

# Annual Report

for the year ended 30 June 2023

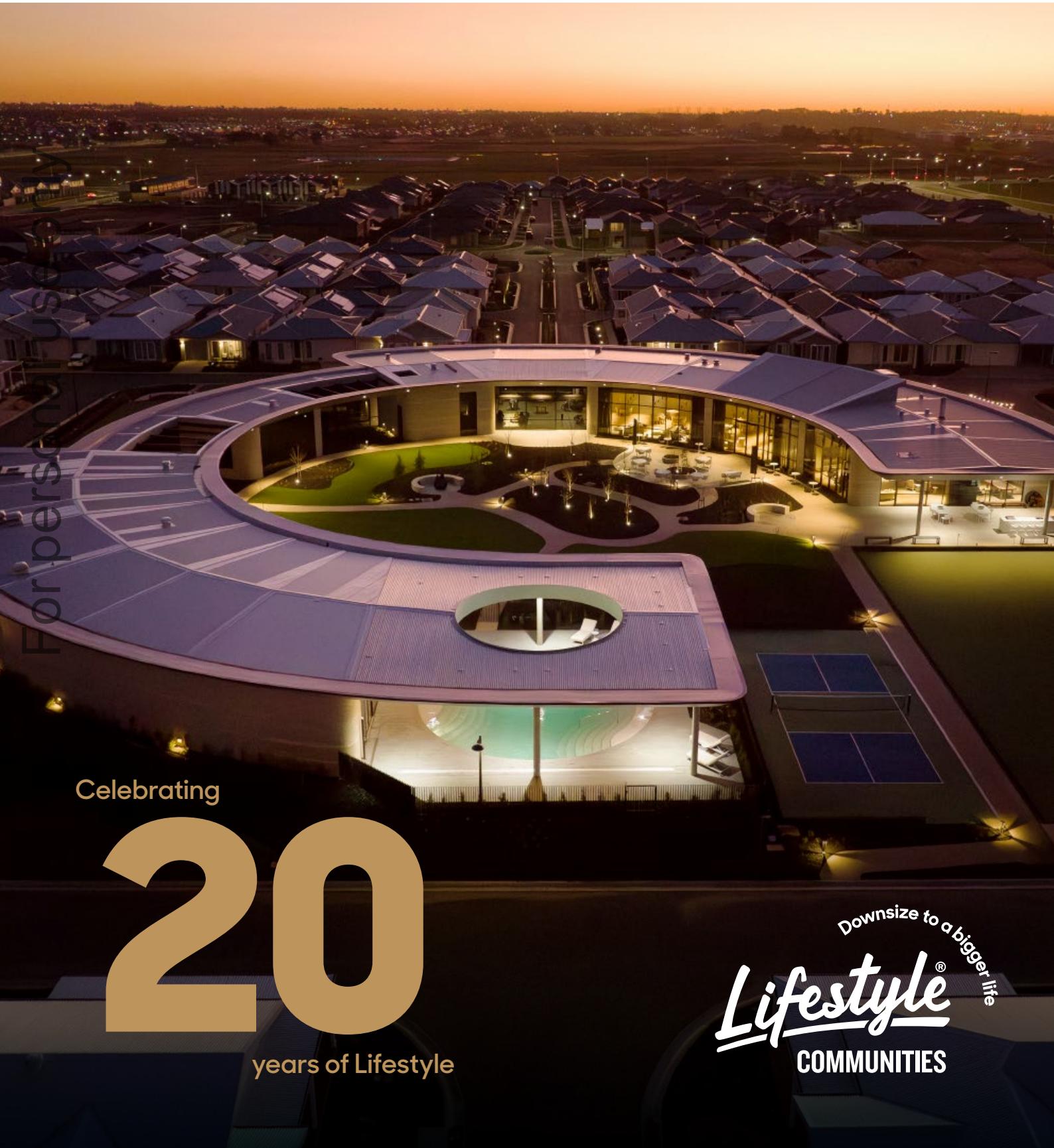
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Celebrating

# 20

years of Lifestyle

Downsize to a bigger life  
**Lifestyle<sup>®</sup>**  
COMMUNITIES

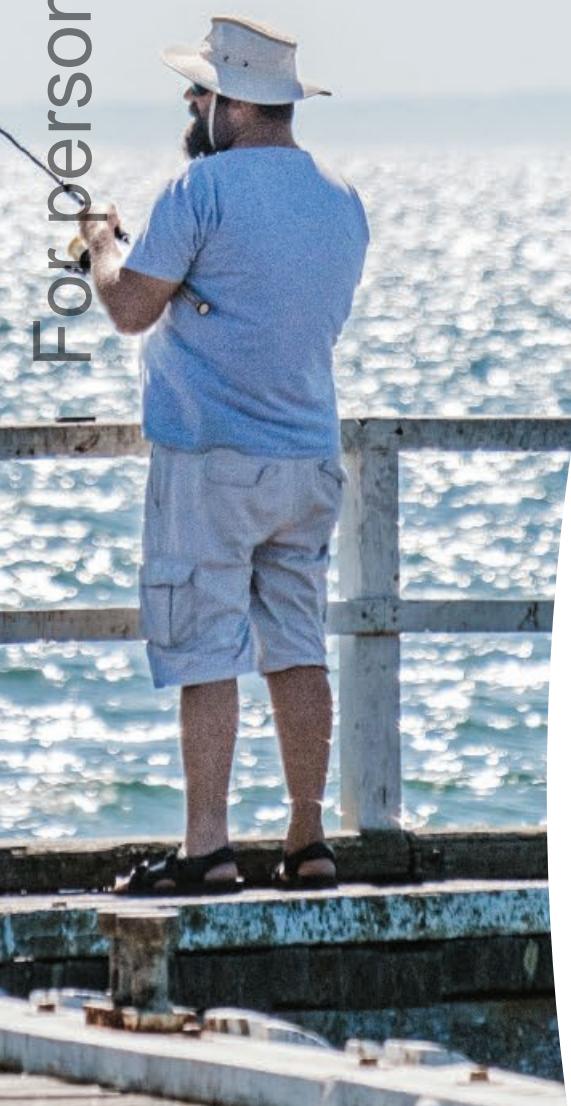


# Our **story**

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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.

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



Scan the QR code to view our 'Lifestyle Story'.



Fishing on the public pier at St Leonards

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# Chair and Managing Director's Review

## For the 2023 Financial Year

Dear fellow shareholders,

Lifestyle Communities celebrated 20 years of operations in 2023 and it was a privilege to settle our 3,500th home and welcome our 5,000th homeowner during the year. Reflecting on these milestones we are immensely proud of what the business has achieved in its 20 years, culminating in successfully registering the “Lifestyle Communities” trademark and protecting the substantial investment we have made in developing our brand over many years. We continue our unwavering commitment to our strategy of being the most customer centric and innovative provider of high-quality affordable housing for those looking to downsize in Victoria. Whilst we have remained disciplined with our strategy, the product and service offering continue to evolve and improve, giving us opportunities to do even more for our homeowners as we continue to build scale.

Economic conditions in Australia have changed over the last 12 months, and we have witnessed first hand the impact Lifestyle Communities can have on the lives of our homeowners. Downsizing their housing footprint and releasing equity from the family home helps ease financial pressures as our homeowners approach the twilight of their careers and transition into retirement. In addition to the equity released, the Lifestyle Communities model offers lower living costs and a substantial number of features and benefits that, if utilised, can help to mitigate some of the cost-of-living pressures being felt in this high inflation environment.

In addition to making use of the sporting facilities, gyms and pools, homeowners can access computers, wi-fi and streaming services, electric cars and bikes, community buses, discounts on an increasing number of products and services, and even free holidays. All included as part of the weekly site fee. During the year, we consolidated the energy contracts across all our communities to utilise our scale and minimise the impact on homeowners of the recent substantial price

rises in the energy market. As a core principle, our aim is to utilise our increasing scale to deliver value back to our homeowners which increases the attractiveness of the offer, drives referral, and helps us to grow faster.

With the changing economic environment comes an increase in demand from people seeking to make a change and take advantage of the improvements in financial position that can be gained by downsizing into a Lifestyle Community. Increasingly we are seeing younger customers looking to free-up time as well as equity. We are well positioned to capitalise on this increasing demand, having commenced construction of seven new projects during the year, taking the total number of communities currently in construction to nine with a further four communities in planning. Each of these new communities will include the latest innovations and designs, including our solar micro-grid and community batteries which help to further mitigate rising energy costs. Our plan remains to prioritise the social aspects of our model and we are naturally bound by the limits of affordability. However, where we can, we will seek to invest in new innovations and technology, that provide cost of living and other co-benefits to our homeowners.

Listening to our customers is at the heart of everything we do, and we continued to evolve our feedback processes during the year. Every community has a homeowner's committee which meets with our management every month to share feedback and advocate on behalf of homeowners. We also conduct a comprehensive homeowner survey and a town hall meeting every 6 months. During the year we introduced a net promoter score (NPS) to help measure our homeowner experience and customer satisfaction. The net promoter score coupled with the qualitative information we capture through the bi-annual homeowner survey is crucial to helping us understand the perspectives of our customers and enables us to continue to improve our facilities and service offering.

With the changing economic environment comes an **increase in demand from people seeking to make a change** and take advantage of the improvements in financial position that can be gained by downsizing into a Lifestyle Community.

Our core operating business continued to grow, and we now have 21 communities in operation which delivered annuity income of \$47.2m. The increasing scale in our operating business coupled with our ongoing development activities resulted in operating profit increasing by 15.8% to \$71.2 million (FY22: \$61.4 million) while valuation gains lifted statutory profit after tax to \$81.9 million (FY22: \$88.9 million). Our drawn debt increased from \$245 million at the end of FY22 to \$371 million at the end of FY23. The additional drawdown was used to settle on contracted land purchases and commence construction at seven new communities during the year.

The Lifestyle Communities model takes a longer-term view on the management and running of the community. As part of that approach, we have led the market with a deferred management fee which ensures that Lifestyle Communities are invested alongside our homeowners to ensure both us and our homeowners are incentivised to maintain and invest in our communities for the long term. In FY23 we spent over \$1.6m on refurbishment of existing communities including bathroom replacement at Casey Fields, outdoor entertainment space at Chelsea Heights, bowling green replacement at Shepparton, and upgrades to games rooms, workshop and gardens at Seasons and Warragul. We can see the value of this approach coming through in the prices being achieved for homes being resold within our communities, achieving an average capital growth of 9% per annum. All customers that sold during the year after staying for

more than 5 years, exited with more than the incoming price, after paying the maximum 20% deferred management fee.

Our IT transformation continued during the year with a substantial effort made to embed the technology upgrades implemented in the prior year. The Salesforce system in particular is starting to add substantial value as it interacts with our website and other marketing activities, and provides insights to our team regarding customer preferences, behaviour and intent. In FY23 we also invested in a workplace health and safety system to help us better track and manage incidents, manage our contractors, and ongoing compliance activities.

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 \$160,000. The foundation is funded through allocating \$50 for every home that we have under management at the start of each year. Since inception, the foundation has raised and donated over \$1.4 million. A highlight of the year was the inaugural "Tour de Lifestyle" bike ride where homeowners rode to all Lifestyle Communities over a period of 7 days raising \$72k for the Royal Children's Hospital Foundation.

Our capital management strategy remains consistent, seeking to deliver sustainable returns to shareholders through measured growth, and recycling capital from existing developments into future developments. As we look forward to FY24, we remain conscious of the challenges and risks that face us as the economy navigates the macro conditions and monetary policy settings continue to adjust. However, we remain optimistic about the demand for our product in times like these and the positive impact we can have for homeowners to assist them in navigating these challenging times. We have conviction in the medium to long-term prospects at the affordable end of the housing market, underpinned by the macro themes of an ageing population, increasing immigration, a

shortage of high-quality affordable housing, and strong demand from first home buyers for the family homes that our customers sell when they make the move to Lifestyle Communities. 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.

We finished the year with 3,549 settled homes under management across 21 operating communities. With our most recent land acquisitions in Clifton Springs and Yarrawonga, our total portfolio of completed homes, homes under development, and homes yet to be developed increased to 5,912, 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.

Commencing construction on seven new projects during the year required a substantial effort from the team. As always, the team rose to the challenge beautifully with teamwork, coordination, and commitment across all facets of the business. We were pleased to see the can-do attitude and hustle culture established 20 years ago in 2003 is still alive and present twenty years later. On behalf of the Board, we would like to thank all our homeowners, our talented team, our suppliers, and our shareholders for their great support during the 2023 financial year.



**Philippa Kelly**  
Chair  
16 August 2023



**James Kelly**  
Managing Director  
16 August 2023

Progress at Lifestyle Riverfield, July 2023

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Artist impression of Clubhouse at Lifestyle Riverfield



# Our **business and strategy**

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 2023 and the auditor's report thereon. There were no significant changes in the nature of the Group's principal activities during the financial year.

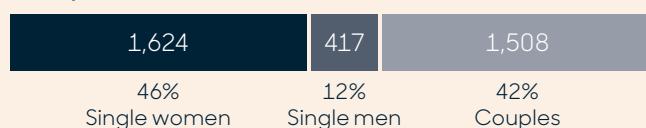
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## How we operate.

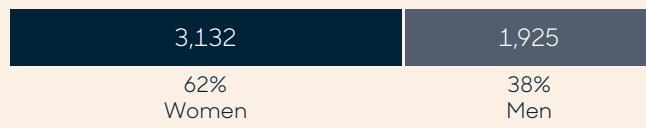


### Community portfolio snapshot

#### Occupied homes mix



#### Gender split



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# Model of *living*



How does the  
**Lifestyle Communities**  
**model of living** work?

Homeowners at Lifestyle Communities own their own home and lease the land upon which their homes are located, via a weekly site fee and a deferred management fee.

The weekly site fee is approximately 20–25% of the Aged Pension after receipt of the Commonwealth Rental Assistance<sup>2</sup>.



Average homes typically priced at 75-80% of the median house price in the target catchment



A 90-year lease over the land provides security of tenure.



On average, release of approximately \$240,000<sup>1</sup> upon sale of previous home.



Homeowners at Lifestyle Communities are covered by the Residential Tenancies Act.



Homeowners control price, presentation and sales strategy at exit.

## Notes

1. Calculated as the difference between the homeowners previous house sale price and the homeowners Lifestyle house purchase price
2. Calculated in accordance with the formula used by the Department of Social Services. Which is: Rent minus Commonwealth Rental Assistance divided by the Pension

# Growing recurring revenue stream

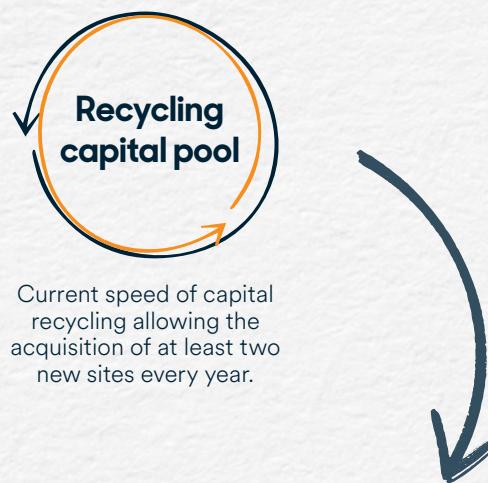
Lifestyle Communities' business has **two core elements**.

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1

## Creating communities

A mix of equity and debt capital is used to develop greenfield sites to create new communities. Capital is recovered from one community and is recycled into the next project.



2

## Managing communities

Completed communities generate revenue streams which are growing as new communities are added to the portfolio.

