and community support; Economic and geopolitical landscape; Innovation and technology update; and Cyber resilience and risk review.
People, culture, social value and other significant items	Culture and capability, including capability deep dives; Succession planning; Employee share scheme; Employee Engagement Survey results, including actions that will be taken based on the findings; Inclusion and diversity update; Payroll review; Supplier payment terms; and Gender pay gap review and reporting.
Capital allocation and funding	Dividend policy and dividend recommendations; Capital prioritisation and portfolio development options; Capital execution watch list; Balance sheet and liquidity management; Finance and business performance reports; Annual group and individual project budgets; 5-year capital requirements; and Funding updates and cash flow reporting.

Monitoring and assurance matters

Includes matters and/or documents required by the Group's constitutional documents, statute or by other external regulation	Investor relations reports; MD reports, including updates on safety and sustainability, financial and operational performance, external affairs, markets, people and projects Risk review session; Non-financial risk management; Approval of the MD's remuneration; Review and approval of half-year and full-year financial results; Review and approval of the Annual Reporting suite; Physical site visits; Regular development updates; and Director evaluations.

Board Committees

The Board has established two standing Committees, each operating under a separate Charter which sets out their responsibilities. Copies of the charters are available on our website.

Board of Directors

Audit Committee	Areas of focus during FY22 included
Responsibilities To assist the Board in fulfilling its corporate governance and oversight responsibilities relating to the integrity of Lifestyle Communities' financial reporting and external audit functions.	Ensuring the integrity and reliability of financial reports and financial statements; Ensuring that adequacy of the internal control framework of the Company and that appropriate internal controls are implemented by management, including the appropriateness of accounting judgments or choices; Considering and reviewing the scope of work, reports and activities of the external auditor, including the recommendations for the appointment of the external auditor and the fees payable to the external auditor for audit and non-audit work; Overseeing and appraising the quality and effectiveness of the external audit function, including the performance and independence of the external auditor; Considering and reviewing the scope of work, reports and activities of independent investment property valuers; Complying with applicable legal and regulatory requirements; Considering the requirement for any internal audit activities; Reviewing the annual Corporate Insurance program and give consideration to the level of cover required; and Providing oversight and governance during the replacement of the company's finance system during the year.

Remuneration and Nomination Committee	
Responsibilities To assist the Board in fulfilling its responsibilities relating to the composition and performance of the Board, Board appointments and succession planning.	The human resources and remuneration strategies, policies and practices of the Group; The remuneration framework for all employees of the Group including in particular, benefits and recognition; The contract terms, incentive arrangements, retirement and termination entitlements for all Executive Managers;
To assist the Board in fulfilling its responsibilities in relation to the remuneration of the Chair and other Non-executive Directors, performance and remuneration of, and incentives for, the Managing Director and Executive Leadership Team, remuneration strategies, practices and disclosures, and management programs to optimise the contributions of Lifestyle Communities' people and to support and further corporate objectives.	Approval and governance of the Group's equity incentive scheme; Review and oversight of performance management and learning and development plans under our bespoke ROADMAP framework; The appointment of remuneration consultants; The criteria for Board membership and identify specific individuals for nomination; The processes for the review of the performance of individual Directors and the Board as a whole; The appointment and re-election of Directors; Plans to manage the succession of the Managing Director and other Executive Managers; Wage and award compliance review; Shareholder engagement; Workforce planing, including gender diversity targets; and Workplace Gender Equality Agency (WGEA) reporting.
	See Remuneration Report on pages 50 to 68 for further information.

Meetings of Directors

The number of meetings of Directors (including meetings of committees of the Board) 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	14	14	4	4	7	7
James Kelly	14	14	–	–	–	–
The Honourable Nicola Roxon	14	14	–	–	7	7
David Blight	14	14	2	2	7	7
Mark Blackburn	14	14	4	4	–	–
Claire Hatton*	3	3	1	1	–	–
Georgina Williams **	3	3	1	1	–	–

* Claire Hatton was appointed on 1 May 2022
** Georgina Williams resigned on 31 August 2021

A spot of fishing at Lifestyle Ocean Grove

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.

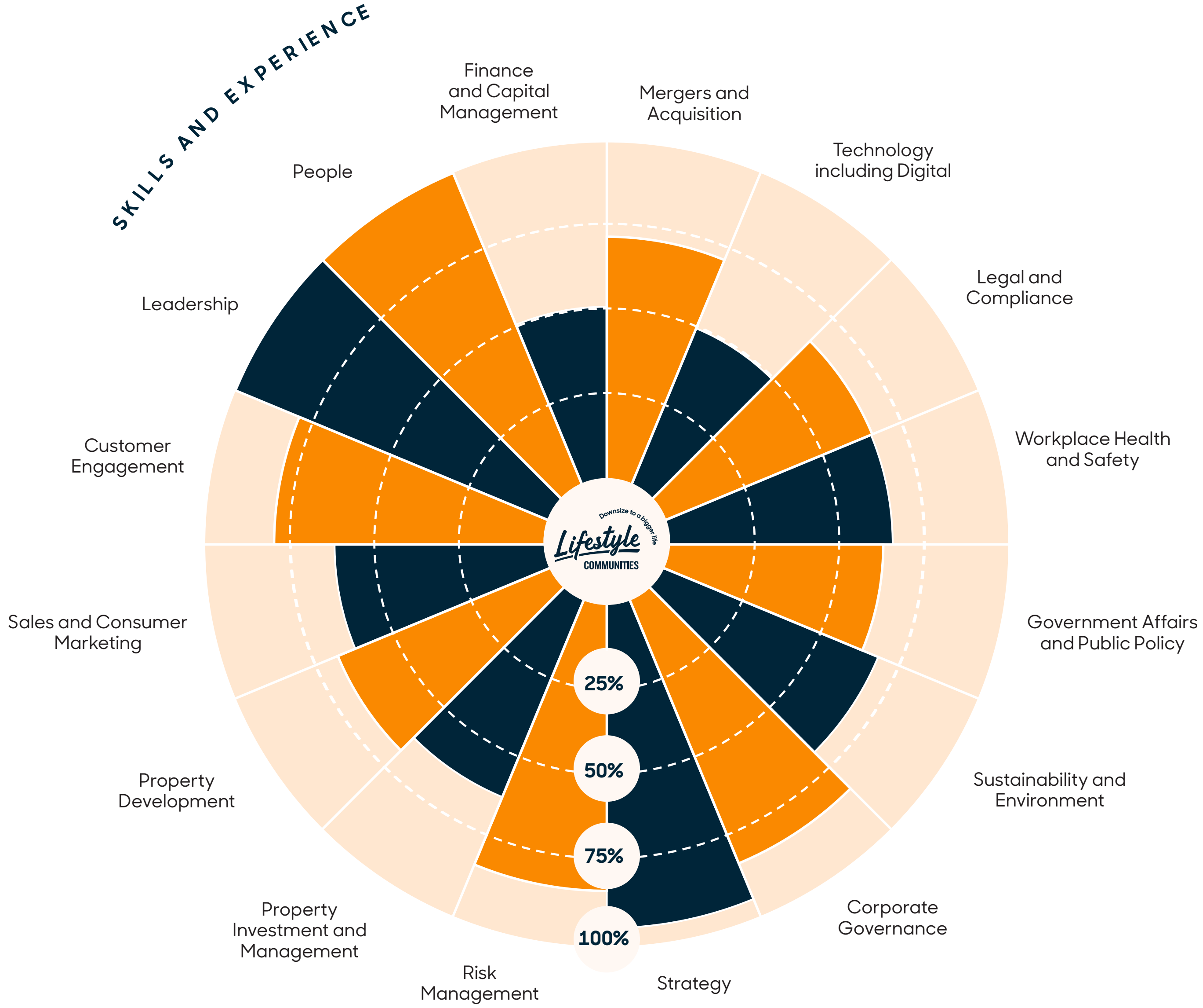
Board Effectiveness

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 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 **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:



Average tenure is 5.2 years

The Company's Key Opportunities and Risks

Lifestyle Communities has 10 key enterprise risks and opportunities. These are reviewed and stress tested on a quarterly basis. Each one has a cascade of operational, market based, and financial risks and opportunities which are consolidated into these key themes to allow for a portfolio view to be placed across the business.

Why it's important	Commentary
Our Homeowners	
It is important our homeowners have a high level of satisfaction and safety, and our communities are well managed.	Well managed communities provide a safe and connected living environment for our 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. We maintain a transparent marketing, sales, and contract process, undertake careful selection of our community management teams, and maintaining our community facilities, common areas, and gardens to a high standard. We have a governance process set up at every community to receive regular feedback from our homeowners.
Our Team's Health, Safety and Wellbeing	
If we expect our team to deliver the highest levels of customer service and experience it is crucial that we retain, reward, and invest in our team and provide them with a workplace that is happy, healthy, and safe.	We regularly engage with our team and provide multiple forums for them to share their feedback including employee engagement surveys and pulse surveys on specific topics. Our salaries and benefits are regularly benchmarked to ensure our team are paid market rates. We are growing our core capabilities through active talent management and targeted professional employee development programs. We continue to invest in our core systems and design processes that serve the business as we grow without over-burdening the team with bureaucracy.
Our Corporate Culture	
Our unique culture is critical to our success. We must maintain and nurture our culture as we grow.	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 for measuring the performance of our team. We are a long-term business and our team are empowered and encouraged to make decisions and act in the best interests of Lifestyle Communities and our homeowners for the long term.
Site Selection	
We select the best sites located close to infrastructure and other public amenities. We are patient in waiting for sites that meet our investment criteria.	We maintain a comprehensive land pipeline. Our land acquisition strategy incorporates extensive due diligence on potential new sites which incorporates population demographics, local amenities, public transport and environmental factors. We rely on the significant experience we have gained from acquiring 26 sites and developing most of these during the past 19 years.
Sales and Settlements	
As an affordable housing provider, our financial model relies on 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 the timing of settlements of new homes (revenue is only recorded when a sale of a home is settled).	Our approach is to price our homes at an average selling price less than 80% of the median house price for the catchment and this helps us mitigate risk during property cycles. This pricing strategy is a critical determiner in the site selection process and the acquisition case. Our customer centric focus helps us generate strong referral rates from existing homeowners and this helps drive the speed of sales and settlements.

Why it's important	Commentary
Community Development	
Our homeowners are trusting us to build them an amazing community and meet the commitments we make to them during the sales process	Effective management of the construction program and multiple stakeholders is important to ensure our customer promises are kept; high quality product is delivered; cash flow is managed efficiently, and appropriate financial returns are achieved. We manage our projects using a robust governance framework, working with a panel of trusted suppliers, and taking a stage-by-stage approach to construction.
Financing and Capital Management	
Our capital is precious and scarce. We maintain a disciplined approach to capital management and use a mix debt and our existing equity pool to fund our growth strategy.	We maintain our balance sheet settings with a margin of safety over and above the requirements in our funding documents. Our goal is to maintain debt facilities that have sufficient facility size, headroom and tenure to meet our committed development plans. We closely monitor our cash flow forecasts and tightly manage the commencement and rate of development of new communities to ensure we have sufficient funds to meet our commitments as and when they fall due.
Regulatory Compliance and Governance	
It's important to us to do the right thing and have transparent and productive relationships in the broader communities where we operate. We pro-actively engage with regulators and other stakeholders to ensure our operating and financial model is sustainable for the long term.	We seek to avoid reputational and compliance incidents by implementing a strong operating and control environment and seeking professional advice in relation to the management of our 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. 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, Data Governance, and Business Continuity	
It's important we properly plan for and appropriately respond to events which might disrupt our service to homeowners or our business more broadly.	We recognises the increasing risk of cyber-attacks, as more and more systems and processes are moved online and into the cloud, and the impact they can have on our operations and reputation. During the year, we undertook an independent cyber risk review, penetration testing of our systems, and a business impact assessment. We also conducted independent reviews of our data management practices, and privacy policy. We continued to provide mandatory training for all Employees and undertook a series of phishing simulations to educate our team on the important role they play in helping to mitigate cyber risks. We will continue to undertake cyber risk mitigation activities and system improvements on a rolling basis.
Corporate and Environmental Sustainability	
We're a business for purpose. It's important we comply with regulatory, societal and investor expectations of corporate and environmental sustainability, such as social responsibility and climate change, to ensure our business is sustainable for the long term.	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 an improved standard of living in retirement. We are committed to achieving this by integrating sustainability strategies into our business and adopting innovative techniques and new technology where it is commercially feasible to help us meet the expectations of the communities in which we operate and our stakeholders more broadly.