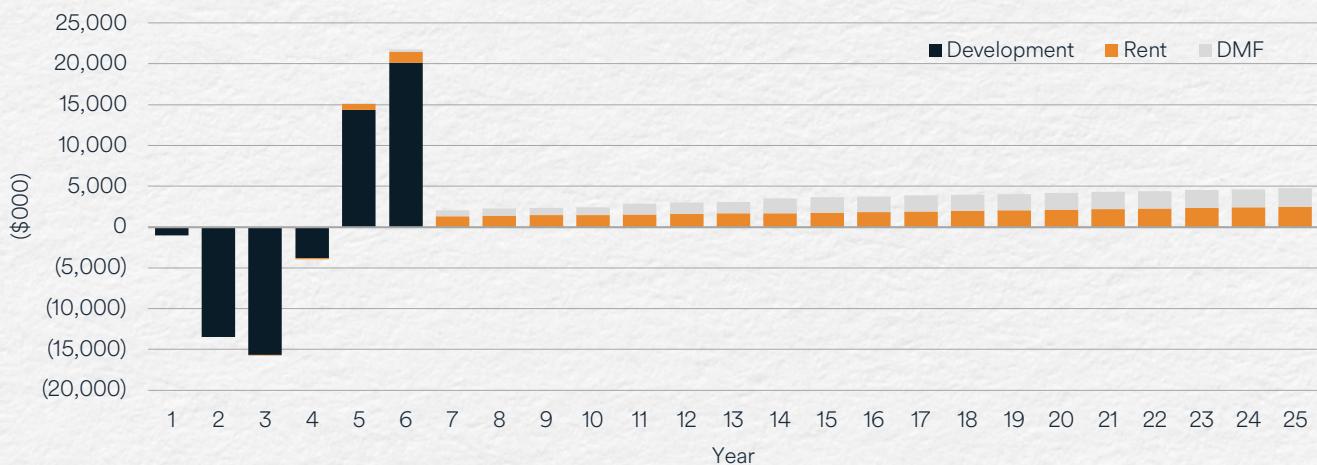


DMF of 4% per annum on the resale price of the home, capped at 20% after 5 years.

The speed at which Lifestyle Communities can create **new communities** is limited by the size of the capital pool and the speed at which it can recover its capital through driving new home settlements.

The charts below show an example cash flow profile of a community throughout its life. The charts use the same data set but the first chart shows cash flows per year whereas the second chart show cumulative cash flows for the life of the project. As can be seen, development costs are recovered through new home sales and ongoing cash flow is generated through site rentals and deferred management fees.

### Worked example — year-on-year cash flows



### Worked example — cumulative cash flows



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# Macro themes underpinning **our strategy**

Baby Boomers and First Home Buyers  
**driven to action regardless of the cycle.**

Lifestyle Communities provides a credible option even in falling market

- Downsizing releases equity to improve living standards in retirement
- Design evolution delivers aspirational product – attracting more customers from above the median house price (including self-funded retirees)
- Transparent financial model provides certainty to homeowners regarding future costs
- Cash cost recovery pricing model did not chase the market during the upswing — leaves room to absorb inflation and interest rate rises





## Ageing population

- Shortage of Affordable Housing Options
- Working, semi-retired, or retired people impacted by inflation
- Stage of life drives action regardless of the cycle – Seize the Day!
- Low levels of superannuation - benefit from equity free-up
- Desire for ownership, control, safety, security and social interaction
- Our buyers typically sell to first home buyers



## First home buyers

- Typically buy the homes Lifestyle customers are selling
- Stage of life drives action regardless of the cycle
- See an opportunity to enter the market
- Priced out of the new home market
- Supported by low unemployment
- Supported by Government incentives at both a state and federal level



## Economic environment

- Increased cost of living affects the asset rich/cash poor cohort
- Creates necessity to downsize
- Increases the addressable market
- Doing nothing is less attractive



## Property market — outer suburbs

- Affordable suburbs less sensitive to price movements
- Sales volumes reduce in down cycles – upgraders and investors drop out of the market
- First home buyers underpin the remaining volume
- Correlation to unemployment
- Supported by immigration

# Our purpose

Lifestyle Communities was born with a purpose to be socially responsible in creating affordable, homeowner-centric communities for Australians over 50.

Our product and operating model has 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.

During FY23, we re-examined this purpose through engagement with stakeholders across the business.

Our understanding of our purpose has deepened over the years, and we recognise that the positive impact we can have on the lives of our homeowners through our business activities extends beyond the affordability of our offering.

The way we create and operate our communities has wider impacts on the well-being of our homeowners, financially but also through other dimensions: this includes access to social connection and contribution to a sense of purpose and empowerment.

Our purpose has and will continue to guide our business activities and is the core driver of how we create value for all our stakeholders.

Progress at Lifestyle Bellarine

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# Our **values**

Our purpose is embedded in our values-based culture, which drives and inspires our people to innovate and create memorable customer experiences that drive the best outcomes for our homeowners. Our values are the driving force behind all that we do, reinforcing our culture and ultimately ensuring our continued success.

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# How we **create value**

	Measure	FY23	FY22	FY21	FY20	FY19
<b>Key operational metrics</b>						
Total settled homes (end of year)	Homes	<b>3,549</b>	3,193	2,792	2,537	2,284
Portfolio + pipeline (end of year)	Homes	<b>5,912</b>	5,391	5,094	4,494	3,563
New home settlements	Homes	<b>356</b>	401	255	253	337
Resale settlements	Homes	<b>178</b>	156	121	102	71
<b>Income statement snapshot</b>						
Home settlement revenue	\$'000	<b>180,827</b>	180,291	102,716	96,105	119,270
Annuity revenue (Rent + DMF)	\$'000	<b>47,164</b>	40,618	32,385	28,129	22,435
Other revenue	\$'000	<b>4,302</b>	3,497	3,602	3,902	2,537
Total revenue	\$'000	<b>232,293</b>	224,406	138,703	128,136	144,242
<b>Operating profit after tax</b>		<b>71,129</b>	<b>61,430</b>	<b>36,388</b>	<b>31,400</b>	<b>41,400</b>
<i>Reconciliation to statutory profit:</i>						
Statutory valuation adjustments	\$'000	10,771	27,441	54,723	11,418	13,663
Statutory net profit after tax	\$'000	81,900	88,871	91,111	42,818	55,063
<b>Statement of financial position snapshot</b>						
Cash	\$'000	<b>1,233</b>	1,893	2,300	16,381	4,982
Inventory/work in progress	\$'000	<b>193,555</b>	135,679	125,243	73,931	50,980
Investment properties						
Fair value of rental cash flows	\$'000	<b>529,971</b>	448,300	355,400	256,100	212,900
Fair value of deferred management fees	\$'000	<b>204,254</b>	172,700	143,100	114,100	104,100
Undeveloped land	\$'000	<b>227,925</b>	229,247	137,955	123,402	82,750
Other assets	\$'000	<b>34,502</b>	18,392	17,278	12,739	10,072
<b>Total assets</b>	<b>\$'000</b>	<b>1,191,440</b>	<b>1,006,211</b>	<b>781,276</b>	<b>596,653</b>	<b>465,784</b>
Trade payables	\$'000	<b>115,849</b>	159,904	94,023	75,217	36,919
Borrowings	\$'000	<b>371,000</b>	245,000	190,000	145,000	100,000
Deferred tax	\$'000	<b>171,954</b>	144,770	115,365	82,799	69,371
Other liabilities	\$'000	<b>7,779</b>	3,080	3,793	2,264	4,803
<b>Total liabilities</b>	<b>\$'000</b>	<b>666,583</b>	<b>552,754</b>	<b>403,181</b>	<b>305,280</b>	<b>211,093</b>
<b>Net assets</b>	<b>\$'000</b>	<b>524,857</b>	<b>453,457</b>	<b>378,095</b>	<b>291,373</b>	<b>254,691</b>
<b>Net assets excl. deferred tax</b>	<b>\$'000</b>	<b>696,812</b>	<b>598,227</b>	<b>493,460</b>	<b>374,172</b>	<b>324,062</b>
Contributed equity	\$'000	<b>55,925</b>	57,726	63,859	63,784	63,641
Reserves	\$'000	<b>9,354</b>	6,028	3,472	2,188	2,196
Retained profits	\$'000	<b>459,578</b>	389,703	310,764	225,401	188,854
<b>Total shareholders equity</b>	<b>\$'000</b>	<b>524,857</b>	<b>453,457</b>	<b>378,095</b>	<b>291,373</b>	<b>254,691</b>
<b>Share information</b>						
Total shares on issue	'000 of shares	<b>104,545</b>	104,545	104,545	104,545	104,545
<b>Operating earnings per share</b>	<b>cents per share</b>	<b>68.1</b>	<b>58.7</b>	<b>34.8</b>	<b>30.0</b>	<b>39.6</b>
Basic earnings per share (statutory)	cents per share	<b>78.3</b>	85.4	87.3	41.0	52.8
Diluted earnings per share (statutory)	cents per share	<b>78.0</b>	85.1	87.1	41.0	52.8
<b>Net assets per share</b>	<b>\$ per share</b>	<b>5.0</b>	<b>4.3</b>	<b>3.6</b>	<b>2.8</b>	<b>2.4</b>
<b>Ratios</b>						
Operating profit margin	%	<b>30.6%</b>	27.4%	26.2%	24.5%	28.7%
Weighted average rent capitalisation rate	%	<b>5.14%</b>	5.18%	5.57%	6.46%	7.00%
Average DMF valuation	\$'000 per home	<b>61</b>	58	56	50	51
Return on average shareholders equity	%	<b>16.9%</b>	21.9%	26.5%	15.7%	43.2%
Net debt to net debt + equity	%	<b>41.3%</b>	34.9%	33.2%	30.6%	27.2%
Net debt/assets less cash and land accruals	%	<b>33.2%</b>	27.5%	26.7%	24.6%	22.0%
Interest cover	No. of times	<b>3.2x</b>	6.2x	5.6x	5.5x	6.7x

# How we **create value**

We re-imagine over 50s community living for those who want to live more, not less.

We are agents of meaningful change, creating long-term value for our homeowners, team members, shareholders, suppliers and partners and the broader community.

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## Our Homeowners

The 5,000+ homeowners that live in a Lifestyle Community, everyone that engages with our marketing material and comes to a community to inspect.

### Important Issues

- Social inclusion, health, and well-being
- Desire for ownership, control, and engagement
- High quality service, ease and convenience of interactions
- Value for money and transparency of financial model

## Our Team

Our workforce of 160+ people, our pipeline of emerging talent working across our greenfield development projects and operating communities every day.

### Important Issues

- Commitment to and connection with our purpose
- Health, safety, flexibility, well-being and belonging
- Ongoing career development and opportunities
- Retention and attraction of key talent

## Our Partners

More than 1,000 suppliers and partners that provide the goods and services we rely on to deliver amazing service to our homeowners.

### Important Issues

- Financial instability in the industry more broadly
- Responsible and ethical supply chains
- Visibility and confidence of long-term pipeline
- Quality of relationships

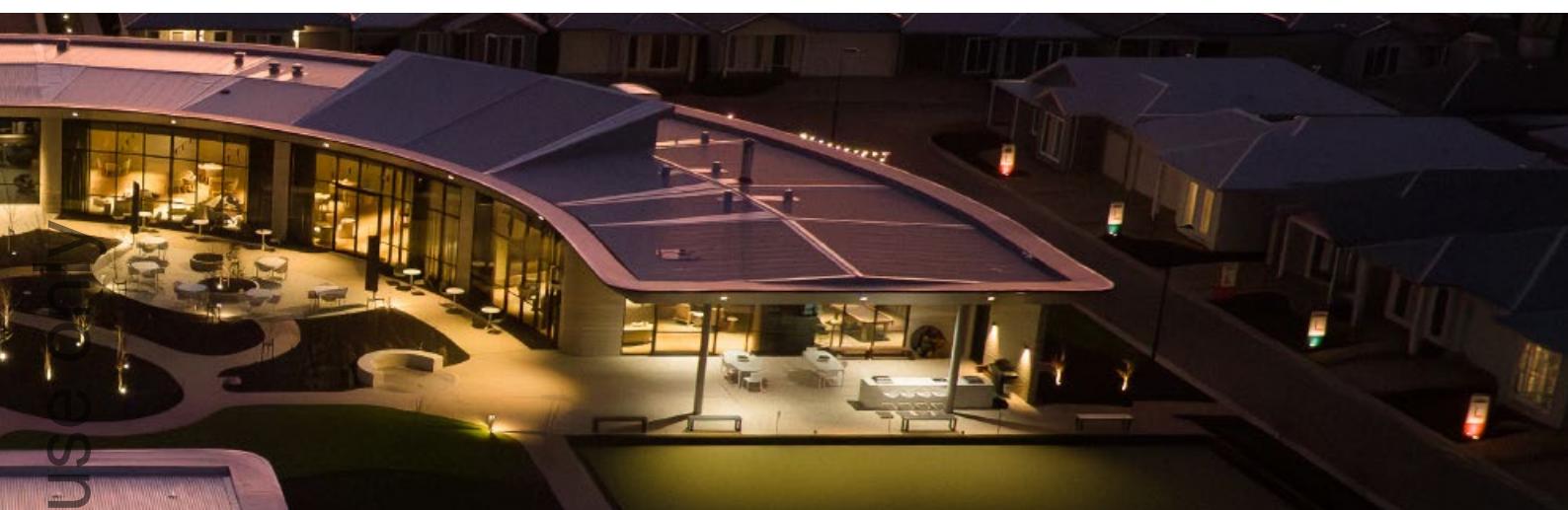
## Our approach to Sustainability

Our plan remains to prioritise the positive social impact of our model and business practices. Affordable housing is our core, and we are bound by the limits of affordability. Where we can, we will pursue initiatives and innovations that maximise value and benefits to our homeowners and provide other sustainability co-benefits.

## Our economic value creation

Suppliers	Team members	Shareholders	Government	Wider Community
<b>\$238.5m</b>	<b>\$18.9m</b>	<b>\$12m</b>	<b>\$16.8m</b>	<b>\$320k</b>
suppliers and services spend	payments and benefits to team members	total dividends paid	cash taxes paid and collected	community donations

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### The Communities where we operate

The communities of greater Melbourne and regional communities including Shepparton, Warragul, and Phillip Island.

#### Important Issues

- Chronic shortage of affordable housing
- Inflation and increasing cost of living
- Built form and its impact on local communities
- Climate change

### Our Investors and Banks

The institutional, superannuation, and retail investors and the lenders that provide us with the capital to deliver long-term sustainable growth.

#### Important Issues

- Organisational culture and capability, including Executive Committee and Board
- Strategy, execution, risk management and ESG performance
- Capital strategy and management
- Long-term value creation

### Government and Industry

Our partners in Federal, state and local government and the urban development community we are active in.

#### Important Issues

- Chronic shortage of affordable housing
- Innovative and sustainable housing solutions
- Future ready communities
- Electrification, renewable energy, and removal of gas

Commitment to install:

**8** micro grids

**4 MW** of Solar Panels and  
**2 MW** of community batteries

**57%**  
women in  
emerging leadership  
positions

**9**  
out of  
**10**  
Employee  
Engagement  
Score

Certified Employer  
of Choice by the  
**Workplace Gender  
Equality Agency  
(WGEA)**

# Our approach to Sustainability

Lifestyle Communities was born with a purpose to be socially responsible in creating affordable, homeowner-centric communities for Australians over 50.

**A**s our understanding of our purpose has deepened, we recognise that the way we create and operate our communities has wider impacts on the well-being of our homeowners, financially but also through other dimensions. This understanding underpins our approach to sustainability.

We prioritise our impacts on and benefits to people, especially our homeowners. We understand that as an organisation, we have a role to play as part of a wider ecosystem. We focus our efforts on areas where we can have the biggest positive impact and provide the most benefit to people.

We recognise that the well-being of people and the health of the planet are connected and continue to progress our efforts on climate change and other areas of environmental sustainability, acknowledging that where we come up against the limits of affordability, we will stay true to our purpose and seek to use innovation and design to find co-benefits for both people and the environment.

## **Our commitment to continuous improvement and meaningful action**

We are committed to continuous improvement and learning when it comes to our sustainability performance. In an ever-evolving field, we recognise the importance of staying informed and proactive. We actively seek meaningful opportunities to enhance our sustainability practices, identify areas where we can do better, and implement innovative solutions that align with our compelling purpose.

By embracing a culture of learning and adaptation, we strive to implement meaningful and impactful change. We recognise that data and information are key to effective decision making and prioritisation, and as such are working to continuously improve our data collection and reporting practices – especially in the emerging field of social sustainability.