Governance Policies

- **Code of Conduct** — articulates the behaviour expected of Lifestyle Communities' Directors and employees, who are expected to align their actions with the code and Lifestyle Communities' values whenever they are representing Lifestyle Communities.
- **Communications and Continuous Disclosure Policy** — establishes our procedure for compliance with Lifestyle Communities' continuous disclosure obligations and provides guidance for the identification of material information and timely disclosure of Lifestyle Communities' activities to the market.
- **Diversity Policy** — Contains our commitment to creating and maintaining an inclusive workplace that embraces and celebrates diversity and to create positive experiences for all.
- **Securities Trading Policy** — prohibits Lifestyle Communities Directors, employees, contractors and their related parties from dealing in Lifestyle Communities securities if they are in possession of inside information and provides for open periods during which Directors and employees may trade, subject to any required approvals being obtained.
- **Fraud, Corruption and Bribery (Prevention and Awareness) Policy** — Contains our commitment to achieving the highest corporate standards and will not tolerate unethical or unprofessional behaviour including fraud, bribery and corruption.
- **Procurement Policy and Supplier Code of Conduct** — defines the standard required from third parties when working with Lifestyle Communities, and confirms Lifestyle Communities' commitment to a sound culture of compliance and ethical behaviour.
- **Enterprise Risk Management Framework** — provides guidance and direction on the management of risk in Lifestyle Communities and states Lifestyle Communities' commitment to the effective management of risk.
- **Whistleblower Policy** — encourages Lifestyle Communities Directors, employees, contractors and suppliers who have witnessed, or know about, any misconduct or suspected misconduct to speak up without fear of intimidation, disadvantage or reprisal.

Enjoying tennis at Lifestyle Berwick Waters

DIRECTORS' REPORT

Homeowner Referral Event

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;
- 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; and
- 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 4,500 homeowners occupying 3,193 homes and a pipeline to develop at least another 2,100+ 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; and
- Driving the implementation of ESG initiatives and targets.

Material ESG Topics
In FY21 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. We have used this to guide our ESG strategy and progress.

We remain cognisant of the broader ESG landscape and are continuing to monitor developments in the space, including the work being done by various bodies on enterprise level and asset specific reporting frameworks. Our approach is to continue to evolve our business management and reporting approach each year, assessing the most effective and most meaningful measures for our business, without pre-empting the outcomes of this important work.

During FY22 we continued to engage with our stakeholders, listen to their feedback, and implement initiatives to evolve our performance in the ESG space. Further details on our progress during FY22 and our continued stakeholder engagement are contained on the following pages.

Lifestyle Mt Duneed

DIRECTORS' REPORT

Working with our stakeholders

	Our Homeowners	Community	Our Team	Government and Industry	Business Partners and Suppliers	Investors and Banks
	The 4,500+ homeowners that live in a Lifestyle Community and everyone that engages with our marketing material and comes to a community to inspect.	The communities of greater Melbourne and Geelong, the Bellarine Peninsula, Mornington Peninsula and the communities of Shepparton and Warragul.	Our workforce of 120+ people, our pipeline of emerging talent and the hundreds of contractors and subcontractors working across our greenfield development projects and operating communities everyday.	Our partners in Federal, state and local government and the urban development community we are active in.	More than 1,000 suppliers and partners that provide the goods and services we rely on to deliver amazing service to our homeowners.	The institutional, superannuation, and retail investors and the banks that provide us with the capital to deliver long-term sustainable growth.
How we engaged	• Customer surveys • Town hall meetings with James Kelly and our homeowner experience team • Homeowners committee meetings • Meet and greet events • Social media • Mystery shopping • Qualitative and quantitative research	• Community engagement events including face to face and virtual information sessions and site tours • Various communication channels including digital, print and on-road signage • Attendance at peak body community and industry conferences and events • Social and traditional media • The Lifestyle Communities foundation making donations to cancer-based charities	• Fortnightly all-staff video calls with the MD • Bi-Annual staff surveys • Pulse surveys on specific topics • Internal communication channels including intranet, e-newsletters • Quarterly all-staff summits • Regular social events and development days	• Industry partnerships and memberships including representation by Lifestyle team members on a number of committees • Attendance and speaking at industry events • Meetings with government stakeholders, officials and regulators • Senior council engagement at the planning stage of new development projects	• Regular meetings with major long-term suppliers to ensure alignment and objective setting • Engagement and alignment between key suppliers and project steering committees • Regular communication regarding our future pipeline and future scopes of work to be tendered • Dedicated relationship managers and check in meetings	• Annual program of engagement including investor presentations and one-on-one meetings • Half year and full year results briefings • Trading updates to keep the market informed • Investor day hosted at Lifestyle Deanside • Regular site tours • Annual general meeting conducted virtually this year • The investor centre on our website • Proxy advisor and ESG engagement
Key topics we heard	• Social inclusion • Health and wellbeing • Desire for ownership and control • Access to high quality facilities • High quality service and ease and convenience of interactions • Affordability and transparency of financial model • Value for money • Role of homeowners in how we respond to their concerns	• Chronic shortage of affordable housing • Inflation and increasing cost of living • Built form and its impact on the community • Engagement with local communities and businesses • Climate change	• Commitment to and connection with our purpose • Health, safety and wellbeing • Skills and capability development • Access to flexible and hybrid ways of working • Diversity and inclusions, including respect in the workplace • Ongoing career opportunities • Retention and attraction of key talent	• Chronic shortage of affordable housing • Innovative and sustainable housing solutions • Future ready communities • Increasing adoption of renewable energy • Supporting communities through Covid-19	• Financial instability in the industry more broadly • Supply chain disruption • Working with our supply chain to deliver better outcomes for all stakeholders, including reducing environmental impact of business activities • Managing risks within supply chains • Visibility and confidence of long-term pipeline for suppliers • Quality of relationships	• Project delivery and asset performance • Organisational capability including Executive Committee and Board • Development opportunities • Capital strategy and management • Current and emerging risks • ESG performance and initiatives • Long-term value creation
How we are responding	• Social events through social committees or Lifestyle Communities sanctioned events • Spring and Autumn intra-community sporting carnivals • Significant investment in digital platforms, improving experience and functionality • Transparent contracts written in plain English • Continuing to invest in homeowner experience events, particularly as Covid restrictions were eased • Commenced our partnership program giving homeowners access to discounts with approved third-party partners	• Average new home sales prices less than 80% of the median house price in the relevant catchment • Weekly site fee less than 25% of the Aged Pension after receipt of Commonwealth Rent Assistance • Community engagement sessions • Collegiate relationship with local councils and community groups • Commissioned independent research focused on the costs of living retirement with a specific focus on people living solely on the Aged Pension.	• On-demand access to more than 5,000 online learning programs • Personalised development programs • Flexible ways of working supported by collaborative technologies • Quarterly Lifestyle long weekends, birthday days off, Christmas shopping days • Grow your family parental leave policy • Annual pay reviews incorporating the increases to the Australian Superannuation Guarantee • New system functionality supporting better ways of working • Regular staff social events promoting collaboration, inclusivity and belonging	• Continued investment in developing new affordable communities • Average new home sales prices less than 80% of the median house price in the relevant catchment • Evolution in design • Continued investment in renewable energy technology • Continued prioritisation of the health and safety of our homeowners • Participation in industry events and government consultation • Membership of industry bodies	• Committed to pay all appropriately submitted and approved invoices within 7 days regardless of payment terms • Balanced and fair supplier contracts • Regular communication of development pipeline to assist with planning and forward ordering • Worked with suppliers to bring awareness and compliance with the Modern Slavery Act	• Continued to execute strategic initiatives and create longer term value for security holders • Maintained a strong balance sheet • Delivered investor returns as a result of asset quality and effective cost management • Continued to evolve our ESG strategy and initiatives to make progress on material topics including our 2035 operational net zero commitment

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 the limited 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 an improved 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 19 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 are trained in adaptive sales techniques. This ensures that the sales process is thoughtful, considered, and not pressured.

Our marketing materials are transparent and reinforced through a comprehensive set of Q&As. We encourage all 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. Our customer agreements 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. Copies of our agreements are available on our website.

Our comprehensive touch point wheel maps every interaction with our customers and focuses our team on creating memorable experiences when in contact with customers. The quantity of these touch points 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 FY22 was circa. 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. During the year we conducted two "voice of the customer" surveys which informed the topics for discussion at our bi-annual community town hall meetings. A total of 38 town hall meetings were conducted (2 each per operating community) which were attended by our Managing Director and members of the leadership team.

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.

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

Homeowner Health and Wellbeing
Lifestyle Communities makes it easy to get involved in a range of activities that support health and wellbeing. Our dedicated 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 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.

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 our team's engagement and gather valuable feedback. In the most recent survey, our team's average score was 8.7 out of 10, down from 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 lockdowns forced us to adapt, there have been many initiatives that have stayed with us as restrictions have eased. All-company video calls every second Monday morning is a great way to communicate, share major milestones, keep in touch with our team, and celebrate our successes. It also gives our emerging leaders an opportunity to present and hone their communication and presentation skills.

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 FY22 Lifestyle Communities spent $184k (FY21:$117k) on over 165 external training and development courses for our team.

In addition to reviewing and updating our parental leave policy during the year we also introduced the "Circle-In" program. Circle-In is a support hub for parents, grandparents, and care givers within the team. It provides access to resources and knowledge articles, and allows team members to connect with others at a similar life stage to share knowledge and provide support.

Health, Wellbeing, and Safety
Our team is critical to our success and their health, wellbeing and safety is of utmost priority. Throughout FY22 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 FY22 we achieved zero fatality and life changing injuries in our business, including the contractors and subcontractors working on our sites, 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 Experience 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. For our leadership team and our emerging leaders group we also provided specialist training on coping with burnout and stress to assist with continuing to lead through the lengthy period that Covid has impacted our business. In addition, 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.

Consistent with Lifestyle Communities' long held recognition of the strategic value of a diverse workforce and inclusive workplace, a review of the Group's Diversity and Inclusion policy was undertaken during FY22. This resulted in a refreshed policy and suite of objectives which we believe effectively reflect the intent and commitment of the Group. We also reviewed and updated our parental leave policy aligning with the recommendations of the Workplace Gender Equality Agency (WGEA) in some areas and delivering additional benefits in others. It is our intention to apply for formal WGEA certification in FY23.

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 2022
Board	50% female, 50% male	50% female, 50% male
Executive Team	40% female, 40% male, 20% any gender	29% female, 71% male
Entire Workforce	40% female, 40% male, 20% any gender	68% female, 32% 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 leadership capabilities. The pool presently comprises 68% women and 32% men, helping to secure a strong pipeline of leadership talent for the future.

We note that the actual results above our outside of the target ranges. We will seek to address these variances over time through our recruitment processes.

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. Our Supplier Code of Conduct 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; and
8. We pro-actively manage risk.

In FY22 Lifestyle Communities lodged its second Modern Slavery Statement reaffirming our 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 FY23.

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.

Climate Change and Greenhouse Gas Emissions
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.

We have undertaken 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 both transition risks and physical risks as follows:

Transition risks	Physical risks
• Government policy including in relation to changes in land use • Reputation and changes in market sentiment • Commercial risks including the cost of managing the transition	• Increasing temperatures • Heatwaves • Intense rainfall • Storms and hail • Bushfires • Floods • Drought • Coastal inundation

The climate change risk assessment is helping us plan for and mitigate the potential impacts of climate change on our communities by assisting us to:

- Prioritise our maintenance capital spend towards communities most at risk;
- Update our long-term planning
- Screen potential site acquisitions to avoid sites most at risk;
- Inform our engineering and design of new communities;
- Prioritise investigation of new technologies and design techniques that held address specific risks.

Our Greenhouse Gas Emissions inventory is measured in accordance with the GHG Protocol. 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. 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.

In FY22 we continued our progress towards our goal of achieving net zero operational emissions for scope 1, 2 and 3 by no later than the year 2035, including the commencement of construction on our first integrated 450kw solar and 150 kw battery micro grid at Lifestyle Meridian. We also continued to work with independent sustainability consultants WSP to update our greenhouse gas emissions inventory and improve our knowledge and capability to help respond to the issues, risks and opportunities that may impact our business.

The table below shows total organisation greenhouse gas emissions for the 2021 calendar year compared to the 2019 baseline year:

(Tonnes of carbon)	2021	2020	2019	Change vs. baseline
Scope 1 (direct emissions)	599	432	400	49.8%
Scope 2 (Lifestyle electricity)	1,777	1,479	1,938	(8.3)%
Total Lifestyle emissions	**2,376**	**1,911**	**2,338**	**1.6%**
Scope 3 (homeowner electricity)	6,581	6,482	6,069	8.4%
Total Lifestyle and homeowner emissions	**8,957**	**8,393**	**8,407**	**6.5%**
Homes under management (end of year)	2,816	2,625	2,393	17.7%
GHG emissions per home (tonnes)	3.2	3.4	3.7	(13.5)%

Notes
1. The shift between scope 2 and scope 3 emissions was driven by Victoria's lockdown in 2020 and 2021 as community facilities were closed and homeowners spent more time at home.
2. 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 to the right:

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

Average Lifestyle House

3.2 tonnes
of carbon per annum

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

5.2 tonnes
of carbon per annum

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

8.1 tonnes
of carbon per annum

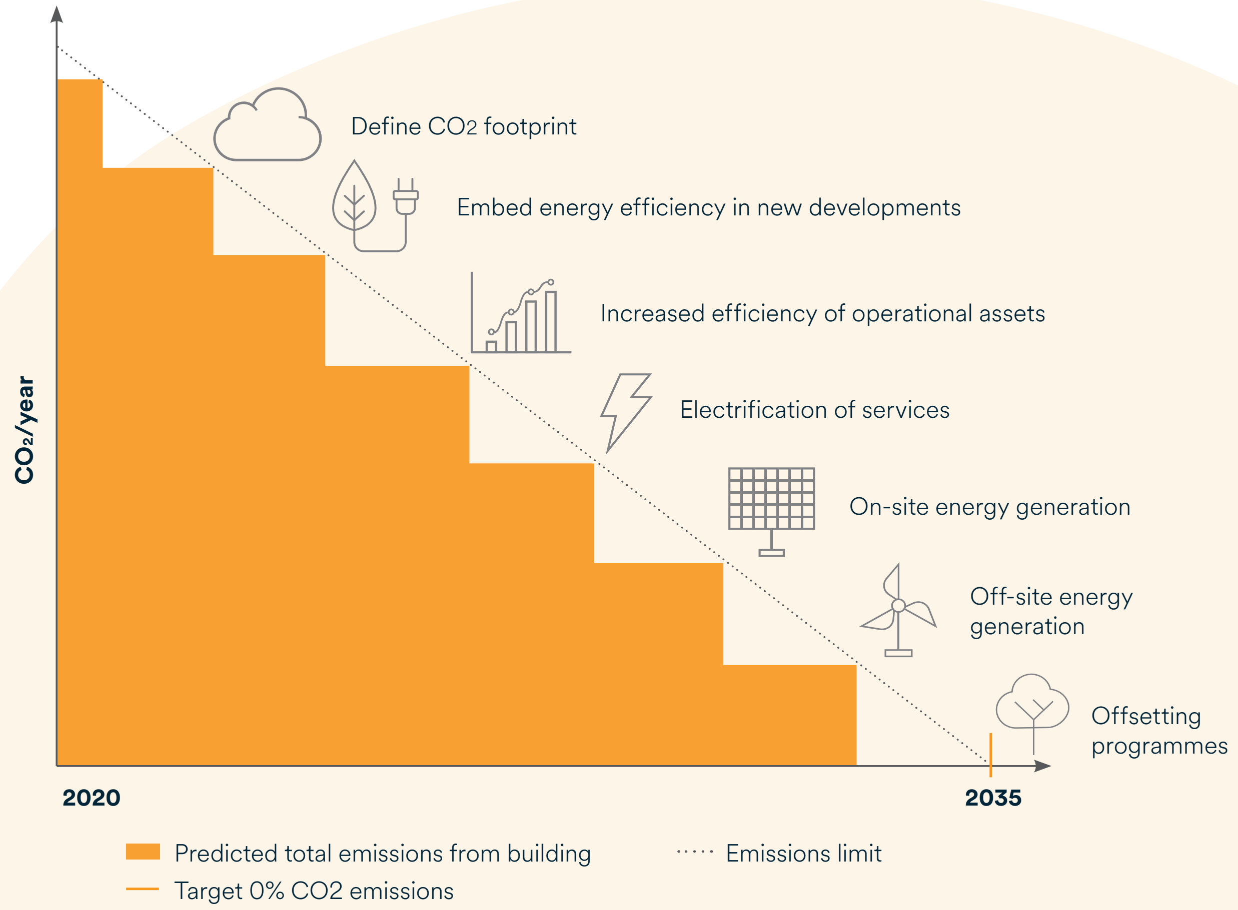
The "typical" house above refers to an average home in Broadmeadows Victoria with no pool, using gas for heating and cooking, modelled using the Governments energy made easy website: energymadeeasy.gov.au.

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 remain committed to 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;
- We are mindful of the impact that increased costs of energy have on our homeowners, many of whom are pensioners;
- The 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; and
- We feel it is achievable.

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

- CO2 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 an integrated solar powered micro-grid with centralised battery storage; and
- A further micro-grid has been committed to for Woodlea and we are currently designing systems for future development communities.

Continuous Review and Improvement
During FY22 we commissioned several independent reviews to assist us review and improve the governance of the business, keep up to date with any changes to legislation or stakeholder expectations, and to continuously improve how we operate. Topics covered by the independent reviews included:

- Workplace health and safety framework;
- Cyber risk, including penetration testing, phishing simulations, and business impact assessment;
- Cost of living, with a particular focus on retirees receiving the Aged Pension;
- Personal information, privacy policy, and data management practices; and
- Wage Theft Act compliance.

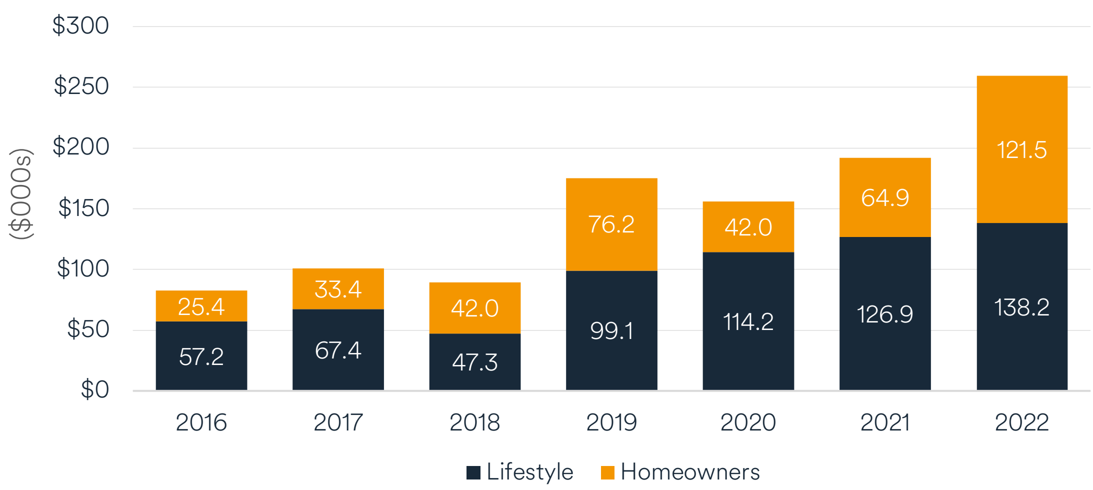
Each of the reviews was presented to the Board with a summary of findings and recommendations for improvement which are being implemented throughout the business. In FY23 we will continue our rolling program of review and monitoring of the implementation of the improvement recommendations.

The Lifestyle Communities Foundation
In 2014, one of the founding directors of Lifestyle Communities, Dael Perlov, passed away from pancreatic cancer at the age xof 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 at the start of each year and matches dollar for dollar funds raised by our homeowners for 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 National Breast Cancer Foundation and many more.

In FY22, Lifestyle Communities donated a total of $138k to cancer-based charities and our homeowners and the Lifestyle team raised a further $121k, taking total donations to $259k, a fantastic effort. Since the program started a total of over $1 million has been donated.

Donations to Cancer Based Charities



DIRECTORS' REPORT

Artist impression of the Clubhouse Interior at Lifestyle Woodlea

THEY SAY PRACTICE MAKES *perfect...*

Perfectly placed between the city, seas, and trees, Lifestyle Meridian is our smartest and most sustainable community yet.

Including next generation homes that have been designed by boomers for boomers, Lifestyle Meridian features multi-million-dollar amenities, a homeowner concierge service, plus a whole host of sustainable initiatives. This clever community is powered for the future.

At the heart of this fully electric community is 450kw of solar panels and a 150kw battery connected by optic fibre and controlled centrally to maximise energy generation, storage, and sharing across the community. This community energy hub maximises bill savings and allows energy sharing within the community – effectively becoming its own power plant and minimising energy drawn from the grid. It even provides the power to charge the community's electric car.

The optic fibre network extends into the homes, delivering high-speed internet, secure connection to the security system at the front gate, and number plate recognition for family and friends.

In the gardens, we have installed an innovative irrigation system designed to conserve water and maximise efficiency. All gardens use drip irrigation, delivering the water to where it needs to be, reducing evaporation. The irrigation system uses sensor technology to turn on/off subject to weather patterns, eliminating over-watering from rain events, and giving the gardens extra water when needed in the height of summer to prevent loss of plants and trees.

Whether you're looking for a sea change, tree change, me change, or an e-change, Lifestyle Meridian could be the perfect place for you.

- 450kW of solar power
- Energy Hub maximises bill savings
- Fibre Optic to the home
- Wireless enabled in the home
- Eco friendly car and charging station
- Innovative irrigation system to conserve water

Operating and Financial Review

Overview

The Company continued to successfully develop and manage its portfolio of affordable communities during the 2022 financial year. Profit after tax attributable to shareholders was $88.9 million (2021: $91.1 million).

Financial and Operating Highlights

		FY22	FY21	Change	Change (%)
Key financial data					
Revenue	A$ millions	**224.4**	138.7	85.7	61.8%
Earnings before interest and tax	A$ millions	**129.1**	129.8	(0.5)	(0.4)%
Net profit before tax	A$ millions	**127.0**	130.6	(3.6)	(2.8)%
Net profit after tax	A$ millions	**88.9**	91.1	(2.2)	(2.4)%
Underlying profit after tax	A$ millions	**61.4**	36.4	25.0	68.7%
Operating cash flow	A$ millions	**41.7**	(31.9)	73.6	230.7%
Community cash flow[1]	A$ millions	**25.9**	19.5	6.4	32.8%
Earnings per share	A$ cents	**85.4**	87.3	(1.9)	(2.2)%
Total dividend per share	**A$ cents**	**10.5**	**8.0**	**2.5**	**31.3%**
Homes settled	No. of homes	**401**	255	146	57.3%
Homes sold[2]	No. of homes	**424**	247	177	71.7%
Average realised sales price new homes (GST incl)	A$'000	**529**	485	44	9.1%
Total number of homes (gross)	No. of homes	**3,193**	2,792	401	14.4%
Total number of homes (after NCI)[3]	No. of homes	**2,992**	2,591	401	15.5%
Total number of homeowners	No. of homes	**4,552**	4,014	538	13.4%
Average age of homeowners	Years	**73**	75	(2)	(2.7)%
Number of resales settled[4]	No. of homes	**143**	105	38	36.2%
Average realised sales price resales (GST incl)[5]	A$'000	**438**	404	34	8.4%

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. Net sales represent deposits on new homes less cancellations.
3. Gross number of homes adjusted for share of communities owned by non controlling interests (NCI).
4. Includes resales attracting a deferred management fee, there were a further 13 resales settled in FY22 (FY21: 16 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.
5. Average realised sales price of resales attracting a deferred management fee.
6. Included in the table above are several non IFRS measures including earnings before interest and tax, community cash flow, underlying profit, 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 2022 financial year.

Fair Value Adjustments

At Lifestyle Communities our homeowners purchase a proportionate share of the clubhouse, 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 FY22, eight of nineteen 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 FY22, the Company recorded a fair value increase of $92.6 million pre-tax and $64.8 million post tax. The breakdown of the fair value increase for FY22 into the components above is as follows:

	FY22 $ million	FY21 $ million
Uplift in value arising from settled homes during the year (401 new home settlements FY21: 255)	**41.9**	21.6
The uplift created as a result of the contractual rent increase	**11.5**	8.8
Movements as a result of changes to valuation assumptions	**39.2**	78.2
Total Fair Value Adjustment	**92.6**	**108.6**

A combination of new home settlements achieved in FY22, a continued compression in capitalisation rates for land lease assets, and movements in the residential property market, has resulted in a $92.6m uplift in the value of the company's property portfolio (FY21: $108.6m). This has impacted the statutory profit result for FY22. Capitalisation rates on the annuity rental stream have compressed from a range of 5.5% – 5.75%, to a range of 4.87% – 5.25% across the portfolio. The weighted average capitalisation rate is 5.18% (FY21: 5.57%).

More information on the valuation of the Company's investment properties is contained in Note 3.1 of the financial statements.

Capital Management

As part of its continued focus on capital management, in August 2021 the Company 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 was increased to $375 million. All other material terms and covenants remained unchanged. The additional headroom will be used to fund the continued acquisition and development of new sites. The group's next debt maturity is a $110 million tranche due in June 2025 with the balance expiring in August 2026.

DIRECTORS' REPORT

Lifestyle St Leonards

Debt Covenants and Key Metrics

Lifestyle has three main debt and lending covenants which are regularly stress tested. They are:

LVR<65%
FY22: 36.9%

ICR>2x
FY22: 6.2x

Secured property %
>85%
FY22: 100%

Key debt metrics

		FY22	FY21	Change	Change (%)
Gross Assets	$ millions	**1,006**	781	225.0	28.8%
Interest bearing liabilities	$ millions	**245**	190	55.0	28.9%
Total debt facilities	$ millions	**375**	275	100.0	36.4%
Undrawn debt	$ millions	**130**	85	45.0	52.9%
Gearing	%	**34.9%**	33.2%	1.7	5.1%
Cash interest paid on drawn debt	$ millions	**5.3**	4.2	1.1	26.2%
Weighted average cost of debt	%	**2.2%**	2.5%	(0.3)	(12)%
Weighted average debt maturity	Years	**3.8**	3.3	0.5	15.2%
Annual interest coverage ratio	Times	**6.2**	5.6	0.6	10.7%
Annual loan to value ratio	%	**36.9**	37.9	(1.0)	(2.6)%
% of debt fixed	%	**0**	0	–	0.0%
Debt providers	No.	**3**	3	–	0.0%

The Company recovers the majority of its interest costs through its development projects and allocates interest to each project based on its respective debt draw during the construction phase. Sales prices are set using forward estimates for interest rates which includes an allowance for upward movement as interest rates normalise following their pandemic lows. These interest rate assumptions are reviewed and retested every 3 months.