We engage with our stakeholders on a regular basis to ensure that we are receiving feedback on the issues that matter most to them.

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## Actions we took in FY23

- ✓ Health, Safety & Environment System and IT infrastructure uplift
- ✓ NPS introduced and over 40 town halls conducted
- ✓ Programs to uplift employee engagement, including new office
- ✓ Cyber Risk Roadmap completed and uplift to data management practices and privacy policy
- ✓ WGEA citation
- ✓ Developed partnerships to drive value back to homeowners
- ✓ Completed construction of our first micro-grid
- ✓ Committed to 7 additional micro-grids with centralised community batteries

## Material issues

In FY21 we undertook a materiality assessment to identify the sustainability topics that can impact our ability to create value as a business, and matter most to our stakeholders. This helped us focus and prioritise our efforts and confirmed our commitment to the social aspects of sustainability, a commitment which aligns with our business model and our purpose.

We have continued to engage with our stakeholders and listen to their feedback on a regular basis. Further details on our approach to stakeholder engagement, and our progress, can be found throughout the upcoming sections.

During FY23, we conducted a review of the original assessment against leading sustainability frameworks and indicators. This allowed us to consider our impacts within these areas, in addition to the importance of these topics to our business and stakeholders.

This assessment and review resulted in an extended program of work to address and uplift our performance over the medium term and retarget some of our efforts in the short term. Our focus on people is reflected within our material topics and priority areas.

## Priority issues **addressed during FY23**

Material issues in FY23	Relevant stakeholder group	Alignment to UN SDGs	Relevant sections in this report
<b>Housing supply and affordability</b>	Homeowners Wider Community	 	Our business and strategy
<b>Team engagement and well-being</b>	Our Team	 	Our team
<b>Health and safety</b>	Our Team Homeowners Our Partners	 	Our team
<b>Employer of choice</b>	Our Team		Our team
<b>Diversity and inclusion</b>	Our Team	 	Our team
<b>Homeowner (customer) engagement and satisfaction</b>	Homeowners		Our communities
<b>Homeowner health, well-being and social connection</b>	Homeowners		Our communities
<b>Climate action</b>	Wider Community Homeowners Investment Community	  	Climate action
<b>Local community impact and partnerships</b>	Local Communities Our Partners	 	Our partners and suppliers, wider community impact
<b>Privacy and cyber security</b>	Homeowners Wider Community		Our company's key opportunities and risks
<b>Responsible procurement</b>	Our Partners Wider Community		Our partners and suppliers
<b>Governance processes and systems</b>	Our Team Investment Community	 	Our board and governance

## Sustainability governance

### Board and Executive responsibility

The Board has overall responsibility for sustainability governance.

Our Managing Director and Chief Financial Officer oversee the strategic integration of sustainability goals and metrics into the wider business.

The leadership team drive the implementation of sustainability initiatives within their teams, with support from subject matter experts, to meet targets and goals.



# Our **team**

We recognise our ability to impact people within three spheres of influence – our team, our communities, and the wider communities we operate in.

Our team is at the heart of everything we do. We look to empower our team to embody our purpose and values every day. The well-being, engagement and development of our team is directly linked to our ability to deliver positive outcomes for our homeowners. We also acknowledge our power to positively impact our team members' individual well-being.

## **Adap+ framework**

Our people experience team works to embed our culture and values through our custom designed adap+ framework. Our framework is built upon three pillars that deliver value to our team through finding new ways to create true connections, providing opportunities for development and growth, focusing on work-life balance, tailoring our reward and recognition program to the changing needs of our team, and moments of surprise and delight.

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Team Summit 2022

a  
different  
approach to  
people. pathways. perks.  
+ much more!

# adapt+

## people.

- Culture and Values
- Engagement, Well-being and Connection
- Diversity, Equity and Inclusion

## pathways

- Training and Future Skills
- Career Progression
- ROADMAP
- Emerging leader development

## perks

Benefits including:

- Additional days off
- Share Scheme
- Surprise and Delight!

+ much more!

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## Team engagement survey

### Drivers of our culture

Through our talent attraction and engagement process, we identify candidates' personal alignment with our values, purpose of our business, and culture.

Our leadership team leads by example, creating a fun, kind, and welcoming environment where teams feel empowered, valued, and supported.

Our organisational structure is designed to be relatively flat, allowing team members direct access to the leadership team, as well as to other team members throughout the business.

### Engagement Survey **most loved benefits**

1. Lifestyle long weekends
2. Employee share scheme
3. Wellness dollars
4. Flexibility
5. Culture
6. Additional paid days off
7. New support office

### Health and Safety uplift program

Our team's health, safety and well-being are of the utmost importance to us as a people-first business. This also extends to our wider team, including contractors and sub-contractors, as well as our homeowners and visitors.

In FY22 we undertook an assessment of our existing health, safety and well-being processes and systems. This resulted in a program of work to be delivered in

**9 out of 10**

employee experience ranking from our team in our most recent engagement survey.

**97%**

of our team felt supported through life transitions/experiences (i.e. parenting, caregiving, mental health, chronic illness, etc.).

**Over 80%**

of our team shared their views in this year's survey.

**Zero**

fatalities and life changing injuries in FY23

FY23 to uplift our performance across a number of areas, to ensure that we are creating and operating places where harm to people is minimised.

Our commitment to safer and healthier people, places and supporting processes underpins this program of work. Our team is also empowered to constructively raise issues and to intervene or stop work if they feel unsafe or witness unsafe practices.



### **Curious conversations around Health and Safety**

A key part of our uplift program is engagement and collective upskilling across the business around health and safety.

Our HSE champions group is at the heart of this, a multi-disciplinary team that help facilitate open conversations around health and safety, as well as distribute key learnings to the rest of the business.

### **Psychosocial safety**

The health and well-being, including psychological safety of our team is a continual focus for Lifestyle Communities.

We work to create opportunities for open conversation, launching initiatives to raise awareness within our business and across our communities, focused on topics of wellness and connection.

Our Employee Assistance Program (EAP) supports our team members and their loved ones in times of need. The program is free for all team members and available 24 hours per day, 7 days per week. Additionally, our EAP provides research, tools, management training and team workshops through their online portal.

Our policies and procedures, such as our code of conduct, ensure 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. We regularly provide training in these areas to our team and the people leaders within the business.

## **Key highlights from our FY23 program of work**

### **Implementation of IT infrastructure**

We have migrated many of our existing processes and systems into a fully integrated and modular workforce management system that will allow us to holistically manage our health, safety and environmental performance. This system will help streamline how we manage incidents, hazards, inspections and audits, as well as our contractor management and site induction processes. We have also reviewed our internal processes, to ensure that the right information is in the right place, at the right time.

The system will allow us to oversee and regularly report on our performance through several metrics, and has already begun providing us with important insights into how we work. We plan to complete the implementation and further embed the system in FY24.

### **Revised contractor management and oversight**

We have conducted a revision of our contractor management model and processes. We have been working with our contractors and partners to implement this revised model, to uplift and streamline our collective performance across health, safety and environment, to ensure that risks are proactively managed and mitigated.

### **Continuous learning — incident and hazard management**

Our teams are trained on how to identify, manage, and respond to different hazards and incidents. During this uplift process, we have been working with our team on how to identify key learnings and how to integrate these into processes moving forward, to ensure a culture of proactivity. We have also reviewed our hazard management and emergency response processes, to ensure that potential harm to people is mitigated.

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Team Summit 2022

## Connection and well-being

### Connecting a growing team

Maintaining our unique culture and social connection between team members is pivotal to the continued well-being of our team, and success of our business.

Our culture and relatively flat organisation structure mean that communication is free to flow between all levels of the business and that all team members, regardless of their role and title, are able to easily connect across the business.

***Our goal is to create a fun, kind, and welcoming environment where teams feel empowered, valued, and supported.***

There are more formal channels through which we encourage communication, connection and sharing including:

- Fortnightly all team calls/town halls
- New starter lunches
- All team summits
- Annual employee engagement survey
- Regular pulse surveys on specific topics
- Team social events
- Fundraising events

Since FY18, we have

## Tripled

Since FY18 we have tripled the size of our team to support our growth.



## A commitment to purpose AFR Best Places to Work



Lifestyle Communities was recognised as one of Australia's Best Places to Work following the release of the Australian Financial Review's annual list.

The award assessment is underpinned by the 'Workplaces of the Future' framework which is designed to assess the ten key factors that are critical to employees feeling motivated and engaged at work.

In comparison to all other entrants of similar size and within our industry, Lifestyle Communities ranked highest in the 'Purpose' element of the framework.

Our team feel that our organisation makes valuable contributions to society that go beyond generating economic value, whilst also connecting individuals to our overall purpose.

### Surprise and delight

We believe that experiencing joy and feeling valued are important contributors to well-being, and so we look to create moments of 'surprise and delight' for our team members.

Whether it's a fun surprise to celebrate a life milestone, or a small gesture of gratitude for being a supportive team member, we look to inject moments of connection and fun into the day to day lives of our team.

### Financial well-being

Following our most recent survey, we identified the need for a focus on financial well-being. Lifestyle Communities engaged with a banking partner to provide the team with access to financial wellness webinars. This was especially well received in the current economic climate.

## Supporting our team's well-being

### Wellness dollars



which can be spent on activities, adventures or products that will benefit team members' health and well-being.



### Lifestyle long weekends and additional paid days off

a quarterly well-being leave day to proactively support work-life balance, as well as other paid days off including birthday leave.



### Lifestyler Magazine

a dedicated health and wellness e-magazine that features programs, content and resources to drive awareness and engagement.



### Flexible working

we support individuals to find ways of working that can accommodate their different life circumstances, through our 'flex' policy.

# Our new space for Connection, Collaboration and Choice

Working from home and the ability to 'flex' the various office-based and customer-facing roles post-pandemic is embedded in our everyday ways of working. However, we recognise the role of office spaces in driving social connection and well-being, as well as business outcomes.

Lifestyle Communities invested in a new Support Office environment, to provide more opportunities for collaboration, connection and choice with team well-being at front of mind.

This innovative space incorporates areas for all types of work styles and lifestyle amenities throughout.

Our Support Office was listed as one of our 'most loved benefits' in our most recent engagement survey.

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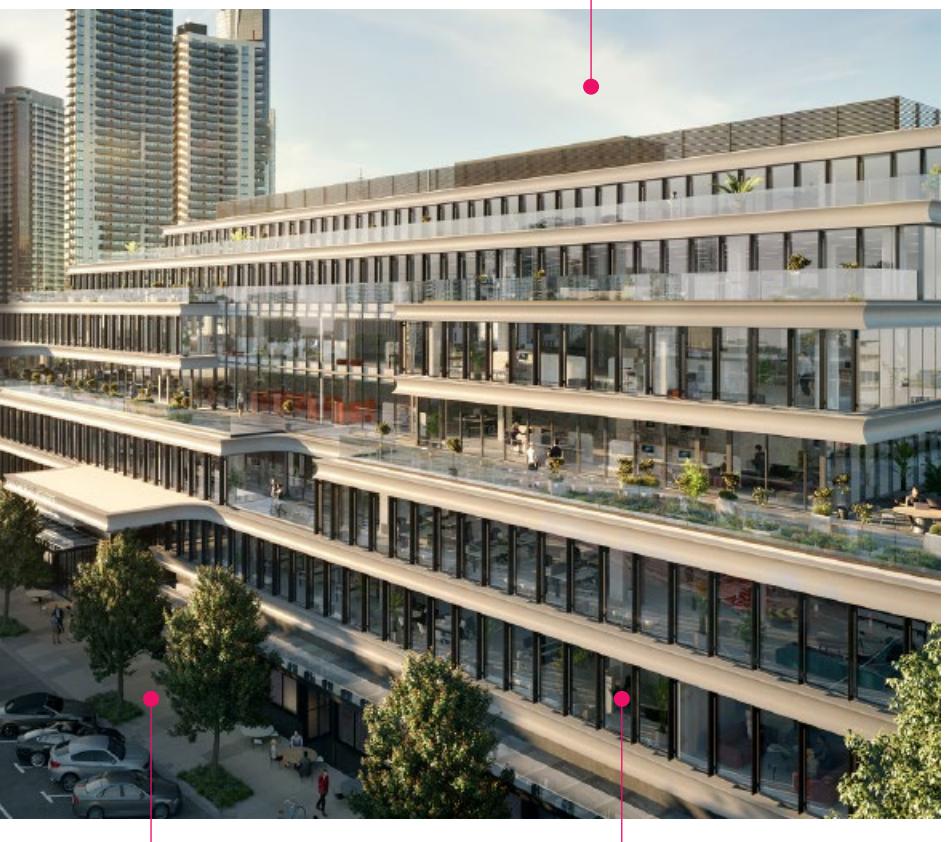
## Natural light

Outdoor terraces with an abundance of natural light and stunning 360-degree views.



## Pet friendly and indoor/outdoor greenery

Plants and pets within the work environment have been shown to reduce stress levels, boost productivity and can improve mental and physical health outcomes.



## Ergonomic design

Standup desks and curved monitors reduce eye strain and fatigue whilst also creating a better field of view, improving mood and energy levels.

## Top-class building facilities

End of trip facilities, gym, basketball court and golf simulator.

## Tailored workspaces

A variety of areas throughout our level providing choice whilst catering to all work styles. i.e. meeting rooms, indoor and outdoor quiet areas, collaboration spaces of all sizes, large training and breakout zones.

# Our partnership with Mother's Day Classic

For the past 5 years, we have been participating in the Mother's Day Classic fundraising event. This is part of our wider commitment to supporting cancer-based charities through the Lifestyle Communities Foundation.

Our participation in the classic is a collective endeavour, this year we had over 390 team members, homeowners and partners walk the Tan, supporting life-saving breast cancer research.

This event is a great space for our team to connect with each other, our business partners and our homeowners, contributing to our combined sense of belonging, purpose and well-being.

**\$60,928**

raised from our community  
for breast cancer research.

Australia's **highest**  
fundraising team.

Victoria's **largest**  
participating group

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## Diversity and inclusion

We recognise the importance of diversity and inclusion to our people's well-being, as well as being an important driver for our business. Respect, dignity and kindness are an important part of our culture, and critical in the way we treat each other, our homeowners, and our partners.

We are committed to the principles of diversity and inclusion and are constantly striving to provide an environment in which recruitment, appointments, advancement and opportunities are considered on a fair and equitable basis. As our team grows, we are learning more about the specific needs of and how to best drive positive outcomes for all our people.

### Our commitment to gender equality

#### WGEA citation

Lifestyle Communities was awarded an Employer of Choice for Gender Equality Citation (EOCGE) by the Workplace Gender Equality Agency (WGEA) in our first year of application.

The citation highlights the meaningful programs and initiatives that Lifestyle Communities has created and embedded within the organisation.

Over 70% of our team are female and we are proud to be recognised for our commitment in leading the way and accelerating change for gender equality in the property/construction industry.

Gender equality is also of particular importance to Lifestyle Communities as over 46% of homes are single female households, and over 62% of our homeowners are female.

#### Targets

We have developed targets for female representation on the leadership team, across our entire workforce, and for board representation. These targets are meant to reflect an appropriate gender balance that is reflective of Lifestyle Communities' customer base.

Employee group	Target	Actual at 30 June 2023
Board	50% female, 50% male	50% female, 50% male
Executive Team	40% female, 40% male, 20% any gender	50% female, 50% male
Entire Workforce	40% female, 40% male, 20% any gender	70% female, 30% male

Recognised as

## Employer of choice for Gender Equality

.....  
by the Workplace Gender Equality Agency (WGEA) in our first year of application.

#### Age diversity

We are in a unique position to contribute to age diversity outcomes and seek to drive positive opportunities for our more mature team members. We actively look for opportunities for knowledge sharing between generations, enhancing innovation, and encouraging diverse perspectives and problem solving. This diversity contributes to improved customer understanding and satisfaction.

A summary breakdown of our employees by age can be found in the remuneration report.

## Policies supporting diversity and inclusion

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.