Dividends
A fully franked dividend of 5.0 cents per share was paid on 7 October 2021 (representing the 2021 final dividend). A fully franked dividend of 4.5 cents per share was paid on 7 April 2022 (representing the 2022 interim dividend).

Since the end of the financial year the Directors have resolved to pay a fully franked dividend of 6.0 cents per ordinary share (representing the 2022 final dividend).

The dividend has a record date of 5 September 2022 and a payment date of 6 October 2022. As at 30 June 2022 the franking account balance was $28.3 million (after allowing for the final dividend and tax payable for FY22).

Update on communities

	New homes				Resales						
Community	Settled FY22	Settled FY21	Net sales FY22	Net sales FY21	Settled FY22	Settled FY21	Net sales FY22	Net sales FY21	Homes sold not settled	Total homes settled	Total homes in portfolio
Brookfield					20	13	21	12		228	228
Seasons					13	8	11	10		136	136
Warragul					7	5	8	6		182	182
Casey Fields					17	12	17	14		217	217
Shepparton		8			22	17	23	19		300	300
Chelsea Heights					9	7	12	8		186	186
Hastings					8	12	8	13		141	141
Lyndarum					8	5	7	6		154	154
Geelong					8	7	6	9		164	164
Officer					6	4		5		151	151
Berwick Waters					6	5	5	7		216	216
Bittern					15	14	15	15		209	209
Ocean Grove	1	34		9	14	10	16	12		220	220
Mount Duneed	72	55	58	21	2	2	2	2	7	184	191
Kaduna Park	57	91	21	58	1		4		2	167	169
Wollert North	69	36	44	44			1		42	105	246
Deanside	64	24	50	34			1		34	88	266
St Leonards	109	7	122	82			3		88	116	359
Clyde North (Meridian)	29		123						94	29	274
Pakenham East											175
Clyde											230
Woodlea											180
Phillip Island											260
Merrifield											187
Ocean Grove II											190
Bellarine (Leopold)											160
Total	**401**	**255**	**418**	**248**	**156**	**121**	**160**	**138**	**267**	**3,193**	**5,391**

An update on each of the communities in planning or development at 30 June 2022 is as follows:

- Lifestyle Mount Duneed and Lifestyle Kaduna Park are both fully sold. Final settlements for Kaduna Park were completed in August 2022. Final settlements for Mount Duneed are due in September 2022;
- 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 60% sold;
- Lifestyle Deanside commenced construction 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 46% sold;
- Lifestyle St Leonards was acquired in November 2019 and construction commenced in August 2020. We welcomed first homeowners in June 2021. 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 first site is sold out and the second site will launch for sale in the second half of FY23;
- Lifestyle Meridian, was acquired in May 2020 and settled in early July 2021. Civil works are well underway, and construction of the clubhouse has commenced. The community was launched for sale in September 2021 and is 45% sold. We welcomed first homeowners in May 2022;

- The land for the future Lifestyle Community in Pakenham was acquired in February 2020. Planning approval has been received and construction is expected to commence in the second half of FY23 with first customer homes settlements to follow in FY24;
- The land for the future community at Clyde Riverfield was acquired in June 2020 on 3-year settlement terms. Given the strong performance of Lifestyle Meridian we have brought forward the settlement date to October 2022 and will commence construction soon after;
- The land for the future community at Woodlea was settled in April 2022. A planning permit has been received and construction has commenced. Sales are due to launch in September 2022;
- The contract for the future community on Phillip Island was signed in August 2021 and settled in September 2021. The planning application has been submitted and we are working our way through the planning process with council;
- Lifestyle Merrifield is located within the Merrifield estate, one of Melbourne's flagship master-planned communities. Land settlement is expected in approximately twelve months;
- A contract of sale to purchase a new site located in Ocean Grove was executed in December 2021. Land settlement is expected in approximately eighteen months; and
- The contract for Lifestyle Bellarine was signed in May 2022 and is due to settle in September 2022. The community has an approved planning permit in place and has civil works largely complete.

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; and
- 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 FY22 these totalled more than $31.3 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 2022 financial year:

	FY22	FY21
Income Tax	9.6	5.8
Net GST	2.9	(3.0)
PAYG Withholding	3.9	4.0
State Taxes	13.5	6.2
Fringe Benefits Tax	0.2	0.1
Local council rates	1.2	1.2
	31.3	14.3

Note: State Taxes (including Payroll Tax, Land Tax, Stamp Duty, and Growth Area Infrastructure Contribution):

Commitment to shareholders and an informed market

Lifestyle Communities is committed to ensuring that the market as a whole is relevantly and consistently informed by providing securityholders and the market with timely, balanced, direct and equal access to information issued by Lifestyle Communities, to promote investor confidence in the integrity of Lifestyle Communities and in the trading of its securities.

Lifestyle Communities has a Communication and Continuous Disclosure Policy that has adopted practices that reflect the intent of the law, corporate governance best practices, regulatory requirements, and which best serve the interest of its shareholders and other stakeholders.

All external communications that include any price sensitive material are provided to the Board for approval. In accordance with the Communication and Continuous Disclosure Policy, all announcements will:

- Be factual;
- Don't omit material information; and
- Be timely and expressed in a clear and objective manner.

Lifestyle Communities' Communication and Continuous Disclosure Policy is available at **lifestylecommunities.com.au/corporategovernance**.

Forward-looking statements

This annual report contains forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings, performance and future operational outcomes, are examples of forward-looking statements. Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

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 FY22, the Company spent an additional $41,000 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.

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 2022 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 2022, 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 2022, the Company completed planned settlement on contracted land at St Leonards. This settlement was funded out of existing debt facilities and increased the drawn debt to $266 million.

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 FY23 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 three 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.

With the land already in the pipeline, the Company has the ability to deliver 1,400 to 1,700 new home settlements between FY23 and FY25. FY23 settlements are expected to be similar to FY22 before a step up in FY24 and FY25 as new projects come online. Resale settlements attracting a DMF are anticipated to be in the range of 550 to 750 over the next 3 years.

The Company's balance sheet and debt position is robust. The Company has access to over $110 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 3,193 homes under management.

We are excited to launch Lifestyle Bellarine for sale in September 2022. This project will commence the next evolution of our homeowner experience strategy which will seek to offer benefits and experiences to Lifestyle Homeowners beyond the boundaries of their direct community.

Lifestyle Ocean Grove

REMUNERATION REPORT

Remuneration Report

Lifestyle Communities Team Summit 2022

Our culture

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

120 Total Employees

68% women

32% men

Gender split for emerging leaders

68% Women

32% Men

Gender split for executive team

29% Women

71% Men

Gender split for the Board

50% Women

50% Men

Final Employee engagement score of

8.7 out of 10

165

External courses attended by team members for professional development

Breakdown of employees by age

Age	Employees	% of the workforce
18–25	6	5% of the workforce
26–35	25	21%
36–45	28	21%
46–55	25	23%
56–65	32	27%
66+	4	3%

Remuneration report

Dear Shareholders,

On behalf of the Board, I am pleased to present the Lifestyle Communities Remuneration Report for FY22.

In a challenging and unusual year, the team and hence the business performed well, delivering 401 new home settlements, strong resales and improved cash flows.

The Board continues to recognise Lifestyle Communities' strong culture and clear purpose as a competitive advantage and a key differentiator in attracting and retaining the best talent in our industry. In line with this, the Board again approved the implementation of Lifestyle Communities' unique employee share scheme which is available to all permanent employees and creates strong alignment across the business.

In the early days of the pandemic, Lifestyle Communities made a clear commitment to retain its workforce and maintain a focus on employee health, safety, and wellbeing. This has continued through FY22, underpinned by:

- Well-established flexible work policies, practices, and technology;
- Support for teams to transition back into the workplace;
- Our employee wellness program including our focus on physical and mental health, wellbeing and resilience; and
- Periodic employee pulse surveys to ensure appropriate support was being provided.

These factors, together with the strong and effective leadership from the ELT, resulted in a high employee engagement measure of 8.7 out of 10.

The Board remains committed to a remuneration framework designed to attract, motivate, and retain the best talent with capabilities that enable our customer-centric proposition, and align with our culture and behavioural expectations. We regularly review the settings to ensure the framework continues to support the delivery of the business strategy, as well as strengthening the alignment of short-term results and long-term value creation.

Several enhancements to the framework were implemented from 1 July 2021. These changes included:

- Review and updating of the peer group for senior executive and non-executive Director remuneration benchmarking
- Enhancements to the Short-Term Incentive (STI) framework to better align outcomes to Group performance
- Introduction of a Long-Term Incentive (LTI) performance period for the executive team

The Board believes that these enhancements will further strengthen the alignment of executive and stakeholder interests.

Consistent with our long held recognition of the strategic value of a diverse workforce and inclusive workplace, a review of the Group's Diversity and Inclusion policy was undertaken during FY22. This resulted in a refreshed policy and suite of objectives which we believe reflect the intent and commitment of the Group. We also reviewed and updated our Parental Leave policy aligning with, or exceeding, the recommendations of the Workplace Gender Equality Agency (WGEA). We intend to apply for certification as a WGEA employer of choice in FY23.

Our focus as a Board is on balancing the delivery of returns to investors with long-term sustainable business performance. In determining the remuneration outcomes for FY22, the Board took into consideration business progress and achievements against FY22 strategic priorities, the performance of management as well as market conditions. The outcomes are outlined in this report and fairly reflect the performance of the Lifestyle Communities business in the current environment.

When reviewing the actual results, recognising the challenges in setting FY22 budgets and performance targets during the pandemic, the Board carefully scrutinised the drivers and quality of the results, summarised as follows:

- Delivery of 401 new home settlements
- Increased annuity income from a higher number of homes under management, increased resale settlements, and disciplined cost control
- Disciplined management of project development budgets
- Successful implementation of the Salesforce platform

As in previous years we have maintained a values and behaviour gateway for our team to meet before any entitlement to performance incentives highlighting the importance the Board places on our team continuing to deliver for our customers in the right way.

The committee is in the process of finalising the remuneration framework for FY23. We will be maintaining most of the elements of the current framework, but we will also be reviewing the key elements of the STI and LTI to ensure the framework remains fit for purpose and aligned to the business priorities as we substantially increase production over the next three years.

In closing, I'd like to thank fellow director Nicola Roxon for her work as Remuneration Chair, in particular on the evolving design of the Employee Incentive Scheme with the introduction of LTI, and I look forward to her continuing contribution on the Committee. I'd also like to acknowledge the progress made by the team in the delivery of strategic outcomes while at the same time maintaining the inclusive culture and a genuine desire to "do it from the heart". It is a privilege to work with the values-driven team at Lifestyle Communities and to see the results for our homeowners and security holders.

David Blight
Chair, Remuneration and Nomination Committee
17 August 2022

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 Ltd (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;
- Oversight of the selection, appointment and reappointment of Directors to the Board;
- Remuneration levels of the Managing Director and other key management personnel; and
- The level of Non Executive Director fees.

Please refer to page 14 for focus areas of the Committee during FY22.

2.2 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 FY22, an independent Remuneration Consultant was engaged to conduct external benchmarking for Director fees, Managing Director and executive team remuneration packages, together with market insights and trends for consideration by the Board and Remuneration and Nomination Committee.

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 Member Remuneration and Nomination Committee	1 September 2017
David Blight	Non-Executive Director Chair Remuneration and Nomination Committee	15 June 2018
Mark Blackburn	Non-Executive Director Chair Audit Committee	1 December 2019
Claire Hatton	Non-Executive Director Member of Audit Committee	1 May 2022
Executive Director		
James Kelly	Managing Director	Founder, 2003
Other Executive KMP		
Darren Rowland	Chief Financial Officer and Company Secretary	21 May 2019

Georgina Williams resigned as a Director on 31 August 2021.

3.1 Changes to Key Management Personnel

To reflect the current organisational structure and reviewing those persons with authority and responsibility for planning, directing, and controlling the activities of Lifestyle Communities, a change was made to our Key Management Personnel. As a result of the internal operating review, our Managing Director James Kelly and Darren Rowland, Chief Financial Officer and Company Secretary remain as Key Management Personnel for FY22. The change reflects the updated internal business decision making process and delegated authority arrangements.

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 for measuring the performance of 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.

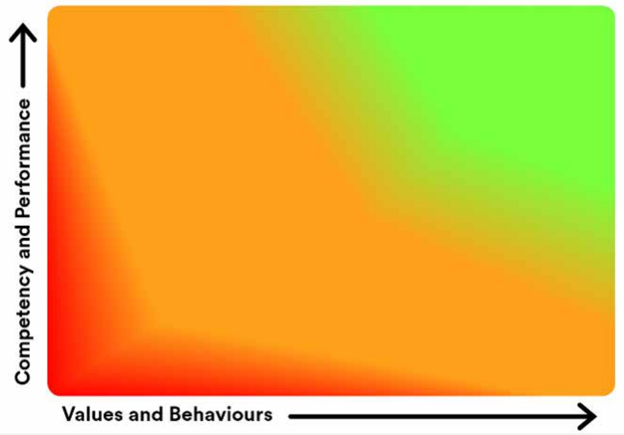
5. Capability and Performance

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 below.

- 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; and
- 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 to ensure optimum capability of all team members driven and managed by our Executive Leadership Team (ELT). This 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 Managing Directors' Remuneration Strategy

Our Managing Director, James Kelly is a co-founder of the business and a substantial shareholder in Lifestyle Communities Ltd. Each year the Committee reviews his overall remuneration package and also conducts external benchmarking at least every two years.

James has elected not to participate in either the short-term incentive plan or the long-term incentive plan by virtue of his significant shareholding in the business. As a result, the Managing Director's compensation comprises of only base salary, superannuation contributions and a modest car allowance, and remains significantly below market levels for comparable businesses and roles. The Board made an adjustment to James' base salary in FY22, as detailed in Section 7.1.

The Committee and the Board remain comfortable that James is fully aligned to the success of the business due to his substantial shareholding in Lifestyle Communities.

6.3 Components of Executive Remuneration

Component	Performance measurement process	How we set remuneration
Fixed remuneration		
Base salary, superannuation, and other benefits. (TFR)	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		
Equity Incentive Scheme (EIS)		
In FY22 the EIS structure, performance measures and outcomes were amended for the first time since its introduction in FY17 for the ELT and Emerging Leaders Scheme. The equity incentive scheme provides both a short-term and long-term incentive to the ELT. There is a pro-rata adjustment for any ELT member who commences part way through a financial year or works in a part time capacity. There is no entitlement to the current year STI nor LTI should the team member commence from 1st April to 30th June of that year.	Achievement of new home settlement target range, business management and strategic priority targets set by the Board each financial year for both the STI and LTI. 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 and Nomination Committee consider a range of factors in setting the annual target measures and ranges for the EIS. This includes the Company's budget for new home settlements, analyst forecasts and company culture. The changes to the Executive Incentive Scheme in FY22 considered the following: • The alignment of all Executive team members to the same reward for effort and outcome as a percentage of the fixed remuneration; • Reward for effort and outcome better aligned to current and future business outcomes; • Enhanced alignment of the Executive team to both developing communities and managing communities; and • Continuing to remain competitive in the market with Executive variable remuneration structures.

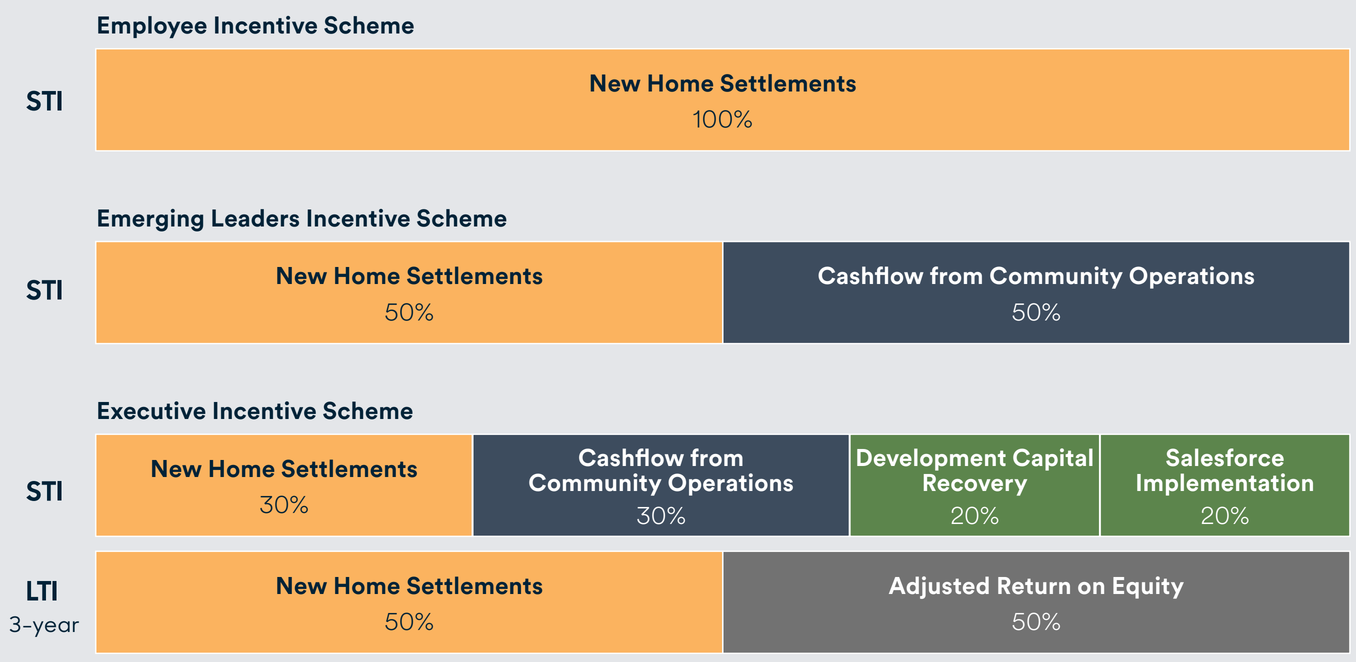
6.4 Structure of the Equity Incentive Scheme

The Company operates three clearly defined incentive schemes as shown below. The Employee Incentive Scheme and the Emerging Leaders Incentive Scheme are both short term annual incentives. The Executive Incentive Scheme includes both a short term and long-term incentive component. The schemes are designed to focus team members on achieving and exceeding various measures which are critical to the success and growth of Lifestyle Communities.

In FY22 the Board approved changes to the structure of the Emerging Leaders and Executive Incentive Scheme to introduce additional performance measures. The Employee Incentive Scheme remained unchanged.

Each year the Board determines a target range for each of the performance measures and the amount of equity that will be made available.

Performance measures



Executive Leadership Team (ELT) Short Term Incentive (STI)
Following a market review, the Board enhanced the structure of the ELT STI to ensure the following:

- The alignment of all ELT members to the same reward for effort and outcome as a percentage of fixed remuneration rather than a preset fixed number of options. The previous structure could have resulted in material disparities between ratios of fixed remuneration to variable remuneration between team members;
- We can retain our leading talent in a highly competitive environment;
- Reward for effort and outcomes closely aligned to our business outcomes; and
- Recognition of the strong business performance led by the ELT to date.

The STI has a 1-year performance period and has the following performance metrics

Metric	Description	Weighting	Outcome
	New Home Settlements continues as one of the main operational performance metrics as it is a key driver of earnings growth and shareholder value.	30%	Achieved
	Cashflow from Community Operations is an important operational metric focussed on the efficient management of our communities, costs and resales.	30%	Achieved
	Capital recovery focuses on recovery of funds from development projects	20%	Achieved
	Project implementation measured the efficient and timely implementation of the Salesforce system, designed to enable efficient scaling of the business whilst maintaining our personal touch with our homeowners and future customers.	20%	Achieved

The first three measures will be consistent for each financial year going forward, with the fourth being interchangeable to drive a specific priority intended to improve the business in the future. For FY22, the installation and integration of Salesforce was the most significant business process transformation undertaken by Lifestyle Communities to date. Whilst we are not a technology business, we recognise the important role that high quality systems play in helping maintain our personal touch with our customers as we continue to grow. Our newly launched homeowner portal will provide our homeowners with a simple to use platform to stay in touch, engage with content, access benefits, book their facilities, and communicate directly with Lifestyle Communities in real time from any device.

Management and the Board considered cultural measures including our engagement survey results and other ESG metrics. Although there are many strategic priorities, the Salesforce implementation was determined as the most appropriate business priority for the FY22 scheme.

The metrics are independent of each other, and failure of one metric does not impact achievement of the others.

The maximum STI achievable in FY22 equates to 40% of total fixed remuneration (TFR) for each ELT member.

ELT Long Term Incentive (LTI)

The LTI has a 3-year performance period, with the following performance metrics.

Metric	Description	Weighting	Outcome
	New Home Settlements remain as one of the key drivers of business performance and shareholder value . Lifestyle Communities provides guidance to the market on a rolling 3-year forward target.	50%	In progress
	Adjusted Return on Equity (ROE) measures the business's efficiency in deploying capital. Lifestyle Communities uses an adjusted ROE measure to remove the volatility of movements in property valuations driven by external market factors which are outside of management's control.	50%	In progress

The metrics are independent of each other, and failure of one metric does not impact achievement of the other.

The maximum LTI achievable in FY22 equates to 80% of TFR for each ELT member.

Equity is issued to team members in the form of zero-priced conditional rights to receive ordinary shares ("options").

If the behavioural gate is passed, the number of options that vest under a particular year's scheme depends on the achievement of the performance measure in that financial year. If the behavioural or performance targets are not passed, 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 performance year and remain employed when 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 and before 1 April of the performance year are entitled to a pro-rata incentive. ELT members employed after 1 April in a financial year are not eligible for the Executive Incentive Scheme for that particular year.

The options allocated to the ELT and other emerging leaders are subject to a staggered vesting schedule.

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

STI
- 50% of options awarded remain subject to competency and behavioural requirements, and will vest following completion of the independent audit and confirmation by the Board;
- 50% of options awarded will vest after 12 months of completion of the performance year and remain subject to ongoing competency and behavioural requirements.

LTI
- 50% of options awarded have a three-year service condition, competency and behavioural requirements, and will vest following completion of the independent audit and confirmation by the Board;
- 50% of options awarded have a four-year service and ongoing competency and behavioural requirements

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 relating 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 if 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 and Directors from dealing in Lifestyle Communities securities while in possession of inside information that is not generally available to the public. The policy requires all Employees to first obtain consent from the Chief Financial Officer or Company Secretary prior to trading. The Managing Director, Non-Executive Directors and the Executive Team are required to obtain consent from the Chair prior to trading. The Chair seeks approval from the Audit Committee Chair. The policy also prohibits entering into any derivative or margin lending arrangements over Lifestyle Communities securities at any time; and
- 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.

REMUNERATION REPORT

6.5 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	FY22	FY21	FY20	FY19	FY18
Statutory profit after tax	$m	88.9	91.1	42.8	55.1	52.7
Dividends declared and paid	cps	10.5	8.0	5.5	5.5	4.5
Closing share price (30 June)	$	13.6	15.6	9.5	6.6	5.9
Share price increase / (decrease)	%	(13.0)%	64.2%	43.9%	11.9%	43.9%
Employee share scheme expense [1]	$m	2.9	1.4	0.3	0.9	0.5
New home settlements in the year	Homes	401	255	253	337	321
Total homes settled	Homes	3,193	2,792	2,537	2,284	1,947
Total portfolio (settled and unsettled)	Homes	5,391	4,834	4,494	3,563	2,995

Note:

1. Due to the Covid pandemic, the share options issued for FY21 were reduced by 40%. This, coupled with share price growth, is the main driver of the increase in share scheme expense for FY22.

7. Remuneration Details for FY22

7.1 Managing Director

The total remuneration for the Managing Director (inclusive of superannuation) is $750,000 and includes a $20,000 car allowance as compensation for the extensive travel required between the Company's communities. The Managing Director does not participate in any short term or long-term incentive plans.

In FY22 the salary of the Managing Director increased by $150,000 to $750,000. The increase was originally recommended to the Board following benchmarking undertaken in March 2020 however due to the COVID pandemic it was not approved at the time. The increase goes some way in bridging the gap between the Managing Director's total fixed remuneration and comparable roles in the market.

In FY22 the Company undertook further external benchmarking to align executive and Board salaries with comparable roles in the market. As a result, the Managing Director's total fixed remuneration was increased to $900,000 (inclusive of superannuation and car allowance) with effect from 1 July 2022.

There were no other significant changes to the Managing Director's service agreement during FY22.

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. There are no other termination payments provided for in the Managing Director's contract.

7.2 Executive Team (ELT)

Fixed remuneration for the executive team is reviewed in the annual ROADMAP process. Increases to fixed remuneration took into account performance and external market and role benchmarking. The Executive Incentive Scheme is a percentage of TFR for each ELT member. This is detailed in section 6.3.

There were no material changes to Senior Management service agreements during FY22.

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.

8. Non Executive Directors' remuneration

All Non-Executive Directors receive 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 during FY22 were $210,000 per annum (including superannuation). Fees paid to the other Non-Executive Directors were $90,000 per annum plus an additional $15,000 per annum for each committee Chair. Following external benchmarking in FY22, an additional fee of $10,000 was approved for members of each sub-committee.