Our Diversity and Inclusion policy reinforces our values and culture and aligns with our mission to work as a connected, respectful and supportive team and to operate from the heart in everything we do.

## Focus on family

With a high proportion of parents and caregivers on our team, we are committed to supporting them, acknowledging the important role that balancing work with caregiving responsibilities has to an individual's sense of well-being.



Last year, we introduced the Circle-In benefits 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.

## 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



# The Fatherhood Trap

Supporting research to drive better outcomes for caregivers.

In recognition of the important role that fathers play in family life, and to encourage shared caregiving duties, Lifestyle Communities is always on the lookout for new and innovative ways to support the team – be it through flexibility, the support offered by managers or generous policies and benefits.

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Together with Circle In, we conducted a research project — ‘The Fatherhood Trap: Why Australian Dads Want To Take Parental Leave But Don’t (Or Can’t)’ — focused on understanding and unpacking why more dads are not taking parental leave. Furthermore, we hosted a panel discussion at our Support Office to ‘Continue the Conversation’ with some of our working parents where we heard some real stories from the panel and attendees, reaffirming how important workplace culture is to support your team through life journeys like parenthood.

Our Managing Director was part of a panel discussion where other dads shared their experiences, the importance of role-modelling, and practical examples for organisations to step up.

We know what’s possible when workplace culture keeps up and shifts to accommodate changing social norms.

When we encourage, empower and role model dads taking parental leave, everyone wins.

While this research focused on fathers, we acknowledge that there are many other family constructs and hope these findings and recommendations are seen within that broad prism. At Lifestyle Communities, we support and celebrate all parents and caregivers.



## Training and career progression

Our approach to training caters to the individual needs of team members, supporting their success in their roles, as well as their future career aspirations.

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 homeowner journey, company policies, core systems, cyber security, and modern slavery.

We also support team members in building their knowledge and upskilling in areas that support their future career growth.

## Emerging leaders

Emerging leaders are those individuals who demonstrate current and future leadership capability. They are given focused training and mentoring to accelerate their leadership capabilities. The pool presently comprises 57% women and 43% men, helping to secure a strong pipeline of leadership talent for the future.

Our Emerging Leaders program has empowered our leaders to develop skills and strategies to influence change and support team members. They are provided with the tools and resources to be proactive, empower and guide their teams, understand their experiences and the challenges they face, both professionally and personally.

**11,100+**

training hours. An average of 67.7 hours invested into each of our team members.

On-demand access to over **5,000**

online learning programs.

Spent over **\$240,000**

on over 115 training and development programs for our team.

## Our employee share scheme

Our unique employee share scheme applies to all employees and sets consistent targets for all team members. This creates alignment across all functional teams and focuses the entire business on the company's strategic and business objectives.

All team members are subject to a behavioural gateway which reinforces our values based culture and desire to deliver amazing experiences for our homeowners.

Details of our employee share scheme can be found in the remuneration report.

# Our **communities**

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Our business purpose and operating model centre our homeowners in everything we do. We pride ourselves on our homeowner and purpose centric culture and operating model, created from the ground up and nurtured through 20 years of organic growth.



We look to engage, empower and contribute to the well-being of our homeowners throughout the entire lifecycle of creating and managing communities. Our communities are the physical spaces through which our purpose comes to life.

## Homeowner journey

We engage and empower homeowners on every step of their journey with us, from their first enquiry, throughout the sales process, move-in day, and throughout their time living in their community. We focus on building lasting relationships and personalising our homeowners' experiences.

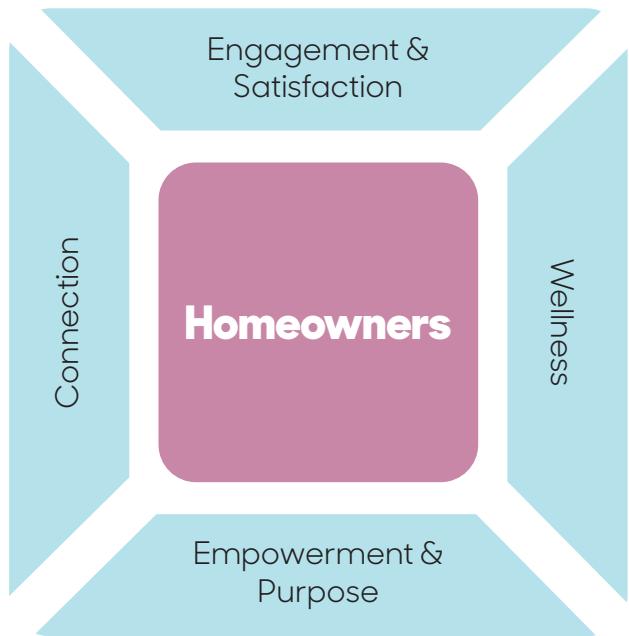
We understand that transitioning to a new lifestyle can be a big step for prospective homeowners, so we ensure that our enquiry and sales processes are thoughtful, considered and not pressured. We ensure that our recruitment and training of teams aligns to this approach.

Our work does not end once a homeowner has moved into our communities. We continue to actively support and empower homeowners in a number of ways, most importantly through our on-site community managers, who live alongside homeowners and are key to how we enable and empower communities.



## Community well-being framework

Developing greenfield communities gives us a unique opportunity to consider the homeowner experience from the ground up. Using feedback from homeowners in our established communities and our team, we adapt each new community to ensure we facilitate positive outcomes for homeowners in how they live, socialise and engage with the spaces that we create.



## Engaging with our homeowners

We are committed to actively listening to and learning from homeowners and are always looking for ways to improve their experience with us and meet their evolving expectations. We want to make sure that homeowners feel supported and heard in an empathetic, fair, and timely manner.

**We live by the adage: A customer may forget what you told them, but they will never forget how you made them feel.**

We conduct two “Voice of the Homeowner” surveys annually, where we seek honest feedback on our performance from homeowners. The surveys are anonymised to allow us to build an accurate picture of how homeowners feel.

We have started introducing NPS scores into our surveys, to assist us in measuring homeowner satisfaction. We are early on our journey, but are looking forward to the insights these scores will give us across our community portfolio. They will also allow us to understand individual communities, to better address their needs and tailor our approach to improving their experience.

### Community Town Halls

A key component of our unique and highly engaged homeowner experience approach are the twice-yearly community town hall meetings.

During FY23, we conducted 42 all community town hall meetings, visiting all of our operating communities every 6 months. These meetings are an open forum for direct conversation and interaction between homeowners and our Managing Director, leadership team and other team members. At the town hall meetings we share insights and feedback gained through our homeowner survey and address hot topics and themes. We also provide an open Q&A with homeowners free to express anything that is on their minds.

This is part of our commitment to be readily accessible to our homeowners through different avenues.

## Empowered Homeowners

### Homeowner committees

Each of our communities has its own Homeowner Committee (HOC), composed solely of homeowners. HOC members are elected by their community to engage with Lifestyle Communities and advocate on their behalf.

HOCs are an important component of homeowner engagement and allow us to be constantly communicating and receiving feedback from homeowners. They are also a space for homeowners to come together and contribute to the collective well-being of their community.

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### **Our commitment to transparency and empowered decision making**

We work to empower homeowners throughout their journey with us. During the enquiry and purchasing process, we empower prospective homeowners in a number of ways:

#### ***Transparent materials***

Our marketing materials are transparent and reinforced through a comprehensive set of Q&As.

Our homeowner 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.

#### ***Empowered decision making***

To ensure our homeowners fully understand what they are committing to, we sit down with every prospective homeowner to explain our agreements in detail and answer any questions before signing.

During the purchasing process, we encourage all our prospective homeowners to engage with their families to talk through their options; we won't take deposits at the first meeting.



### Complaints and continuous learning

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 homeowner engagement process to ensure complaints and issues are heard and dealt with in a fair, consistent, timely, and courteous manner.

As outlined above, the different mechanisms we use to engage and empower homeowners are also spaces where complaints and concerns can be raised.

These include:

- Homeowner committees
- Community town hall meetings
- Engagement surveys

We actively seek honest feedback to ensure we learn from our mistakes and improve as a result.

At any time, the following avenues are available for homeowners 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 Homeowner Experience	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.

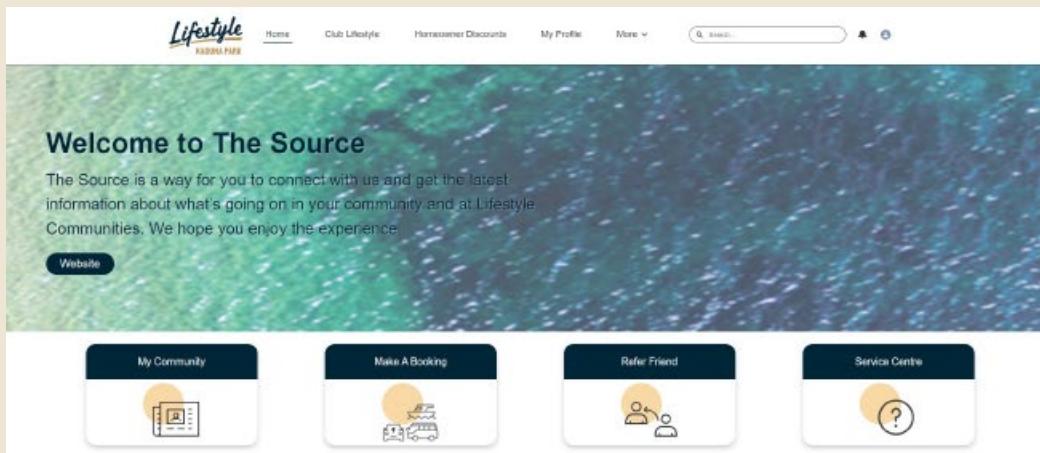
All complaints are recorded in the complaints register which is reviewed by management on a monthly basis. The Board receives regular reporting on homeowner complaints including periodic themes and trends, and specific updates on any material matters.

### The Source

The Source is an information and connection hub that is available to all of our homeowners once they join our communities.

It is a one stop shop for homeowners to raise maintenance issues, book facilities and access important information. It is another avenue for homeowners to interact with the team, and the way it is set up ensures that all requests and issues are attended to by our team in a timely manner.

The Source is part of our ongoing digital transformation journey and our commitment to continuous improvement.





## Cultivating empowered community living

We create and manage our communities with the well-being of homeowners in mind; crucial to this sense of well-being is a sense of connection, purpose and choice.

### **Our approach to cultivating empowered community living**

Our approach to co-creating community with homeowners is one where we plant the seed by setting communities up for success, and then nurturing them at key moments where we can add value and support. We believe that this empowered approach contributes to the well-being of homeowners and their sense of purpose.

### **Space to connect**

We create spaces where homeowners can easily connect with each other, themselves and the space they are in. We strive for homeowners to consider the rest of the community as an extension of their home and continue to actively cultivate this sense of connection in how we manage communities.

### **Enabling connection**

We work to empower and nurture communities by setting them up for success from the start.

### **Social Committee**

Along with a Homeowner Committee, each community has a dedicated Social Committee that is run by volunteer homeowners. The social committee is responsible for arranging a wide range of activities for fellow homeowners within the community, based

on community interests. Social Committees are empowered to run independently, but they work closely with our on-site community managers to collectively work towards increased connection, inclusiveness, and physical and mental well-being outcomes.

### **Ambassador Program**

We understand it can be daunting moving into a new community and form new friendships and connections. Our ambassador program matches new homeowners with volunteers within the community, to help ease the transition for homeowners and enable them to form connections with their neighbours.

## Eye on design

Our approach to community design supports connection and cultivates community living through:

- Inclusion of multipurpose common spaces (Clubhouses) where, homeowners can come together to socialise or to use as a restful retreat
- A variety of recreation and sporting facilities where homeowners, their families and friends can come together
- Landscaping and design features that can help homeowners connect to their natural surroundings and each other
- Pet-friendly facilities that recognise the importance of bonds between pet owners and their pets

## Getting around Transportation

We offer homeowners a range of transportation services including shuttle buses, vans and cars to make it easier for them to get around, attend to errands and appointments, connect to other communities and explore the wider community they live in.

All Lifestyle Communities come with a fully electric town car, a mini-bus, and electric bikes free for homeowner use at no additional charge. This helps reduce cost of living for our homeowners, and promotes car-pooling and shared transport.

Electric cars at  
Lifestyle Bittern

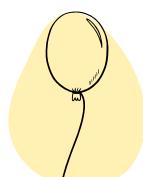


## Building social connection

Our empowered on-site community managers actively work, alongside our homeowners, to build connection and a sense of community between homeowners through:



**Helping to build relationships** by getting to know homeowners and connecting them with like minded individuals.



**Directly organising, or supporting the organisation of**, ongoing social events with the social committee, such as monthly morning teas and live entertainment.



**Organising activities around special events**, such as sporting events and holidays.

Many of our communities use a monthly morning tea to bring together homeowners and our community management team.

These are a great forum to:

- Connect new and existing homeowners with each other
- Share important information and updates – including upcoming events and activities
- Connect homeowners with the community management team
- And celebrate special occasions!

## Eye on design

We look to create spaces that contribute to different dimensions of homeowner well-being.

### Active living

Our community designs encourage active living through the inclusion of:

- Swimming pools and specialised sports courts
- Walkways and paths that encourage active movement throughout the community
- Indoor specialised wellness spaces, such as spas and gyms

Living at our communities also includes access to:

- Electric bikes for recreation and active transport
- Access to recreational vehicles such as boats and motor homes

### Well-being

Our community designs include elements that contribute to emotional and mental, as well as physical well-being.

One great example of this is the **Sensory Garden at Ocean Grove.**

The sensory garden is a space that is designed to support well-being through exploration, connection to nature and a sense of tranquility.

Sensory Garden at Ocean Grove

# The power of choice: **Space to explore and find purpose**

To encourage homeowners to explore their hobbies, interests, and purpose, each community includes access to a workshop or maker's studio.

This a space where homeowners can choose to explore their hobbies and interests, and has led to many homeowners finding new passions and purpose.

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Many of our communities also include dedicated community gardens run by homeowners. Here, homeowners can reap the well-being benefits of gardening, connect and support their fellow homeowners, and find purpose in growing their own produce.



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Poolside at Lifestyle Meridian

# Health and Well-being

## Health and Well-being

Our dedicated wellness team delivers a variety of activities, events and talks throughout our communities that aim to contribute to the sense of connection, physical and mental health and holistic well-being of homeowners. Our on-site community managers also organise regular activities at individual communities based on the interests and needs of that community.

Some health and wellness activity highlights from FY23 include:

- Homeowner book clubs
- Group fitness classes including yoga, Tai Chi, Pilates, dance-fit, salsa, line dancing, Zumba, strength and conditioning and aqua aerobics
- Workshops focused on mental and emotional well-being, including mindfulness and meditation
- Autumn and spring inter-community sporting carnivals

## Inter-community sporting carnivals

One of the highlights of our wellness program are our Spring and Autumn sporting carnivals, events that bring together homeowners from across all our communities.

These hotly contested 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, proceeding to regional finals and ultimately the grand final.

This year, over 770 homeowners participated across 83 teams from all of our communities.

These carnivals contribute to:

- Encouraging active living amongst our homeowners
- Creating connections between homeowners
- Wider inter-community connection between homeowners at different communities
- Engendering a sense of purpose and pride within homeowners for their community



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## Empowering homeowners through knowledge

Our community managers and wellness team are always looking for ways to empower and support homeowners by enabling access to information and knowledge that is relevant to their needs.

Guest speakers, seminars and knowledge sharing events are regularly organised by our team throughout the year.

Some of the topics covered and speakers this past year included:

- Resilience with 3 time paralympic gold medallist Carole Cook
- Financial literacy and health
- Living life to the fullest with Kevin Sheedy

## Tour de Lifestyle

The Tour de Lifestyle was the brainchild of lifestyle homeowner Paul Walton, who was looking to raise funds for the Royal Children's Hospital Foundation (RCHF) by riding his bicycle to all of our communities across Victoria.

We actively supported this initiative by helping organise different aspects of the journey, holding fundraising events at each community and

## Empowered to connect and benefit the wider community

Many of our homeowners have an active interest in contributing to the well-being of people outside of their immediate community. We empower and support homeowners to achieve this facet of discovering and living their purpose.

Fundraising events are one of the great interests of many of our homeowners, and we organise or actively support these initiatives where we can. We believe this contributes to the sense of purpose, connection and well-being of homeowners.

encouraging homeowners from other communities to join Paul on different legs of the journey. We event invited our team members to participate in this epic tour!

The tour was a resounding success with:

- \$71,606 raised for the Royal Children's Hospital Foundation
- 80 cyclists participated across 16 stages over 7 days, 2 cyclists rode the full distance!
- Over 600kms ridden



### Creating value for our homeowners

We strive to create value for our homeowners in all of our offerings. Whether that is looking for ways to alleviate cost of living pressures by lowering their utility bills or expanding our offerings at no extra cost, we are always on the lookout for new and innovative ways to create value.

We use our collective purchasing power to develop partnerships that can give our homeowners discounts and access to the products and services they regularly use or need. We look to align with organisations and vendors who share our purpose and ethos.

### Partnering with RACV

This year, we partnered with RACV to introduce their suite of products to our homeowners. The intent of this partnership is simply to deliver additional options and value to our homeowners. There is no financial incentive or arrangement between Lifestyle Communities and RACV.

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# Lowering bills by up to 50%\*

through our innovative solar micro-grids with battery storage

## For personal use only

We were looking for a way to bring the benefits of community wide solar generation and power sharing to our homeowners, and with it provide a reliable, less emissions intensive form of energy that can buoy our homeowners against electricity price shocks.

Our first trial at our Meridian community includes a 450 kW solar PV system with 150 kW integrated battery storage.

These systems are connected through an embedded network and allow us to:

- Lower energy bills for all homeowners through the management of our embedded networks and by using our collective purchasing power

- Generate and store renewable solar energy, minimizing the amount of power drawn from the grid
- Battery storage means that homeowners can benefit from the excess energy generated throughout the day that might otherwise be lost
- Provide a steady and resilient supply of power to homeowners
- Efficiency of these systems contributes to lowered energy consumption, and allows for better monitoring of energy use

We have committed to scaling up and replicating this system within 7 of our developing communities.



Up to  
50% saving for  
homeowners



Over 3,900 MWh  
of solar power  
will be generated  
annually  
across 7 sites

\* Based on modelled outcomes and usage profiles. Full savings will be assessed once the system is completed and fully operational.

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# Club Lifestyle

*Now open!*

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Club Lifestyle is officially open! For months now, our homeowners have been enjoying exclusive access to luxurious villas, furnished motorhomes and serviced van sites at our waterfront Bellarine site, at no extra cost\*.

This is part of our ongoing commitment to creating more value for our homeowners and helping alleviate cost of living pressure where we can, by making holidays and mini-breaks more accessible to all homeowners.

Club Lifestyle is also part of our unique value proposition that will continue to drive referrals for years to come.

## Access to Club Lifestyle Bellarine includes:



Private beach



Indoor/Outdoor Pool



Other fitness and recreational facilities



Access to e-bikes and buggies to explore the beautiful surroundings



We have committed to replicating the Club Lifestyle model within a number of our new communities, and will continue to innovate to drive value for our stakeholders.

\* Not including a nominal cleaning fee for villas and motorhomes on checkout

# Our partners and suppliers

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**W**e pride ourselves on our approach to engaging with our partners and suppliers. We recognise our ability to influence outcomes for our partners, suppliers and their supply chains, as well as the local economies they operate in.

Over the past 20 years, we have taken a considered approach to procurement, where we have built long-term relationships with local partners and suppliers who align with our strong organisational values and ethos.

This approach is underpinned by eight core principles that set out how we should behave, how we expect our business partners to behave and how we expect them to treat partners along their own value chain.

We are proud of the many small and local businesses we work with, and many of our key partners have grown with us over the years.

## Local economies

We recognise our ability to impact the local economies in which our communities are located, and take a considered approach to creating local economic and community value through:



Our recruitment processes that prioritise employment of individuals local to the area our community is located in. This is across different functions including sales, community management and other support functions.



Procurement for events and ongoing operations from local businesses.



Engaging local small businesses for ongoing operations support, such as maintenance.

## Responsible procurement

We base our approach to procurement on an alignment of values with our partners and suppliers, including those around socially responsible business practices and human rights.

**76%**

We pay 76% of small suppliers in less than 20 days

## These principles are:

- We treat people with dignity and respect;
- We act with honesty and integrity, upholding ethical standards;
- We comply with laws and regulations;
- We are committed to safety;
- We are committed to true and fair, transparent, financial dealings;
- We undertake responsible sourcing activities and consider sourcing solutions that minimise social and environmental impacts;
- We have a responsibility to safeguard our reputation, property, assets, and information; and
- We pro-actively manage risk

We are committed to the principles of responsible and ethical procurement and acknowledge that we are on a journey of continuous improvement to embed these principles into our processes.

## Embedding responsible procurement

During FY23 we revised our contractor management and oversight model and processes, and are working to integrate them into our new contractor onboarding and management system.

This system will allow us to manage and ensure the ongoing compliance of our suppliers and partners around responsible procurement. This includes embedded questions around responses to modern slavery, environmental compliance, and local procurement – along with health and safety.

This work also includes engagement with our partners and suppliers to implement this model, which will allow us to uplift our collective performance.

### **Our approach to Modern Slavery risks**

We lodge our Modern Slavery Statement annually, and within it outline the actions we have taken to mitigate the risks of modern slavery within our operations and supply chain. This is in line with our commitment that we are opposed to modern slavery in all its forms.

Actively engaging with our partners and suppliers is a key action we take to uplift our collective knowledge and understand risks within our supply chains, we have worked closely with our key partners during this year to support their modern slavery reporting and to share knowledge on this topic.

### **Policies\* and practices supporting responsible procurement**

- Procurement Policy
- Supplier Code of Conduct
- Employee Code of Conduct
- Modern Slavery Statement
- Whistle-Blower Policy – this includes details on how to report a suspected incident to our confidential whistle-blower hotline and other channels.

\* Copies of all our policies can be found on our website

# Wider **community impact**

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**A**s a business for purpose, we recognise our ability to impact the wider community outside of our boundaries, whether locally or on a wider scale.

## **Supporting and meeting our neighbours**

When we move into a new neighbourhood, our teams get to know the local community and actively look for ways to support local clubs, businesses and community initiatives.

As we've outlined, we also work to contribute to the local economy through our recruitment and procurement practices.

Some of the ways we've connected with and supported community during this last year include:



Supporting Connected Women, a fun community initiative for women over 50. We hosted and supported the 1st meeting of the Geelong chapter free of charge in our Bellarine Community clubhouse.



Sponsoring the Daytime Music Theatre program at Bunjil Place, an arts and entertainment facility in the City of Casey that works to bring the community together.

Sponsorship of and partnerships with local bowls and golf clubs, including sponsoring a ladies over 50 golf event.

And many other events to bring together homeowners and members of the community such as My Pension Manager information sessions and guest speaker events.



## The Lifestyle Communities Foundation

In 2014, one of the founding directors of Lifestyle Communities, Dael Perlov, passed away from pancreatic cancer at the age of 46.

In 2015, we set up the Lifestyle Communities Foundation in his memory. The Foundation supports fundraising activities across all communities, focused on raising funds for cancer-based charities.

Lifestyle Communities contributes \$50 for each occupied home in our communities at the start of each year and matches dollar for dollar funds raised by our homeowners for cancer based charities.

We are proud of how we work collectively with our team and homeowners to host, support or fund activities. Events such as the Tour de Lifestyle demonstrate that collective effort towards a common goal.

Across our communities, major events such as The Biggest Morning Tea, World's Greatest Shave, and 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.

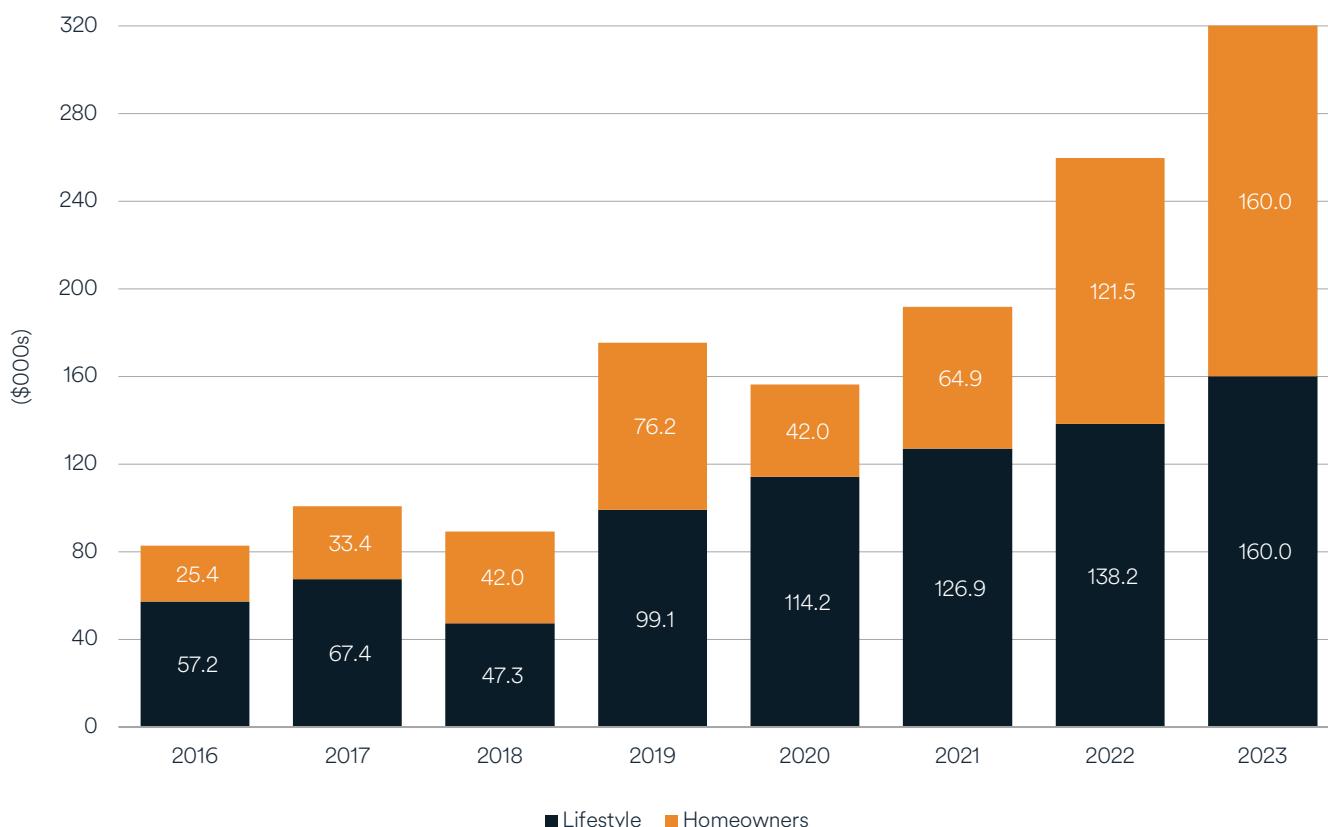
Other charities supported include the Cancer Council, Peter MacCallum Cancer Centre, Monash Children's Cancer Centre, Royal Children's Hospital, the National Breast Cancer Foundation and many more.

In FY23, Lifestyle Communities donated a total of \$160,000 to cancer-based charities.

Our homeowners and the Lifestyle team raised a further \$160,000, taking total donations to \$320,000, a fantastic effort.

Since the program started a total of over \$1.4 million has been donated.

### Donations to Cancer-based charities



Clubhouse at Lifestyle Meridian

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# Climate action

We recognise that climate change impacts the well-being of people and planet, and so have committed to a course of action to embed, adapt to and mitigate climate action where possible.

## Climate change risk

As with all Australian sites, we recognise that our sites and homeowners are vulnerable to the physical impacts of climate change.

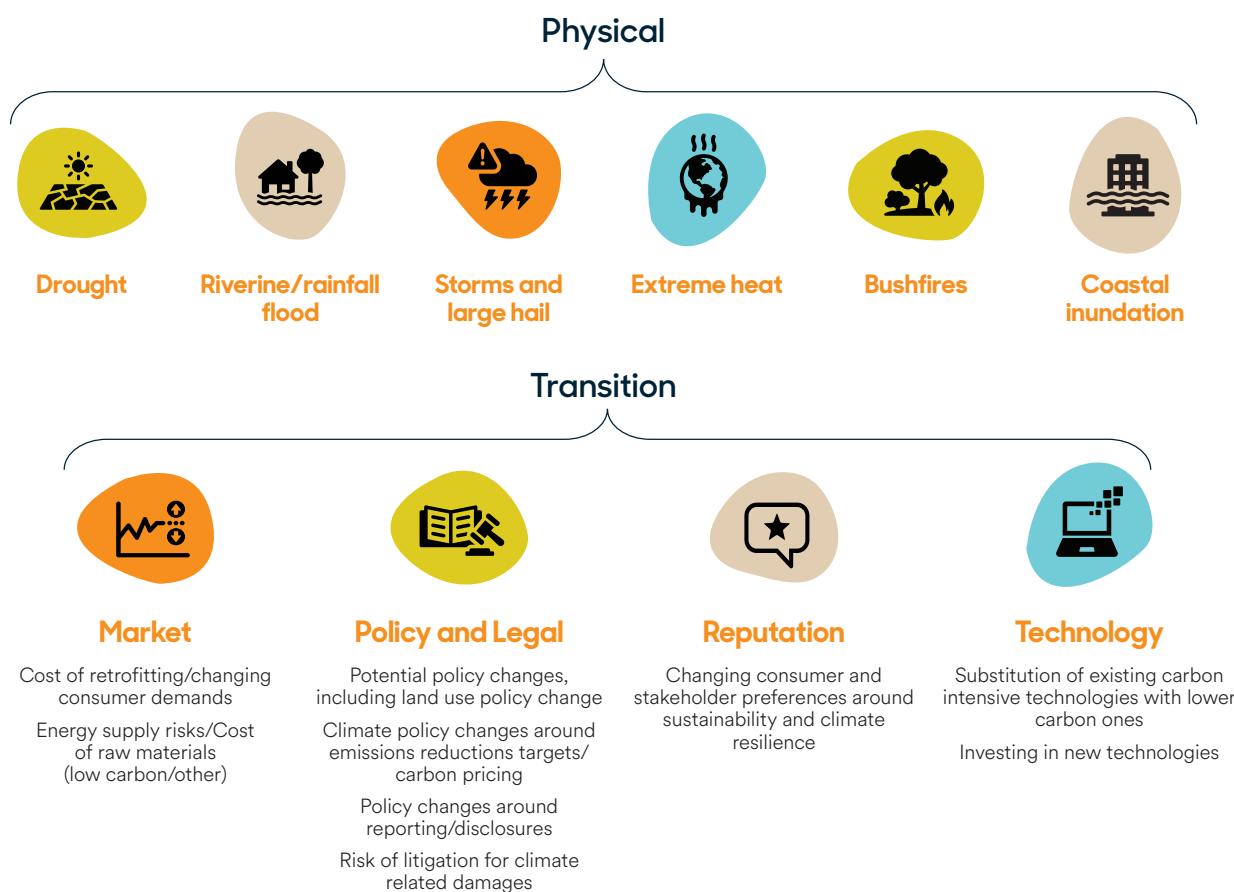
Therefore, in FY22, we undertook a high-level climate change risk screening to better understand the current and future exposure of our sites to the physical risks of climate change. This screening assumed the 'worst case scenario' of a mean global temperature rise of 3.7 degrees by 2100. This has allowed us to identify opportunities to mitigate and adapt to long-term risks and impacts through influencing the location, design and management of existing and future communities.