The Remuneration and Nomination Committee regularly reviews the level of fees paid to Non-Executive Directors and the Managing Director. External benchmarking occurs every two years.

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 tables disclose the remuneration of the key management personnel of the Company for the 2022 financial year and for the previous financial year.

2022

$000's	Salary and fees	Annual and long service leave [1]	Super	Equity-based payments [2]	Total	Performance related	Take home pay [3]
Directors							
James Kelly	725[4]	84	25		834	–	750
Philippa Kelly	191		19		210	–	210
David Blight	93		0		93	–	93
Nicola Roxon	104		0		104	–	104
Georgina Williams Resigned 31 August 2021	16		2		18	–	18
Mark Blackburn	95		10		105	–	105
Claire Hatton Appointed 1 May 2022	7		1		8	–	8
Consolidated remuneration	**1,231**	**84**	**57**	**0**	**1,372**	**–**	**1,288**
Key management personnel							
Darren Rowland	383	19	28	287	717	40.0%	411
Consolidated remuneration	**1,614**	**103**	**85**	**287**	**2,089**	**13.7%**	**1,699**

2021

$000's	Salary and fees	Annual and long service leave [1]	Super	Equity-based payments [2]	Total	Performance related	Take home pay [3]
Directors							
James Kelly	575		25		600	–	600
Philippa Kelly	114		11		125		125
David Blight	80		0		80		80
Nicola Roxon	85		0		85		85
Georgina Williams Resigned 31 August 2021	73		7		80		80
Mark Blackburn	78		7		85		85
Consolidated remuneration	**1,005**	**0**	**50**	**0**	**1,055**		**1,055**
Key management personnel							
Darren Rowland	345	18	25	81	470	17.3%	370
Chris Paranthoiene	325	7	25	81	438	18.5%	350
Yvonne Slater	248	(3)	22	81	348	23.3%	270
Richard Parker	294	7	26	81	408	19.9%	320
Simon Goninon	229	11	21	66	327	20.2%	250
Consolidated remuneration	**2,446**	**40**	**169**	**390**	**3,046**	**12.8%**	**2,615**

1. Annual leave and long service leave represents movements in provisions for unused leave entitlements at 30 June.
2. Equity based payments represents the fair value of the options granted to key management personnel in FY21 and FY22 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.
4. Included in James Kelly's salary and fees is a $20,000 car allowance.

10. Shares and options held by key management personnel

Vested and unvested options yet to be exercised

Darren Rowland	Maximum entitlement	Grant date	Expiry date	Exercise price	Value per option at grant date	Final entitlement	Vested and exercisable	Unvested
FY19 - STI	20,000	15/11/2019	15/11/2029	$Nil	$5.81	15,000	15,000	
FY21 - STI	12,000	15/11/2019	15/11/2029	$Nil	$11.27	12,000	6,000	6,000
FY22 - STI Tranche 1	5,642	15/09/2021	15/09/2031	$Nil	$22.01	5,642		5,642
FY22 - STI Tranche 2	5,642	15/09/2021	15/09/2031	$Nil	$21.92	5,642		5,642
FY22 - 3 Year LTI Tranche 1	11,287	15/09/2021	15/09/2031	$Nil	$21.79	to be determined		
FY22 - 3 Year LTI Tranche 2	11,287	15/09/2021	15/09/2031	$Nil	$21.71	to be determined		
Total						**38,284**	**21,000**	**17,286**

Note 1: Vesting of unvested options is at the discretion of the Board
Note 2: Exercise of vested options is at the discretion of the employee

Movement in vested and exercisable options during the year

	Balance at 1 July 2021	Vested	Exercised	Balance at 30 June 2022	Value at 30 June 2022
Darren Rowland	15,000	6,000	–	21,000	$284,970

All options have a zero exercise price.

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	9,077,001			(2,000,000)	7,077,001
Philippa Kelly	75,000				75,000
David Blight	5,000	6,000			11,000
Nicola Roxon	6,000	1,000			7,000
Claire Hatton	–	760			760
Mark Blackburn	2,400	5,600			8,000
Management					
Darren Rowland	2,500				2,500

Georgina Williams holdings as at the date of resignation were 8,000 shares

11. Remuneration report voting at Annual General Meeting

Lifestyle Communities Limited received 99.24% of votes in support of its remuneration report at the 2021 Annual General Meeting.

REMUNERATION REPORT

Grow your family

At Lifestyle Communities we think of our team as our family. And we want to support them as they grow their own family.

Key features of our ***Growing your Family Policy***

Primary carer

- ✔ No minimum service period
- ✔ 18 weeks paid leave at full pay
- ✔ Option to apply for unpaid leave of up to 24 months
- ✔ 10 keeping in touch days at full pay
- ✔ 20 days paid transition leave if transitioning back after paid leave ends
- ✔ Continued payment of superannuation whilst on leave (paid or unpaid)

Secondary carer

- ✔ No minimum service period
- ✔ 8 weeks paid leave at full pay
- ✔ Option to apply for unpaid leave of up to 24 months

REMUNERATION REPORT

Mother's Day Classic event

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Lifestyle Communities Limited for the year ended 30 June 2022, 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.

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
17 August 2022

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

AUDITOR'S INDEPENDENCE DECLARATION


Lifestyle Mt Duneed

AUDITOR'S INDEPENDENCE DECLARATION

Sunset over Lifestyle Bittern

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

$000's	Note	2022	2021
Development revenue			
Home settlement revenue		**180,291**	102,716
Cost of sales		**(142,844)**	(81,338)
Gross profit from home settlements		**37,447**	21,378
Management and other revenue			
Rental revenue	2.1	**29,712**	25,043
Deferred management fees	2.1	**10,906**	7,342
Utilities revenue	2.1	**3,311**	2,732
Finance revenue	2.1	**186**	68
JobKeeper	2.1	**–**	802
Total management and other revenue		**44,115**	35,987
Fair value adjustments	2.2	**92,600**	108,590
Less expenses			
Development expenses (sales and marketing)	2.1	**(8,619)**	(6,466)
Management rental expenses		**(12,694)**	(11,203)
Deferred management fee expenses	2.1	**(1,985)**	(1,596)
Utilities expenses	2.1	**(3,436)**	(2,787)
Corporate overheads	2.1	**(13,245)**	(10,522)
Employee share scheme	2.1	**(2,876)**	(1,359)
IT Implementation costs		**(1,595)**	–
Tyabb planning application		**(1,086)**	–
Finance costs	2.1	**(1,600)**	(1,462)
Profit before income tax		**127,026**	130,560
Income tax expense	2.4	**(38,155)**	(39,449)
Profit from continuing operations		**88,871**	91,111
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share (cents)		**85.40**	87.30
Diluted earnings per share (cents)		**85.06**	87.06

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

Consolidated Statement of Financial Position

For the year ended 30 June 2022

$000's	Note	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	4.3	**1,893**	2,300
Trade and other receivables	2.6	**963**	1,086
Inventories	3.3	**86,755**	83,745
Other assets	2.7	**1,230**	1,543
Total current assets[1]		**90,841**	**88,674**
Non current assets			
Inventories	3.3	**48,924**	41,498
Other assets	2.7	**1,275**	874
Property, plant and equipment	3.4	**14,610**	13,252
Investment properties	3.1	**850,247**	636,455
Right of use assets		**314**	523
Total non current assets		**915,370**	**692,602**
TOTAL ASSETS		**1,006,211**	781,276
LIABILITIES			
Current liabilities			
Trade and other payables	2.8	**104,756**	43,793
Lease liabilities		**269**	211
Current tax liabilities	2.4	**1,404**	1,712
Provisions	5.2	**961**	1,275
Total current liabilities[1]		**107,390**	**46,991**
Non current liabilities			
Trade and other payables	2.8	**55,148**	50,230
Interest bearing loans and borrowings	4.4	**245,000**	190,000
Lease liabilities		**136**	405
Provisions	5.2	**310**	190
Deferred tax liabilities	2.4	**144,770**	115,365
Total non current liabilities		**445,364**	**356,190**
TOTAL LIABILITIES		**552,754**	403,181
NET ASSETS		**453,457**	378,095
EQUITY			
Contributed equity	4.5	**57,726**	63,859
Reserves	4.6	**6,028**	3,472
Retained earnings	4.6	**389,703**	310,764
TOTAL EQUITY		**453,457**	378,095

1. At 30 June 2022 the ratio of current assets to current liabilities is negative. This is due to an accrual in trade payables for four parcels of land which will settle in the 2023 financial year. The settlement of this land will be funded using the headroom in the existing debt facility.

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

2022

$000's	Note	Contributed equity	Reserves	Retained earnings	Total equity
Balance at 1 July 2021		63,859	3,472	310,764	378,095
Profit for the year		–	–	88,871	88,871
Total comprehensive income for the year		**–**	**–**	**88,871**	**88,871**
Transactions with owners in their capacity as owners					
Treasury shares purchased		(6,256)	–	–	(6,256)
Vesting of treasury shares		123	(123)	–	–
Employee share scheme expense		–	2,876	–	2,876
Employee share trust contribution		–	(197)	–	(197)
Dividends paid or provided for	4.7	–	–	(9,932)	(9,932)
Balance at 30 June 2022		**57,726**	**6,028**	**389,703**	**453,457**

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**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

$000's	Note	2022	2021
Cash flow from operating activities			
Receipts from customers		**243,346**	149,101
Payments to suppliers and Employees [1]		**(187,306)**	(172,218)
JobKeeper received		**–**	1,139
Income tax paid	2.4	**(9,059)**	(5,792)
Interest received		**35**	19
Interest paid	2.1	**(5,284)**	(4,175)
Net cash provided by/(used in) operating activities	**2.5**	**41,732**	**(31,926)**
Cash flow from investing activities			
Purchase of property, plant and equipment		**(3,067)**	(5,560)
Purchase of investment properties		**(77,599)**	(15,573)
Net cash provided by/(used in) investing activities		**(80,666)**	**(21,133)**
Cash flow from financing activities			
Principal elements of lease payments		**(285)**	(274)
Purchase of treasury shares for employee share scheme		**(6,256)**	–
Proceeds from external borrowings		**55,000**	45,000
Dividends paid		**(9,932)**	(5,748)
Net cash provided by/(used in) financing activities		**38,527**	**38,978**
Net increase/(decrease) in cash and cash equivalents held		**(407)**	(14,081)
Cash and cash equivalents at the beginning of the financial year		**2,300**	16,381
Cash and cash equivalents at end of financial year		**1,893**	**2,300**

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 FY22 payments to suppliers and Employees includes $43.5 million of such costs (FY21: $60m).

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

Notes to the Financial Statements

For the year ended 30 June 2022

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 Arrangement

Under AASB 11 Joint Arrangement 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 JobKeeper income in March 2020 and recognised income from April 2020 to September 2020.

(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 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	2022	2021
Number of settlements	**401**	255
Home settlement revenue	**180,291**	102,716
Cost of sales	**(142,844)**	(81,338)
Gross profit from home settlements	**37,447**	21,378
Gross Margin	**20.8%**	20.8%
Development expenses (sales, marketing, and project management)	**(8,619)**	(6,466)

New home settlements were 401 in FY22 (FY21: 255) and this, combined with a change in home and project mix, has translated into higher revenue and gross profit from home settlements. Cost of sales includes $52.1m for the share of community infrastructure sold to each homeowner and expensed upon settlement (FY21: $28.1m).

(ii) Community Operations

Rental revenue is derived under the Site Lease Agreement granting the homeowners a right to use the Land for their property for 90 years. 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	2022	2021
Number of homes under management at 30 June	**3,193**	2,792
Rental revenue	**29,712**	25,043
Community operating expenses	**(12,694)**	(11,203)
Net Community surplus	**17,018**	13,840
Margin	**57.3%**	55.3%

Rental revenue and community operating expenses both increased during FY22 due to an increased number of homes under management as new communities commence operation and homes progressively settle. Rental revenue is contractually fixed to increase by the greater of CPI or 3.5% annually. The gross margin increased due to the status of new communities. Rent does not commence until the clubhouse opens however costs commence earlier, which had a dilutive impact on the margin in FY21 due to the number of communities operating prior to 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	2022	2021
Number of resales	**143**	105
Deferred management fees	**10,906**	7,342
Deferred management fee expenses	**(1,985)**	(1,596)

156 resale settlements were achieved in FY22 (FY21:121) of which 143 resales attracted a deferred management fee (FY21: 105). 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. 2.3% of homeowners that settled in FY22 used the Smart Buy Guarantee compared with 4.3% in FY21.

At the end of FY22 there were 15 resale homes available for sale and 27 resale homes sold and awaiting settlement across the communities (21 of these will attract a DMF).