We also recognise that there are a number of transition risks (from a global transition to a low-carbon economy) that may impact our business in the long-term. While we are working to better understand these risks, our initial high-level assessment through the lens of warming kept below 2 C has identified a number of risks which are outlined below:

## How we're working to mitigate and adapt to physical risks

- Screen potential site acquisitions to avoid sites most at risk
- Direct our maintenance capital spend towards communities most at risk
- Regularly reviewing our emergency management procedures and partnering with specialised agencies such as fire authorities

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### How we're working to address transition risks

During FY23 we recruited a dedicated Sustainability Lead to actively monitor changes to policy or legislation, and proactively consider these throughout our business. We have set out our Net Zero operational emissions target and have been rolling out progressively more sophisticated solar PV and microgrid technology (on-site renewables) to each new development.

We actively monitor developments in national and international reporting legislation and frameworks, taking the lead from larger organisations who will be at the forefront of legislative changes and are working to gradually improve our reporting, disclosures and data collection regimes and mechanisms.

We will continue to monitor developments in these spaces and utilise our dynamic approach to address challenges as they arise.

## Net Zero operational emissions by 2035

### What we mean by 'Net Zero Operational Emissions'

#### Net Zero

An absolute reduction in greenhouse gas emissions by 90-95% percent, with the remaining 5-10% emissions that are not possible to cut, neutralised through carbon removals. This is aligned to 1.5 C aligned warming pathways.

#### Operational Emissions

We remain committed to our target to achieve net zero operational emissions by 2035.

Traditionally this means a reduction in our Scope 1 and 2 emissions.

We believe that through our solar PV and microgrid program of work, we can provide access to renewables for our homeowners, which means that we can directly influence their emissions profile at the source. We can also influence the type of grid electricity being drawn into our communities through our embedded network/microgrid configurations.

Therefore, our target encompasses:

**Scope 1 Direct emissions:** On-site gas use by LIC for common facilities, 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.

These categories align with the boundaries of what we currently measure in our Greenhouse Gas Inventory (GHG Inventory).

## A smaller footprint

The size and configuration of our communities, as well as the modular nature of our homes, lends itself to a decreased footprint of both our communities and individual homes.

Our higher density community configurations contribute less to urban sprawl than a typical sub-division.

Average density of a typical subdivision in Victoria = 14 to 16 homes per hectare

Average density of a Lifestyle Community = 26 homes per hectare

Compared to the emissions footprint of a typical home in Melbourne's outer suburbs, our homes have a smaller operational emissions footprint.

# Journey to **Net Zero 2035**

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## **Operational emissions**

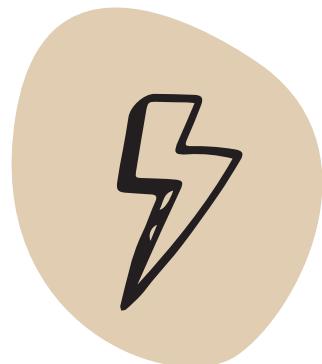
We remain committed to our target to achieve net zero operational emissions by 2035.



### **Improve efficiency**

Use latest technology to make new communities more efficient, and influence behaviour change where we can.

Progressively upgrade equipment at older communities to improve efficiency over time.

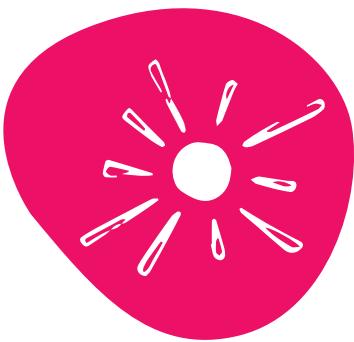


### **All electric new developments**

New developments are 100% electric. Continued focus on innovation and design changes to improve efficiency.

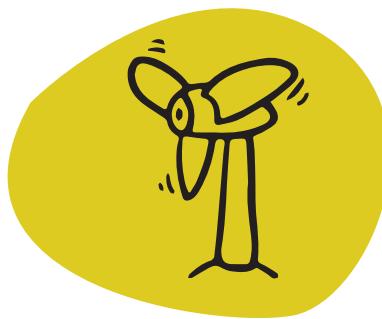
\* We recognise that we may have left over emissions that are difficult to reduce. We will work to fund high quality offsets for those emissions.

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## Generate where we can\*

Optimise on-site solar generation in all communities.



## Buy where we can't generate

Buy an increasing amount of green power (from renewables) from the grid over time.



## Measure, report and track

Measure and report on emissions every year, improving as we go along.

## Greenhouse Gas (GHG) inventory

Since 2019, we have measured our Greenhouse Gas Inventory annually. We align our reporting with the Green House Gas (GHG) Protocol.

(Tonnes of carbon)	Baseline	CY 2022	Change vs. baseline	Relative to % growth in homes
Scope 1 (direct emissions)	400	823	105.8%	↑
Scope 2 (Lifestyle electricity)	1,938	2,344	20.9%	↓
Total Lifestyle emissions	2,338	3,167	35.5%	↓
Scope 3 (homeowner electricity)	6,069	8,494	39.9%	↑
<b>Total Lifestyle and homeowner emissions</b>	<b>8,407</b>	<b>11,662</b>	<b>38.7%</b>	<b>→</b>
Homes under management (end of year)	2,284	3,167	38.7%	
GHG emissions per home (Established Communities) (tonnes)	3.68 <sup>1</sup>	3.02 <sup>2</sup>		

1. May include unaccounted for construction emissions

2. Average across established communities

### A note on challenges affecting data collection and continuous improvement

Our developments in progress involve a mix of construction usage and homeowner usage. As such, we acknowledge that some of the data from our developing sites may not provide an accurate picture of our emissions split between development and operations.

Our reported total emissions are accurate to the best of our knowledge and based on metered data. We are working to develop more accurate reporting and monitoring systems across our communities and will learn from the challenges of applying our boundaries to developing communities.



Average Lifestyle House \*

**3.02** 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

\* Established Community

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.

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CLIMATE ACTION



# 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, securityholders, employees, suppliers, and the broader community

## Reporting suite

Lifestyle Communities' reporting suite for FY23 includes the following documents:

### **FY23 Annual Report**

A review of Lifestyle Communities' financial and operational performance for FY23, the Group's remuneration report and its financial statements.

### **FY23 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](http://lifestylecommunities.com.au)



### Philippa Kelly (Chair)

Non-Executive Director  
(LLB, F Fin, FAICD)

**Term of office:** Philippa was appointed to the Board of Lifestyle Communities Limited as a Non Executive Director on 18 September 2013, re-election required at the AGM in 2024.

**Independent:** Yes

**Age:** 62

**Experience:** 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.

**Committee memberships:** Member of the Audit Committee and the Remuneration and Nominations Committee.

**Current directorships/other interests:** 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.

**Past Directorships of other listed entities within the last 3 years:** Nil

Philippa is not related to James Kelly, Managing Director.



### James Kelly

Managing Director  
(BBldg)

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

**Independent:** No

**Age:** 64

**Experience:** Experience: 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.

**Committee memberships:** James attends Board and Committee meetings.

**Current directorships/other interests:** 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.

**Past Directorships of other listed entities within the last 3 years:** Nil



### The Honourable Nicola Roxon

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

**Term of office:** The Honourable Nicola Roxon was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1 September 2017, re-election required at the AGM in 2025.

**Independent:** Yes

**Age:** 56

**Experience:** 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 for the last decade, serving on boards of not-for-profits, unlisted and ASX listed companies.

Her previous Non-Executive roles include Chair of Cancer Council Australia, the Accounting Professional and Ethical Standards Board and the Sir Zelman Cowen Centre at Victoria University and Director of BUPA, UTA and Health Justice Australia.

**Committee memberships:** Nicola is a member of the Remuneration and Nomination Committee.

**Current directorships/other interests:** Nicola's current roles are as Chair of HESTA Superannuation Fund and VicHealth, and as a Director of Dexus and the Murdoch Children's Research Institute. Ms Roxon also chairs the ESG Committee of Dexus.

**Past Directorships of other listed entities within the last 3 years:** Nil.

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



### David Blight

Non-Executive Director  
(BAppSC)

**Term of office:** David Blight was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 15 June 2018, re-election required at the AGM in 2024.

**Independent:** Yes

**Age:** 61

**Experience:** 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 over 40 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.

**Committee memberships:** David is the Chair of the Remuneration and Nomination Committee.

**Current directorships/other interests:** Nil.

**Past Directorships of other listed entities within the last 3 years:** Non-Executive Director of Japara Limited.

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



### Mark Blackburn

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

**Term of office:** Mark was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1 December 2019. Re-election required at the AGM in 2023.

**Independent:** Yes

**Age:** 66

**Experience:** Mark 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.

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

**Committee memberships:** Mark is currently Chair of the Audit Committee.

**Current directorships/other interests:** Mark is currently a Non-Executive Director of Pro-Pac Packaging Limited where he is also the Chair of the Audit, Business Risk, and Compliance committee.

**Past Directorships of other listed entities within the last 3 years:** Nil



### Claire Hatton

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

**Term of office:** Claire Hatton was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1st May 2022, re-election required at the AGM in 2025.

**Independent:** Yes

**Age:** 52

**Experience:** Claire has 23 years of experience working in digital business and 28 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.

**Committee memberships:** Claire is a member of the audit committee.

#### Current directorships/other interests:

**Current directorships/other interests:** Claire is a Non-Executive Director of Farleigh Holdings Pty Ltd (formerly 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.

#### Past Directorships of other listed entities within the last 3 years:

**Past Directorships of other listed entities within the last 3 years:** Non-Executive Director of 3P Learning Limited.

## Company Secretaries



### Darren Rowland

(B Bus (Acc), CA, GAICD)

**Term of office:** Darren was appointed as Company Secretary on 9 July 2018.

**Age:** 43

**Experience:** Darren joined the Lifestyle Communities team as Chief Financial Officer in May 2018. He has over 20 years' experience as a Chartered Accountant 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.



### Anita Addorisio

(MPA, FCPA, FGIA)

**Term of office:** Anita joined the Lifestyle Communities team as Company Secretary in December 2021.

**Age:** 48

**Experience:** Anita 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	1,760

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

## 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](http://lifestylecommunities.com.au).

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.

### 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](http://lifestylecommunities.com.au). The framework is summarised below:



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## Key Board activities during FY23

Key matters considered by the Board during FY23 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 the 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;  
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 and CFO 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

##### 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.

#### Areas of focus during FY23 included

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 Overseeing the tax governance framework and its application to manage compliance with tax laws.

#### 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. 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.

Our human resources and remuneration strategies, policies and practices; The remuneration framework for all team members including in particular, benefits and recognition; The contract terms, incentive arrangements, retirement and termination entitlements for the Executive Leadership Team; Approval and governance of the 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 the Executive Leadership Team; Monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Lifestyle Communities; Wage and award compliance review; Shareholder engagement; Workforce planning, including gender diversity targets; and Workplace Gender Equality Agency (WGEA) reporting.

See Remuneration Report on pages 89 to 107 for further information.

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**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	13	13	4	4	5	5
James Kelly	13	12	—	—	—	—
The Honourable Nicola Roxon	13	13	—	—	5	5
David Blight	13	12	—	—	5	5
Mark Blackburn	13	13	4	4	—	—
Claire Hatton	13	13	4	4	—	—

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## 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.

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## Board effectiveness

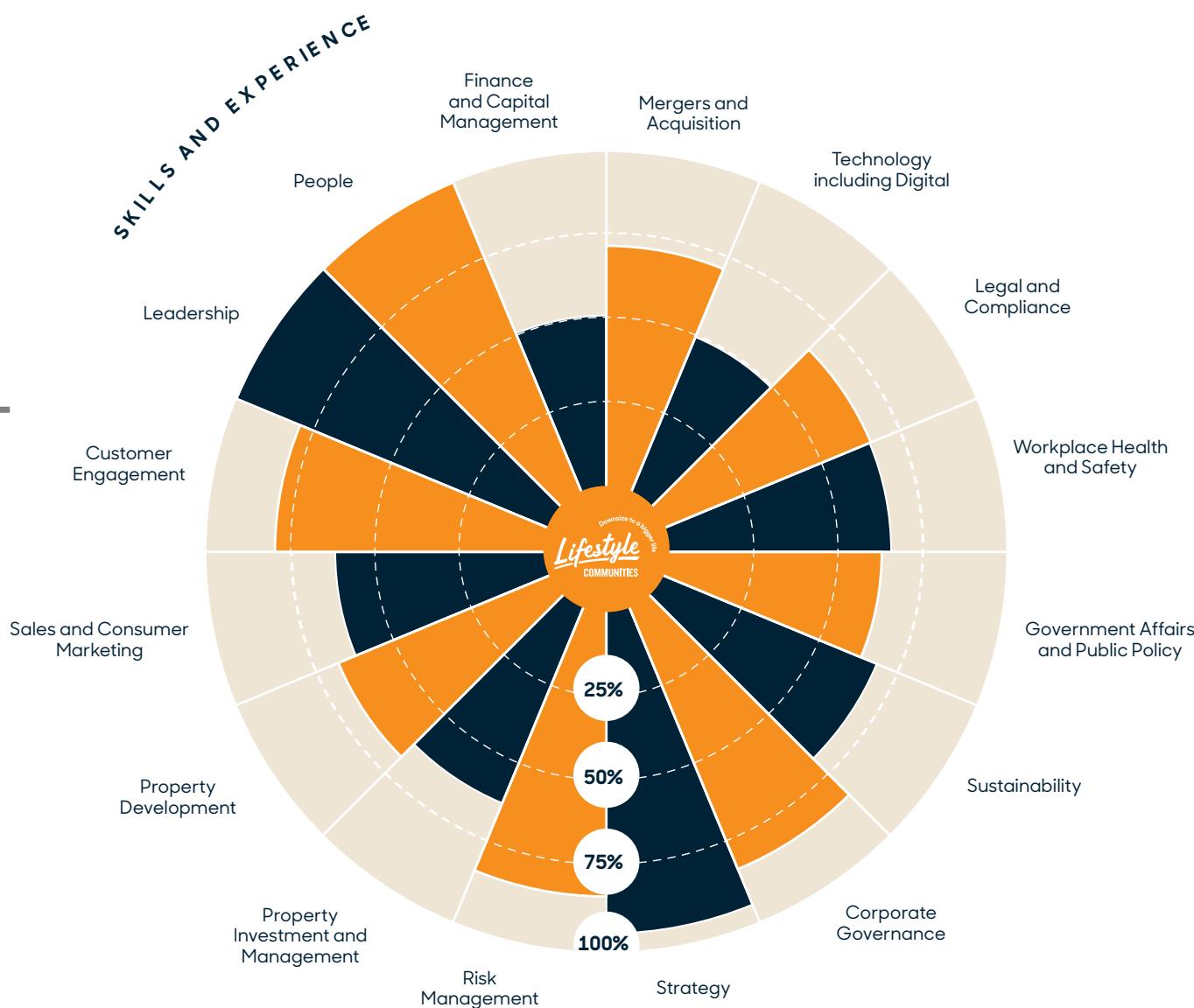
Lifestyle Communities is committed to having a Board whose members have the capacity to act independently of management and have the collective skills and diversity of experience necessary to optimise the long-term performance of Lifestyle Communities to deliver long term sustainable profitable returns 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](http://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 6.9 years

# The Company's key opportunities and risks

Lifestyle Communities has 10 key enterprise risks and opportunities. These are identified through application of our Risk Management Framework and 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.

Although the risks have been described individually, there is a high level of interdependency between them. This means an increased exposure for one material risk can drive elevated levels of exposure in other areas of our risk profile.

In addition to these material risks, our performance may be impacted by risks that apply generally to Australian businesses and the property development and management industry, as well as by the emergence of new material risks not reported in the following table.

Why it's important	Commentary
<b>Our Homeowners</b>	<p>It is important our homeowners have a high level of satisfaction and safety, and our communities are well managed</p> <p>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 maintain 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.</p> <p>We continue to evolve our product offering including the recent launch of Club Lifestyle which provides free holidays to all homeowners at our purpose-built facility on the Bellarine Peninsula.</p>
<b>Our Team's Health, Safety and Well-being</b>	<p>If we expect our team to deliver the highest levels of customer service and experience to our homeowners it is crucial that we retain, reward, and invest in our team and provide them with a workplace that is happy, healthy, and safe.</p> <p>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.</p> <p>Our salaries and benefits are regularly benchmarked to ensure our team are paid market rates.</p> <p>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.</p>
<b>Our Corporate Culture</b>	<p>Our unique culture is critical to our success. We must maintain and nurture our culture as we grow.</p> <p>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.</p>

## Why it's important

## Commentary

### 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 30 sites and developing most of these during the past 20 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.