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

(iv) Utilities revenue

Lifestyle Communities operates embedded networks for electricity, water and gas (where applicable at each community). Utilities are individually metered, billed to homeowners monthly, and recorded as revenue in the respective month. Lifestyle Communities adjusts its rates to homeowners on a regular basis based on usage and the price Lifestyle Communities pays to the relevant wholesalers. 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	2022	2021
Utilities revenue	**3,311**	2,732
Utilities expenses	**(3,436)**	(2,787)

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

(v) JobKeeper

$000's	2022	2021
JobKeeper	–	802

The Company received $802k JobKeeper funds in FY21. 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	2022	2021
Finance revenue	**35**	23

(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 FY22, including commitment fees, was 2.23% down from 2.45% in FY21.

$000's	2022	2021
Interest on secured loans	**1,218**	1,237
Amortisation of loan facility fees	**382**	225

(b) Finance costs capitalised

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

$000's	2022	2021
Interest on secured loans	**4,620**	3,065

(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	2022	2021
Corporate overheads	**13,245**	10,522
Employee Share Scheme	**2,876**	1,359

Corporate costs increased compared to the prior period due to increased resources required to support business growth, and increased insurance costs as the portfolio and team grows.

The cost of the employee share scheme increased due to share price growth impacting the fair value of the options at the time of the granting of the FY22 options and the introduction of the long-term incentive scheme for the leadership team.

(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

	FY22 $ million	FY21 $ million
Uplift in value arising from settled homes during the year (401 new home settlements FY21: 255)	**41.9**	21.6
The uplift created as a result of the contractual rent increase	**11.5**	8.8
Movements as a result of changes to valuation assumptions	**39.2**	78.2
Total Fair Value Adjustment	**92.6**	**108.6**

(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	2022	2021
Net profit	**88,871**	91,111

(b) Weighted average number of shares

$000's	2022	2021
Ordinary shares	**104,545**	104,545
Treasury shares	**(484)**	(178)
Weighted average number of ordinary shares for basic earnings per share	**104,061**	104,367
Effect of dilution		
Options	**424**	283
Weighted average number of ordinary shares adjusted for dilution	**104,485**	**104,650**

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.

Treasury shares are purchased and held in an employee share trust to satisfy options issued to employees under the employee share scheme. It remains the company's intention to settle all outstanding options with equity purchased on market rather than issue new equity.

2.4 Income Tax Expense

Current income tax expense 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.

The over provision of $0.8m relates to the change in tax legislation during the Covid period which allowed for an instant asset write-off for the period March 2020 until 31 December 2020.

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	2022	2021
Current tax	**9,581**	6,883
Deferred income tax	**28,574**	32,566
	38,155	**39,449**

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

$000's	2022	2021
Decrease / (increase) in deferred tax assets	**(280)**	(27)
Increase in deferred tax liabilities	**29,854**	32,593
	29,574	**32,566**

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	2022	2021
Accounting profit before tax	**127,026**	130,560
Tax	**30%**	30%
	38,108	**39,168**
Add / (less):		
Tax effect of:		
Share options expensed during year	–	263
Entertainment	**47**	18
Income tax expense	**38,155**	**39,449**

(d) Current tax liabilities

Current tax relates to the following:

$000's	2022	2021
Opening balance	**1,712**	244
Income tax payable	**9,581**	6,883
Tax payments	**(9,059)**	(5,415)
Over provision in prior years	**(830)**	–
Current tax liabilities	**1,404**	**1,712**

(e) Deferred tax

Deferred tax relates to the following:

$000's	2022	2021
Deferred tax assets		
The balance comprises		
Right of use liability	**121**	185
Provision for Employee entitlements	**381**	439
Accruals and business expenses	**1,110**	505
Share based payments	–	210
Superannuation	**10**	3
	1,622	**1,342**
Deferred tax liabilities		
Interest capitalised	**1,904**	1,368
Investment property fair value adjustments	**142,963**	115,182
Employee share scheme	**709**	
Fixed assets	**722**	–
Right of use asset	**94**	157
	146,392	**116,707**
Net deferred tax liability	**144,770**	**115,365**

(f) Deferred tax assets not brought to account

$000's	2022	2021
Capital tax losses	–	267

2.5 Cash Flow Information

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

$000's	2022	2021
Operating profit after income tax	**88,871**	91,111
Cash flows excluded from profit attributable to operating activities		
Non cash flows in profit:		
depreciation	**1,709**	1,342
amortisation	**591**	434
share based payments	**2,876**	1,359
fair value adjustment	**(92,600)**	(108,590)
Changes in assets and liabilities:		
(increase)/decrease in trade and other receivables	**123**	24
(increase)/decrease in other assets	**434**	(842)
(increase)/decrease in inventories	**(10,437)**	(50,431)
increase/(decrease) in trade and other payables	**21,262**	(594)
increase/(decrease) in provisions	**(194)**	228
increase/(decrease) in current tax	**(308)**	1,467
increase/(decrease) in deferred tax	**29,405**	32,566
Net cash flow from operating activities	**41,732**	**(31,926)**

2.6 Trade and other receivables

$000's	2022	2021
Other receivables	**963**	1,086

Other receivables includes unbilled rental revenue which is deducted from final resale settlements together with an NES revenue accrual booked to account for the timing of utility income.

(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	2022	2021
Security deposits	**372**	413
Other assets	**1,508**	1,273
Prepayments	**625**	731
Total	**2,505**	**2,417**

(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	2022	2021
Trade payables	(a)	**20**	45
Customer deposits	(b)	**1,377**	1,742
GST payable	(c)	**496**	180
Other payables and accruals	(d)	**37,842**	15,857
Contracted land-current	(e)	**65,021**	25,969
Contracted land-non current	(e)	**55,148**	50,230
Total		**159,904**	**94,023**

(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 includes accruals for the operations and developments and have increased during the year inline with the increased activity levels. Included in other payables at 30 June is a $8.2m Bellarine infrastructure accrual together with a $10.7m St Leonards accrual accounting for the portion of project expenses not yet complete on settled homes.

(e) Contracted land

Includes amounts payable on six parcels of land for contracts entered into prior to the reporting date (including stamp duty). Four of the six contracts, totalling $65 million are expected to settle in the 2023 financial year which is the reason why the ratio of current assets to current liabilities is negative. The other two parcels of land will settle during FY24. All purchases will be funded from existing debt facilities. 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 management and development 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 2022, 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	2022	2021
Opening balance	**636,455**	493,602
Additions (contracted land and capitalised costs)	**121,192**	34,263
Net unrealised gain from fair value adjustments	**92,600**	108,590
Closing balance	**850,247**	**636,455**

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 FY22, eight of nineteen 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.

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 eight 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 rate adopted by two out of the three independent valuers for the properties that were valued in the current year.

Weekly rental rates were taken directly from the valuations for the eight 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 3.7% rental increase that was applied on 1 July 2022. 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 eight 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 2022. For the remaining communities not independently valued this year, the deferred management fee valuations remained consistent with the prior year noting the independent valuations and other market evidence supported that the valuations had not materially changed.

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.

	FY22	FY21	Impact on fair value as at 30-Jun-22
Weekly rentals ($)	**209.27 – 218.82**	198.39 – 211.01	Increase
Anticipated % expenses (as a percentage of rental income)	**33.0% – 51.3%**	30.7% – 41.0%	Decrease
Rental capitalisation rate (%)	**4.9% – 5.25%**	5.5% – 5.75%	Increase
Rental values per unit ($)	**114,394 – 161,884**	115,062 – 216,724	Increase
Deferred management fee discount rates (%)	**12.00% – 13.75%**	13.00% – 14.25%	Increase
Deferred management fee values per unit ($)	**36,000 – 88,172**	36,000 – 88,172	Nil
Valuation of undeveloped land (per hectare) ($'million)	**1.3 – 5.4**	0.19 – 2.5	Increase

Valuation summary	Last independent valuation date	Cap rate (%)		DMF discount rate (%)		Net rental per home		Valuation ($m)		Land cost
		FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	
Brookfield	Jun-22	5.25%	5.60%	12.0%	14.3%	7,881	7,847	45.7	43.1	6.8
Seasons	Jun-22	5.25%	5.60%	12.0%	14.3%	6,011	7,083	22.7	24.3	3.7
Warragul	Jun-22	5.25%	5.60%	12.0%	13.0%	7,235	6,834	35.4	31.0	2.5
Casey Fields	Jun-22	4.87%	5.60%	13.5%	13.0%	7,884	7,404	29.6	25.4	3.4
Shepparton	Jun-21	5.25%	5.50%	13.8%	13.8%	7,107	7,972	57.9	54.7	3.2
Chelsea Heights	Jun-21	5.25%	5.75%	13.0%	13.0%	7,618	6,854	26.3	24.4	6.2
Hastings	Jun-22	5.25%	5.50%	13.8%	13.8%	6,810	7,374	29.9	28.3	7.4
Lyndarum	Jun-21	5.25%	5.60%	13.0%	13.0%	7,400	6,443	30.1	25.8	7.1
Geelong	Jun-22	4.87%	5.60%	13.5%	13.3%	7,662	7,164	36.2	28.1	5.5
Officer	Jun-21	5.25%	5.50%	13.8%	13.8%	7,865	6,880	30.2	28.6	7.0
Berwick Waters	Jun-21	5.25%	5.50%	13.0%	13.0%	8,014	7,612	46.1	43.6	12.1
Bittern	Jun-21	5.25%	5.50%	13.0%	13.0%	8,235	7,751	45.1	42.7	7.4
Ocean Grove	Jun-22	4.87%	5.60%	13.5%	13.0%	7,782	7,326	49.8	40.4	17.6
Mt Duneed	Jun-21	5.25%	5.50%	13.8%	13.8%	7,799	8,104	37.6	27.1	11.1
Kaduna Park	Jun-21	5.25%	5.50%	13.0%	13.0%	7,391	7,479	32.7	25.9	14.5
Wollert North	Jun-21	5.25%	5.50%	13.0%	13.0%	8,235	11,920	30.4	22.2	14.7
Deanside	Jun-21	5.25%	5.75%	13.0%	13.0%	7,157	6,901	34.0	27.2	25.1
St Leonards	Dec-20	5.25%	5.60%	13.0%	13.0%	7,644	7,372	42.5	30.2	29.5
Meridian	Aug-21	5.25%		14.0%		7,163		26.0	23.0	23.0
Pakenham East								15.6	1.4	15.6
Clyde								22.2	22.2	22.2
Woodlea								16.6	16.7	16.6
Cowes								31.1		31.1
Merrifield								21.9		21.9
Ocean Grove II								42.9		42.9
Bellarine								11.9		11.9

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 22				
Recurring Fair Value Measurements				
Investment properties	–	–	850,247	850,247
Total assets measured at fair value	**–**	**–**	**850,247**	**850,247**
30 Jun 21				
Recurring Fair Value Measurements				
Investment properties	–	–	636,455	636,455
Total assets measured at fair value	**–**	**–**	**636,455**	**636,455**

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

(i) Investment properties

Investment properties have been classified as level 3 as it is an internally generated calculation that contains some non-observable market inputs. The Company does not adjust some of the major inputs obtained from the independent valuations such as discount rates, 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 eight communities independently valued in the current year. In relation to the remaining eleven operating communities (independently value in the prior year) the Directors have adjusted the rental capitalisation rates to reflect the rate adopted by two out of the three independent valuers for the properties that were valued in the current year.

Deferred management fee annuity - the valuation for this component is taken directly from independent valuations for the eight properties independently valued in the current year. For the remaining eleven communities not independently valued this year, the deferred management fee valuations remained consistent with the prior year noting the independent valuations and other market evidence supported that the valuations had not materially changed.

Rental annuity - for all communities the Directors have increased the rent by 3.7% to reflect the increase that was applied on 1 July 2022. The next rent increase is due on 1 July 2023.

For land not yet settled, the value is accrued if the contract is unconditional. Refer to note 2.8 for more information.

(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 2022 by 3.7%. The next rent increase is due on 1 July 2023.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
$000's	2022	2021	2022	2021
Rental expense rate				
+2%	**(9,970)**	(7,773)	**(9,970)**	(7,773)
–2%	**9,970**	7,773	**9,970**	7,773
Rental capitalisation rate				
+0.50%	**(27,415)**	(20,539)	**(27,415)**	(20,539)
–0.50%	**33,287**	24,602	**33,287**	24,602
Deferred management fee per unit				
+5%	**6,507**	5,479	**6,507**	5,479
–5%	**(6,507)**	(5,479)	**(6,507)**	(5,479)
Land prices (undeveloped land)				
+10%	**16,050**	9,661	**16,050**	9,661
–10%	**(16,050)**	(9,661)	**(16,050)**	(9,661)

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	2022	2021
Current		
Housing	**48,561**	**46,894**
Civils and infrastructure	**38,194**	**36,851**
	86,755	**83,745**
Non current		
Housing	**4,136**	**1,745**
Civils and infrastructure	**44,788**	**39,753**
	48,924	**41,498**
Total	**135,679**	**125,243**

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2022 totalled $142.8 million for the Group (2021: $81.3 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.