### 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. This includes close monitoring and management of price and cost pressures (e.g. commodities, labour, energy), the potential for further interest rate rises, and changes in consumer spending and housing choices.

### Financing and Capital Management

Our capital is precious and scarce. We maintain a disciplined approach to capital management and use a mix of 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.

Due to the capital recycling nature of our business model, we are reliant on continuing sales and settlements to fund our development pipeline and remain compliant with the financial covenants in our funding agreements. If we experience a sustained slowdown in sales and settlements we may need to slow down our speed of development or undertake other capital management activities.

### 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.

**Why it's important****Commentary****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.

Our cyber-security framework is aligned to the Australian Essential 8, and also to the internationally recognised National Institute of Standards and Technology (NIST) Cybersecurity Framework. Our cyber security posture and mitigations are regularly reported to and monitored by the Board.

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.

Our technology systems utilise dual data centres and cloud services to make sure critical business systems have high levels of redundancy with resiliency embedded across our ecosystem. In the event of a disruption, we have information technology recovery plans in place for critical systems. We have also retained industry experts to be on call in the event of a cyber-security incident.

**Corporate 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.
- **Tax Governance Framework** — provides guidance and direction on the management of tax governance in Lifestyle Communities and states Lifestyle Communities' commitment to manage 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.
- **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.

## 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 FY23 these totalled more than \$16.8 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 2023 financial year:

	FY23 \$ million	FY22 \$ million
Income Tax	<b>9.3</b>	9.6
Net GST	<b>(3.5)</b>	2.9
PAYG Withholding	<b>5.0</b>	3.9
State Taxes	<b>4.6</b>	13.5
Fringe Benefits Tax	<b>0.2</b>	0.2
Local council rates	<b>1.2</b>	1.2
	<b>16.8</b>	<b>31.3</b>

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](http://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 FY23, the Company spent an additional \$36,000 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 financial 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 2023 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 2023, 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

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.

## FY23 Operating and financial review

### Overview

The Company continued to successfully develop and manage its portfolio of affordable communities during the 2023 financial year. Profit after tax attributable to shareholders was \$81.9 million (2022: \$88.9 million).

### Financial and Operating Highlights

		FY23	FY22	Change	Change (%)
<b>Key financial data</b>					
Revenue	A\$ millions	<b>232.3</b>	224.4	7.9	3.5%
Operating profit after tax	A\$ millions	<b>71.1</b>	61.4	9.7	15.8%
Statutory profit after tax	A\$ millions	<b>81.9</b>	88.9	(7.0)	(7.9)%
Cash Flow from Community Operations <sup>1</sup>	A\$ millions	<b>29.8</b>	25.8	4.0	15.5%
Cash Flow from Development Activities	A\$ millions	<b>(34.0)</b>	37.9	(71.9)	(190)%
Operating Earnings per share	A\$ cents	<b>68.1</b>	58.7	9.4	16.0%
Statutory Earnings per share	A\$ cents	<b>78.3</b>	85.4	(7.1)	(8.3)%
<b>Total dividend per share</b>	<b>A\$ cents</b>	<b>11.5</b>	<b>10.5</b>	<b>1.0</b>	<b>9.5%</b>
Homes settled	No. of homes	<b>356</b>	401	(45)	(11.2)%
Homes sold <sup>2</sup>	No. of homes	<b>443</b>	424	19	4.5%
Average realised sales price new homes (GST incl)	A\$'000	<b>613</b>	529	84	15.9%
Total number of homes (gross)	No. of homes	<b>3,549</b>	3,193	356	11.1%
Total number of homes (after NCI) <sup>3</sup>	No. of homes	<b>3,348</b>	2,992	356	11.9%
Total number of homeowners	No. of homes	<b>5,060</b>	4,552	508	11.2%
Average age of homeowners	Years	<b>73</b>	73	0	0.0%
Number of resales settled	No. of homes	<b>178</b>	156	22	14.1%
Average realised sales price resales (GST incl) <sup>4</sup>	A\$'000	<b>486</b>	438	48	11.0%

1. Cash flow from community operations 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. Average realised sales price of resales attracting a deferred management fee.

5. Included in the table above are several non IFRS measures including operating profit, cash flow from community operations, cash flow from development activities, and operating earnings per share. 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 2023 financial year.

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### 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 FY23, ten of twenty-three operating communities have been externally valued by independent valuers Colliers, M3, and CBRE. 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.

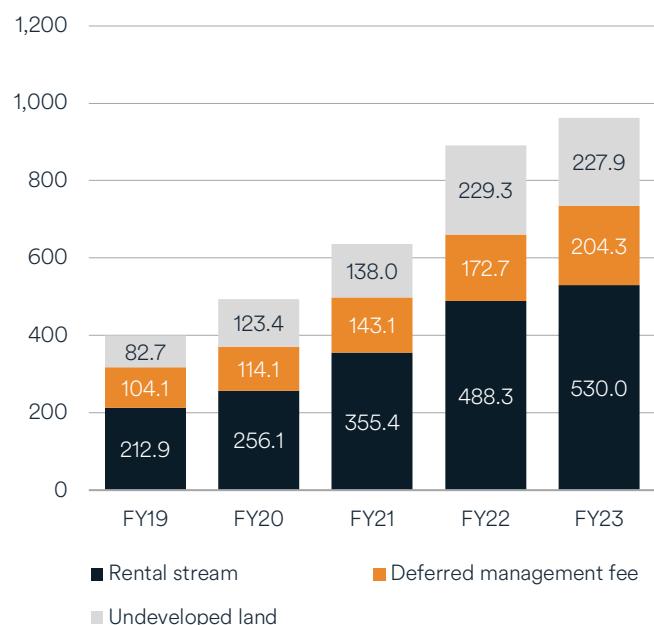
In FY23, the Company recorded a fair value increase of \$84.9 million pre-tax and \$59.5 million post tax. The breakdown of the fair value increase for FY23 into the components above is as follows:

	FY23 \$ million	FY22 \$ million
Uplift in value arising from settled homes during the year (356 new home settlements FY22: 401)	<b>43.0</b>	41.9
The uplift created as a result of the contractual rent increase	<b>26.5</b>	11.5
Movements as a result of changes to valuation assumptions	<b>15.4</b>	39.2
<b>Total Fair Value Adjustment</b>	<b>84.9</b>	<b>92.6</b>

A combination of new home settlements achieved in FY23, annual rental increases linked to inflation and movements in the residential property market, has resulted in an \$84.9m uplift in the value of the company's property portfolio (FY22: \$92.6m). \$69.5m of this relates to the company's core operating activities of converting greenfield land into completed communities that generate rental annuities. The balance of \$15.4m relates to changes in assumptions used by the independent valuers to measure the value of the annuities. The weighted average capitalisation rate remained steady at 5.14% (FY22: 5.18%). Demand for high quality land lease assets remains strong as the sector continues to mature and institutionalise.

The chart below shows the different components of the investment property balance over the last 5 years.

### Investment properties breakdown



The table below shows the average value of settled homes under management compared to the average value of undeveloped land in the development pipeline. As the undeveloped land is developed and a new home is settled, a fair value adjustment will be realised as the undeveloped land valuation is replaced by the value of rental and DMF annuities in the year of settlement.

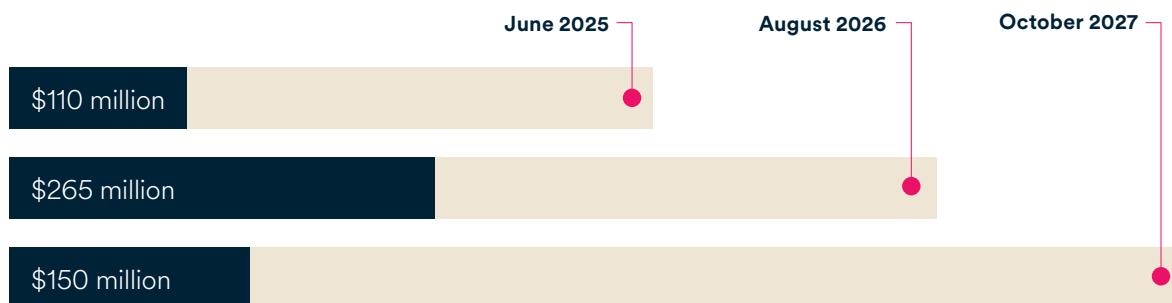
			FY23	FY22	FY21	FY20	FY19
Homes under management	No. of homes		<b>3,549</b>	3,193	2,792	2,537	2,284
Value of homes under management (rent + DMF valuation)	\$000		<b>734,225</b>	620,959	498,500	370,240	317,092
Average value per home under management	\$000		<b>207</b>	194	179	146	139
Homes in the development pipeline	No. of homes		<b>2,044</b>	2,198	2,302	1,957	1,279
Value of land in the development pipeline	\$000		<b>227,925</b>	229,288	138,000	123,362	82,659
Average value per home in the development pipeline	\$000		<b>111</b>	104	60	63	65

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 October 2022 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 \$150 million. The combined facility limit was increased to \$525 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 October 2027.

### Debt maturities



## Debt covenants and key metrics

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



### Key debt metrics

		FY23	FY22	Change	Change (%)
Gross Assets	\$ millions	<b>1,191</b>	1,006	185	18.4%
Interest bearing liabilities	\$ millions	<b>371</b>	245	126	51.4%
Total debt facilities	\$ millions	<b>525</b>	375	150	40.0%
Undrawn debt	\$ millions	<b>154</b>	130	24	18.5%
Net debt/assets less cash and land accruals	%	<b>33.2%</b>	27.5%	5.7%	20.6%
Net Debt to debt plus equity	%	<b>41.3%</b>	34.9%	6.4%	18.3%
Cash interest paid on drawn debt	\$ millions	<b>14.7</b>	5.3	9.4	177.4%
Weighted average cost of debt	%	<b>4.4%</b>	2.2%	2.2%	100%
Weighted average debt maturity	Years	<b>3.3</b>	3.8	(0.5)	(13.2)%
Annual interest coverage ratio	Times	<b>3.2</b>	6.2	(3)	(48.4)%
Annual loan to value ratio	%	<b>45.2</b>	36.9	8.3	22.5%
% of debt fixed	%	<b>64.8%</b>	—	—	64.8%
Debt providers	No.	<b>3</b>	3	—	—

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 6.0 cents per share was paid on 6 October 2022 (representing the 2022 final dividend). A fully franked dividend of 5.5 cents per share was paid on 5 April 2023 (representing the 2023 interim dividend).

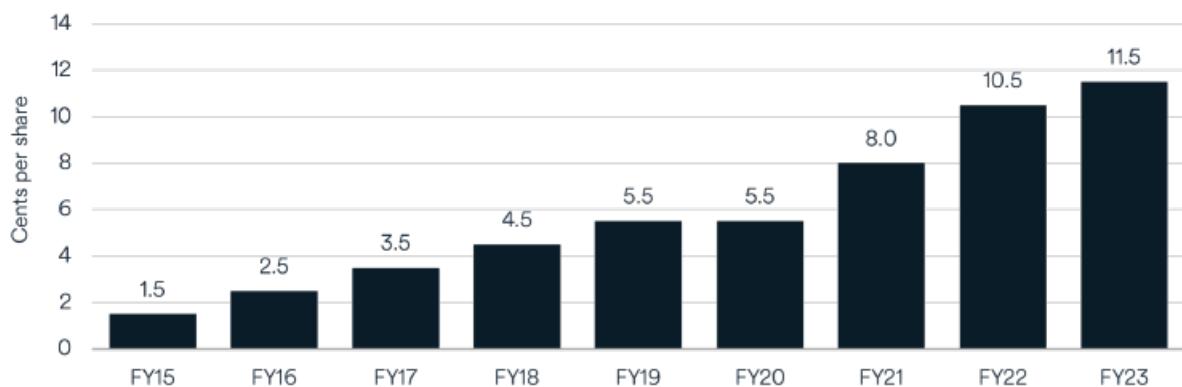
Since the end of the financial year the Directors have resolved to pay a fully franked dividend of 6.0 cents per ordinary share (representing the 2023 final dividend).

The dividend has a record date of 5 September 2023 and a payment date of 6 October 2023. As at 30 June 2023 the franking account balance was \$31.3 million (after allowing for the final dividend and tax payable for FY23).

As a general principle, Lifestyle Communities intends to pay dividends out of post-tax operating cashflow generated from community management including:

- Operating cash flow generated from community management (net rental and DMF)
- Apportionment of corporate overheads attributable to management of the communities (currently 50%)
- Interest on average pre-development debt
- Tax attributed to the above

The chart below shows the growth in full year dividends over time:



## Update on communities

	Total homes in communities	Homes sold and occupied	Homes sold and awaiting settlement	Homes occupied or sold and awaiting settlement	
<b>Established Communities</b>					
15 fully completed Communities	2,864	2,864		2,864	100%
<b>Communities under construction</b>					
Wollert	246	165	32	197	80%
Deanside	266	134	33	167	63%
St Leonards - The Waves	199	195	4	199	100%
St Leonards - The Shores	159	0	27	27	17%
Meridian	274	161	41	202	74%
Woodlea	180	2	33	35	19%
Phillip Island	255		62	62	24%
Bellarine	164	28	57	85	52%
Riverfield (Clyde)	230		29	29	13%
Ridgelea (Pakenham)	174		12	12	7%
Merrifield	187				
<b>New Communities - awaiting commencement</b>					
Ocean Grove II <sup>2</sup>	190				
Warragul II <sup>2</sup>	205				
Clifton Springs <sup>2</sup>	210				
Yarrawonga	109				
<b>Total<sup>3</sup></b>	<b>5,912</b>	<b>3,549</b>	<b>330</b>	<b>3,879</b>	<b>66%</b>

1. Represents 100% of the development of which Lifestyle Communities shares 50%

2. Commencement of construction subject to planning approval

3. Lifestyle Communities will have an economic interest in 5,711 home sites

An update on each of the communities in planning or development at 30 June 2023 is as follows:

<b>Wollert</b>	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 80% sold.
<b>Deanside</b>	Commenced construction in February 2020 and welcomed first homeowners in February 2021. Construction of the clubhouse and community was opened to homeowners in June 2021. Deanside is 63% sold.
<b>St Leonards - The Waves</b>	The Waves was acquired in November 2019 and construction commenced in August 2020. We welcomed first homeowners in June 2021. The Waves is fully completed and have four homes left to settle.
<b>St Leonards - The Shores</b>	In June 2021 we acquired the site next door which allowed to create Lifestyle St Leonards – The Shores. The Shores is due to commence construction in August 2023.
<b>Meridian</b>	Lifestyle Meridian was acquired in May 2020 and launched for sale in September 2021. We welcomed first homeowners in May 2022 and The Meridian clubhouse opened in May 2023. Meridian is 74% sold.
<b>Bellarine</b>	The contract for Lifestyle Bellarine was signed in May 2022 and settled in September 2022. The community had an existing planning permit in place and had some civil works and clubhouse construction in progress. Lifestyle has taken over the development including redesign of the site. Settlements commenced in the fourth quarter of FY23 as well as the launch of our Club Lifestyle short stay proposition.
<b>Ridgelea (Pakenham)</b>	The land for the future Lifestyle Community in Pakenham was acquired in February 2020. Construction commenced in May 2023 with first customer homes settlements expected in FY25.
<b>Riverfield (Clyde)</b>	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 brought forward the settlement date to October 2022 and have commenced construction. First settlements in the first half of FY24.
<b>Woodlea</b>	The land for the future community at Woodlea was settled in April 2022. Sales were launched in September 2022 and first homeowners settled in June 2023.
<b>Phillip Island</b>	The contract for the future community on Phillip Island was signed in August 2021 and settled in September 2021. Construction has commenced and first homeowners are expected to settle in the second half of FY24.
<b>Merrifield</b>	Lifestyle Merrifield is located within the Merrifield estate, one of Melbourne's flagship master-planned communities. Construction has commenced and first homeowners are expected to settle in the first quarter of FY25.
<b>Ocean Grove</b>	A contract of sale to purchase a new site located in Ocean Grove was executed in December 2021. Land settlement is expected in the first quarter of FY25.
<b>Warragul</b>	The contract for the future Lifestyle Community in Warragul was signed in November 2022. Settlement is expected in first half of FY25 with construction to commence soon after.