$000's	Buildings	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
Year ended 30 June 2022					
Balance at the beginning of the year	4,462	6,275	1,819	696	13,252
Additions	275	2,040	134	618	3,067
Depreciation	(129)	(1,000)	(233)	(347)	(1,709)
Balance at the end of the year	**4,608**	**7,315**	**1,720**	**967**	**14,610**
At 30 June 2022 Cost	5,276	10,452	2,782	2,090	20,600
Accumulated depreciation	(668)	(3,137)	(1,062)	(1,123)	(5,990)
Net Carrying Amount	**4,608**	**7,315**	**1,720**	**967**	**14,610**

$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**

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

$000's	2022	2021
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:

NOTES TO THE FINANCIAL STATEMENTS

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	2022	2021
Financial assets		
Cash and cash equivalents	**1,893**	2,300
Financial liabilities		
Secured loans—bank finance	**245,000**	190,000
Net exposure	**(243,107)**	**(187,700)**

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)	
$000s	**2022**	**2021**	**2022**	**2021**
Consolidated				
+1% (100 basis points)	**(1,835)**	(1,237)	**(1,835)**	(1,237)
–1% (100 basis points)	**1,835**	1,237	**1,835**	1,237

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	2022	2021
6 months or less[1]	**71,253**	41,512
6–12 months[2]	**19,987**	–
1–2 years[3]	**64,430**	55,921
3–4 years[4]	**255,829**	196,640
	411,489	**294,073**

(1) This amount is represented by the following financial liabilities:
- $45 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;
- $21.7 million relates to trade and other payables, refer to Note 2.8 for further detail (2021: $11.9 million);
- $3 million relates to expected interest on the secured loan; and
- $1.4 million relates to customer deposits which typically convert to settlement within six months or less (2021: $1.7 million).

(2) $20 million relates to one parcel of land for a contract entered into prior to the reporting date (including stamp duty) expected to settle within 6-12 months of the reporting date.

(3) $75.1 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. $9.3 million relates to expected interest on the secured loan.

(4) $10.8 million relates to expected interest on the secured loan which is $245 million.

The above commitments will be funded using cash received from new home sales and the company's existing debt facilities. 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	2022	2021
Cash and cash equivalents	**1,893**	2,300

4.4 Interest bearing loans and borrowings

$000's	2022	2021
Secured loans—bank finance	**245,000**	190,000

(a) Secured loans bank finance maturity

In August 2021, the Company extended its contracts with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia to secure an additional $100 million of senior debt facilities and extend the tenor. The total facility now comprises $375 million of senior debt facilities under a common terms deed. The new facilities comprise a $110 million tranche with a maturity of June 2025 and a $265 million tranche with a maturity of August 2026. As at reporting date the Company has drawn $245 million of the $375 million facility. There is also a $2 million facility for bank guarantees used during developments held with The Commonwealth Bank of Australia.

(b) Fair values

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

(c) Assets pledged as security

The $375 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, St Leonards and Meridian.

(d) 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	2022	2021
104,545,131 Ordinary shares (30 June 2021: 104,545,131)		
Ordinary Shares	**64,523**	64,523
484,212 Treasury shares (30 June 2021: 177,934)	**(6,797)**	(664)
Total	**57,726**	**63,859**

(i) Reconciliation of Ordinary shares

	2022		2021	
	Number	**$000**	**Number**	**$000**
Opening balance	**104,545,131**	**64,523**	104,545,131	64,523

(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	2022	2021
Opening balance	**310,764**	225,401
Profit for the year	**88,871**	91,111
Dividends paid	**(9,932)**	(5,748)
	389,703	**310,764**

(b) Reserves

$000's	2022	2021
Opening balance	**3,472**	2,188
Share based payments expense	**2,876**	1,359
Vesting of employee shares	**(123)**	(75)
Employee share trust contribution	**(197)**	–
Closing balance	**6,028**	**3,472**

4.7 Dividends

(a) Dividends

$000's	2022	2021
Dividends paid 4.5 cents per share (2021: 5.5 cents per share) fully franked	**4,705**	5,750
Dividends declared after balance date and not recognised		
Since balance date the directors have approved a dividend of 6.0 cents per share (2021: 5.0 cents per share) fully franked at 30%	**6,273**	5,227

(b) Franking account balance

$000's	2022	2021
Franking account balance	**29,519**	25,001

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 after an appropriate allowance for a share of the corporate overheads. In FY22 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 4.5 cents per share ($4.7 million) and declare a final fully franked dividend of 6.0 cents per share ($6.3 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.

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 6.3 of the Remuneration Report and additional information is contained in Note 5.3 below.

$000's	2022	2021
Wages and salaries	**11,322**	10,963
Defined contribution superannuation expense	**988**	937
Share based payments expense	**2,876**	1,359
Movement in employee provisions	**(194)**	228
Total	**14,992**	**13,487**

5.2 Employee provisions

$000's	2022	2021
Current		
Annual leave	**643**	871
Long service leave	**318**	404
Non current		
Long service leave	**310**	190

5.3 Share based payments

(a) Recognised share based payment expenses

$000's	2022	2021
Expenses arising pursuant to the EIS	**2,876**	1,359

(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 2022	
	Granted as compensation	Value at grant date ($)	No.	%	Final entitlement	Value at grant date (final entitlement)	No.	%	Exercised	Vested & exercisable	Unvested
FY19 Options - granted Nov 2019	149,000	864,200	–	–	149,000	864,200	149,000	100%	(80,353)	68,647	-
FY21 Options – granted Nov 2020	166,734	1,879,092	(6,750)	(4)%	–	–	143,984	86%	(31,342)	112,642	16,000
FY22 Options – granted Nov 2021	300,481	6,558,159	(73,563)	(24)%	226,918	4,954,503	–	–	–	–	226,918
							292,984		(111,695)	181,289	242,918

All options issued in relation to the employee incentive scheme for FY20 have lapsed as the performance hurdles were not met.

$000's	2022	2021
Opening balance	**283**	131
Issued during the year	**300**	178
Exercised during the year	**(79)**	(14)
Forfeited/lapsed during the year	**(80)**	(12)
Closing balance	424	283

Of the 242,918 unvested options, 113,246 are planned to vest in September 2022, 52,745 are planned to vest on 30 June 2023, and 38,463 are planned to vest on 30 September 2024 and 38,464 are planned to vest on 30 June 2025. All unvested options have ongoing service, competency and behavioural requirements and vesting is at the discretion of the Board.

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 $19.58 and the expiry date for all options outstanding at the end of the year is 10 years from the date of grant.

5.4 Auditors remuneration

$000's	2022	2021
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.	**185**	171
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.	**41**	104
	226	275

The auditor of Lifestyle Communities Limited is PricewaterhouseCoopers who were appointed on the 18th November 2019.

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.

		2022 %	2021 %	2022 $	2021 $
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: Brookfield Village Management Pty Ltd)	Australia	100	100	–	–
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 arrangement 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 above-mentioned 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	2022	2021
Assets		
Current assets	262,450	226,618
Total Assets	**264,570**	**228,643**
Liabilities		
Current liabilities	(50,622)	(29,347)
Total Liabilities	**(191,456)**	**(157,772)**
Equity		
Issued capital	57,727	62,732
Reserves	6,028	3,472
Retained earnings	9,359	4,667
Total Equity	**73,114**	**70,871**
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Net profit/(loss)		
Profit for the year	13,751	7,474
Other comprehensive income		–
Total comprehensive income	**13,751**	**7,474**

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. 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	2022	2021
No later than 1 year	35,551	30,059
Between 1 year and 5 years	142,204	120,237
Greater than 5 years	2,836,150	2,406,086
Total minimum lease payments	**3,013,905**	**2,556,382**

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 $269 million. These commitments include future construction costs committed for Kaduna Park, Mount Duneed, Deanside, Wollert, St Leonards, Meridian and Woodlea.

7.3 Contingencies
There are no contingencies at reporting date.

7.4 Events Occurring After the Reporting Date
In July 2022, the Company completed planned settlement on contracted land at St Leonards. This settlement was funded out of existing debt facilities and increased the drawn debt to $266 million.

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.

The Director's Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes for the year ended 30 June 2022 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 Managing Director 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, 17 August 2022

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 2022 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 2022
- 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 consolidated 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.

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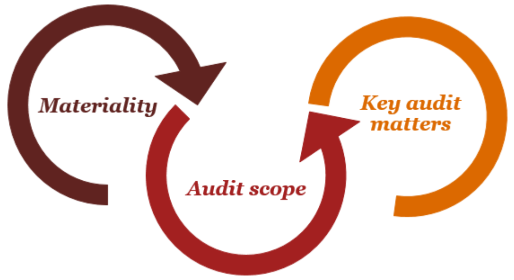
Our audit approach

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 $4.4 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 adjusted for the above items, because in our view, it is most	• 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.

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) [$850.2 m]* 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 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 performed the following procedures, amongst others: • Developed an understanding of the relevant internal controls associated with the Group's approach to fair valuation of investment properties and assessed compliance with its policy on external valuations and rotation of valuation firms. • For properties subject to external valuations, we agreed the fair values recognised in the financial report to the external valuations and assessed the competency, capability and objectivity of the relevant valuers. • Together with PwC real estate valuation experts, 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. • Assessed the methodology used in the internal valuations and agreed them to the values adopted in the financial report. • Performed tests to assess the appropriateness of certain input data used in the valuations. These tests included, amongst others:

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.	○ 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 observable historic data maintained by the Group. • Together with input from PwC real estate valuation experts, 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 2022, 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 pwc

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 55 to 65 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Lifestyle Communities Limited for the year ended 30 June 2022 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
17 August 2022

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 2022.

(a) Distribution of equity securities

(i) Ordinary share capital
104,545,131 fully paid ordinary shares are held by 3,625 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	**7,077,001**	**6.77%**	14 September 2021
Australian Super	**8,889,379**	**8.50%**	10 March 2021
Challenger Limited	**7,507,284**	**7.18%**	25 January 2022

Voting rights

At meeting of members or classes of members :

(a) each member entitled to vote may vote in person or by proxy, attorney or respective:

(b) on a show of hands, every person present who is a member or proxy, attorney or representative of a member has one vote; and

(c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:

  (i) for each fully paid share held by person, or in respect of which he/she is appointed a proxy, attorney or representative, one vote for the share;

  (ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited).

Subject to any rights or restrictions attached to any shares or class of shares.

On-Market Buyback

There is no current on-market buy-back in relation to the Company's securities.

Restricted Securities

There is no restricted securities on issue at 30 June 2022.

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

Holding	Total holders	Units	% of issued capital
1 – 1,000	**2,153**	726,479	0.7%
1,001 – 5,000	**1,007**	2,464,228	2.4%
5,001 – 10,000	**201**	1,464,486	1.4%
10,001 – 100,000	**229**	6,698,634	6.4%
100,000 and over	**35**	93,191,304	89.1%
Total	**3,625**	**104,545,131**	**100.0%**
Unmarketable	**294**	2,310	0.0%
Minimum $500.00 parcel at $16.64 per share			

(d) Twenty largest holders of quoted equity securities

		Shares held	% issued
1	JP Morgan Nominees Australia Pty Limited	22,541,077	21.6%
2	HSBC Custody Nominees (Australia) Limited	16,348,621	15.6%
3	Citicorp Nominees Pty Limited	9,436,820	9.0%
4	Brahman Pure Alpha Pte Ltd	9,265,125	8.9%
5	National Nominees Limited	8,612,870	8.2%
6	BNP Paribas Noms Pty Ltd <DRP>	4,579,934	4.4%
7	Masonkelly Pty Ltd	4,266,265	4.1%
8	Netwealth Investments Limited <Wrap Services A/C>	3,370,606	3.2%
9	Daken Investments Pty Ltd <Perlov Family A/C>	3,149,539	3.0%
10	Kelly Superannuation Fund Pty Ltd	2,116,801	2.0%
11	Armada Investments Pty Ltd	1,608,229	1.5%
12	Tracey Ryan Investments Pty Ltd <Ryan Investment A/C>	1,240,900	1.2%
13	Australian Shareholder Nominees Pty Ltd <Legal Eagle Pl Colmansf A/C>	768,435	0.7%
14	One Managed Investment Funds Ltd <Charter Hall Maxim Property Sec>	538,309	0.5%
15	Maxima Ethan Pty Ltd <Maxi Fogelgarn S/Fund A/C>	465,193	0.4%
16	Elizabeth Kelly Foundation Pty Ltd <Blue Sky Foundation A/C>	462,500	0.4%
17	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	461,002	0.4%
18	Pacific Custodians Pty Limited <LIC Emp Share Tst A/C>	385,000	0.4%
19	Mutual Trust Pty Ltd	370,970	0.4%
20	Citicorp Nominees Pty Limited <DPSL A/C>	327,155	0.3%

Securities exchange

The Company is listed on the Australian Securities Exchange. ASX ticker code LIC.

Unquoted Equity Schedule

6 holders of long term incentive options issued as part of the incentive scheme	102,567
100 holders of short term uvested options issued as part of the incentive scheme	198,168
53 holders of short term vested options issued as part of the incentive scheme	145,594
	446,329

Corporate Information

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


Good times at Lifestyle Lyndarum

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