## Outlook for FY24 and beyond

The Company has a focused strategy to service the niche of providing high quality affordable housing to the downsize market. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres. We are currently considering a range of opportunities but will remain disciplined in our assessment of these opportunities.

Under our contracts with customers, homeowners are provided with a six-month window to settle into their new home. This can make predicting settlements difficult in the short term as the move-in date is selected by the homeowner and outside of Lifestyle Communities direct control. Due to the long term nature of our business the company provides guidance in 3-year ranges which are influenced by the number of projects in development. The ranges for the relevant periods are shown below

	FY22	FY23	FY24	FY25	FY26
<b>New home settlements</b>					
FY22 — 3 year range		1,100 to 1,300			
FY23 — 3 year range		1,400 to 1,700			
FY24 — 3 year range		1,400 to 1,700			
<b>Actual results achieved</b>	<b>401</b>	<b>356</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>
<b>Established home settlements</b>					
FY22 — 3 year range		450 to 550			
FY23 — 3 year range		550 to 750			
FY24 — 3 year range		550 to 750			
<b>Actual results achieved</b>	<b>156</b>	<b>178</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>

The Company's balance sheet and debt position is robust. The Company has access to over \$155 million in cash and undrawn facilities. The next refinancing is due in June 2025. Operating cash flow is underpinned by the ongoing rental annuities from our 3,549 homes under management.

We are excited to see the seven new projects launched in FY23 welcome their first homeowners in the second half of FY24. These projects are a key catalyst to deliver the step up in settlements and underpin the forecast settlement ranges.

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Lifestyle Woodlea



# Remuneration Report

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Lifestyle Communities Team Summit 2022

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# Our **culture**

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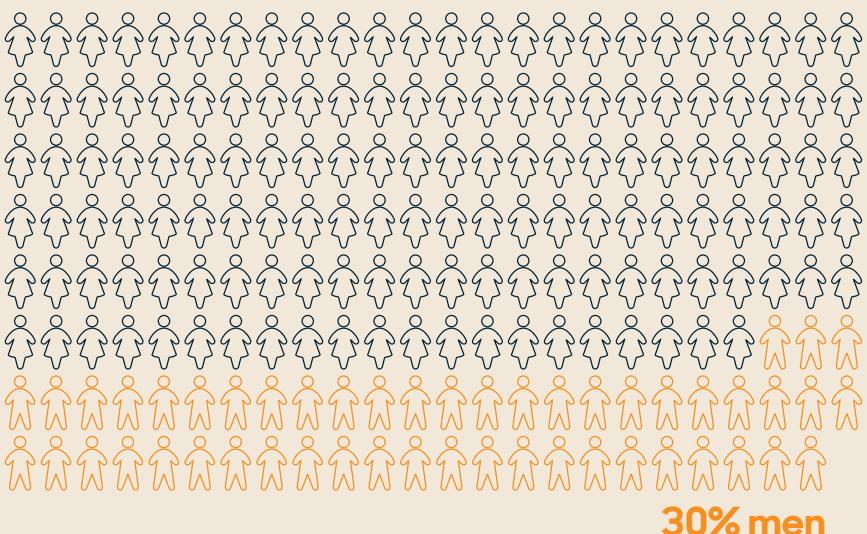


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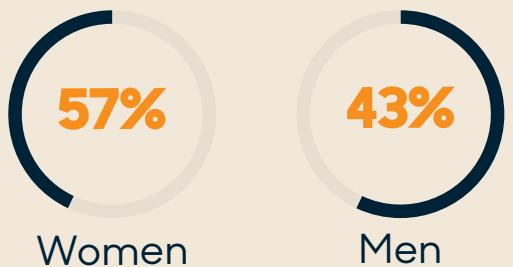
## How we operated



**70% women**



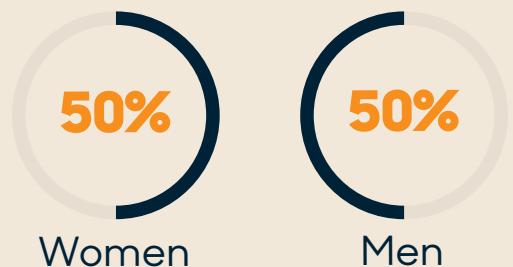
### Gender split for emerging leaders



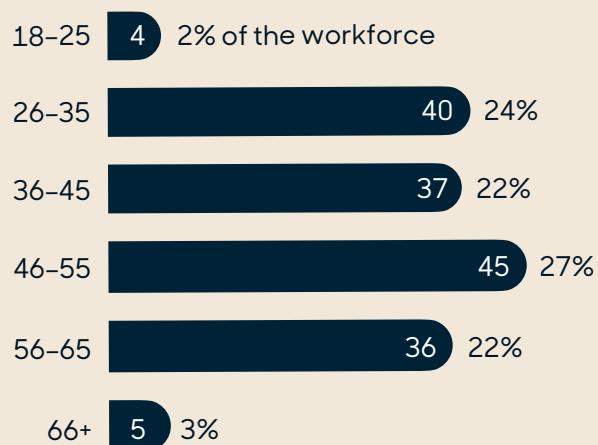
**Final Employee engagement score of**

**9 out of 10**

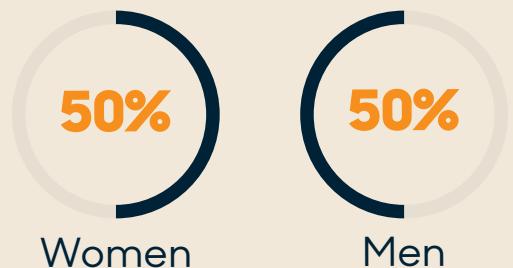
### Gender split for executive team



### Breakdown of employees by age



### Gender split for the Board



# Remuneration report

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Dear Shareholders,

On behalf of the Board, I am pleased to present the Lifestyle Communities Remuneration Report for FY23.

FY23 was a busy year for the team as we commenced construction on seven new projects. The increase in construction volume required an uplift in activity levels right across the business including a 39% increase in the size of the team. We onboarded new projects teams which consist of project managers and customer delivery coordinators, sales and marketing professionals, and homeowner experience delivery roles. All these roles needed to be recruited, onboarded, trained and embedded into the Lifestyle Communities culture. Alignment with the purpose and values of our business delivers high performance and exceptional customer experience outcomes for our homeowners. It's a credit to the team that this has been delivered whilst at the same time increasing the employee engagement score from 8.7 last year to 9 (out of 10) this year.

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 approved a range of benefits for the team which included:

- Industry competitive total fixed remuneration
- Lifestyle Communities' unique employee share scheme which is available to all permanent employees
- Lifestyle long weekends, birthday leave, and a Christmas shopping day
- A new support office located in South Melbourne
- "Wellness dollars" to spend on team well-being
- Flexible working policy
- Growing your family policy

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.

The key enhancements to the framework implemented through the year included:

- An update to the peer group and review of remuneration settings for senior executive and non-executive Director roles
- Adjustments to the Short-Term Incentive (STI) framework to better align outcomes with performance
- Resetting of the targets for the Long-Term Incentive (LTI) for the executive team

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

In FY22 we reviewed our Diversity and Inclusion Policy and our Parental Leave policy. We stated our intention to meet or exceed the recommendations of the Workplace Gender Equality Agency (WGEA). In FY23 we applied for and were successful in being certified by WGEA as an "employer of choice" for gender equality. We were also recognised by the Australian Financial Review as an AFR Top Place to work. We are very proud of these achievements which are a great recognition of the focus and effort being applied in this space right across the business.

In FY23 we made two key executive leadership team appointments that align to our key strategic priorities, including Fiona Lloyd, Executive General Manager – Design and Delivery and Cate Wellington, Executive General Manager – Experience.

In determining the remuneration outcomes for FY23, the Board took into consideration **business progress and achievements** against FY23 strategic priorities, the performance of management as well as market conditions.

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 FY23, the Board took into consideration business progress and achievements against FY23 strategic priorities, the performance of management as well as market conditions. The outcomes are outlined in this report and in the Board's judgment, fairly reflect the performance of the Lifestyle Communities business in the current environment.

When reviewing the actual results, the Board carefully scrutinised the drivers and quality of the results, summarised as follows:

- Delivery of 356 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
- Maintaining and improving the culture and team engagement during a period of substantial growth

As in previous years we have maintained a values and behaviour gateway for our team to meet before any entitlement to performance incentives. The Board also retains ultimate discretion in awarding any incentive payments 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 FY24. 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 the team for their commitment and efforts during the year. After 20 years of consistent and steady growth, it's impressive to see the company has not only maintained its values-based culture but has been successful in embedding this culture during a period of substantial growth in the size of the team. As we grow, continuing to live these values every day and delivering amazing homeowner experiences consistently will be a key differentiator for the business for years to come.



**David Blight**

Chair, Remuneration and Nomination Committee

16 August 2023

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## 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 KMP; and
- The level of Non Executive Director fees.

Please refer to page 70 for focus areas of the Committee during FY23.

### 2.2 Corporate Governance Practices Specifically Related to Remuneration

#### 2.2.1 Securities Trading policy

Lifestyle Communities has adopted a Securities Dealing Policy that applies to all team members including Non-executive Directors, Executive Key Management Personnel (KMP), the Executive Leadership Team (ELT) and their connected persons, as defined within the policy. This policy sets out the insider trading laws all team members must comply with, including specific restrictions with which KMP must comply. This includes obtaining approval prior to trading in Lifestyle Communities' securities and not trading within blackout periods, other than with approval in exceptional circumstances as detailed within the policy. The policy aims to protect the

reputation of Lifestyle Communities and maintain confidence in trading in its securities. It prohibits specific types of transactions being made which are not in accordance with market expectations or may otherwise give rise to reputational risk.

#### 2.2.2 Minimum Shareholding Policy

Lifestyle Communities' Minimum Non-Executive Director Shareholding Policy requires all Non-Executive Directors to hold a minimum shareholding in Lifestyle Communities equivalent to 100% of their annual base fee. The shareholding does not comprise part of the remuneration package and Non-Executive Directors are required to acquire their target shareholding independently. Non-Executive Directors have five years in which to purchase their shareholding requirement which commences 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.

### 2.3 The use of external advisors

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

During FY23, 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
<b>Executive Director</b>		
James Kelly	Managing Director	Founder, 2003
<b>Other Executive KMP</b>		
Darren Rowland	Chief Financial Officer and Company Secretary	21 May 2018

### 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

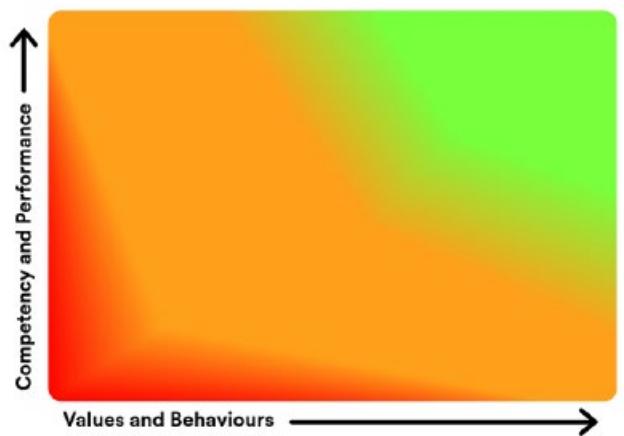
The capability and performance of our team is assessed using the internal ROADMAP process. The process includes six-monthly reviews and quarterly check-ins. Our team are measured equally on their competency and performance as well as their demonstrated values and behaviours. Their overall result in the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

- A result in red requires 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.

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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 Managing Director's and Executive Leadership 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 Director's 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 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 FY23, 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

Our ELT remuneration is an annual scheme, delivered through a simple, three element structure using both fixed and variable (at risk) components ([see diagram on next page](#)).

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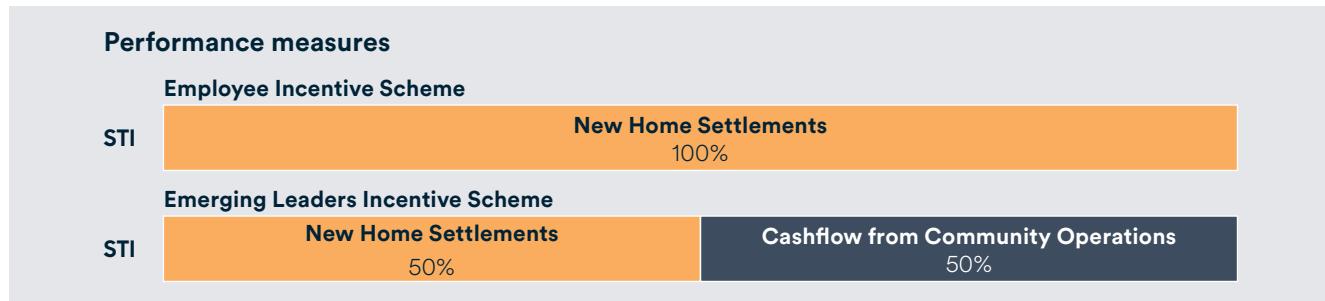
# Components of **executive remuneration**

Fixed elements	Variable elements		
1. Total Fixed Remuneration (TFR)	2. Short-term incentive	3. Long-term incentive	
<b>How it is delivered</b>			
Cash	Zero exercise price options	Zero exercise price options	
<b>How it works</b>			
<ul style="list-style-type: none"> <li>Consists of base salary and superannuation</li> <li>Fixed remuneration is benchmarked against market data from 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</li> </ul>	<ul style="list-style-type: none"> <li>Paid as options to purchase equity in the company after performance and vesting conditions met</li> <li>Team members are required to continuously demonstrate values and behaviours throughout the performance and deferred vesting periods</li> <li>40% of TFR at maximum pro-rated (straight line basis)</li> <li>Measured against a balance scorecard consisting of <ul style="list-style-type: none"> <li>new home settlements: 30%</li> <li>cash flow from community operations: 30%</li> <li>Team engagement score: 20%</li> <li>Capital recovery: 20%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Paid as options to purchase equity in the company after performance and vesting conditions met</li> <li>Team members are required to continuously demonstrate values and behaviours throughout the performance and deferred vesting periods</li> <li>80% of TFR at maximum pro-rated (straight line basis)</li> <li>Measured against a balance scorecard consisting of <ul style="list-style-type: none"> <li>3-year new home settlements: 50%</li> <li>3-year average return on equity: 50%</li> </ul> </li> </ul>	
<b>What it does</b>			
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.	Incentivises strong individual and company performance, based on strategically aligned deliverables, through variable, at risk payments.	Aligns reward with creation of sustainable, long-term shareholder value.	
<b>What are the time horizons of the awards?</b>			
FY23	FY24	FY25	FY26
<b>TFR</b> Salary paid during the year			
<b>STI</b> Performance period (1 year) Vesting period - 50% in Sep 2024 Vesting period - 50% in Jun 2025			
<b>LTI</b> Performance period (3 years) Vesting period - 50% in Sep 2025 Vesting period - 50% in Jun 2026			

#### 6.4 Structure of the Equity Incentive Scheme for the Balance of our Team

In addition to the Executive Incentive Scheme, the Company operates two additional incentive schemes as shown below. The Employee Incentive Scheme and the Emerging Leaders Incentive Scheme are both short term annual incentives. 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.

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



The Emerging Leaders Incentive Scheme vests 50% in September 2023 after finalisation of the year end audit, and 50% in June 2024 which assists with retention. The Employee Incentive Scheme vests in September 2023 after finalisation of the end of year audit and approval by the Board.

#### 6.5 Other governance practices that apply to the equity incentive scheme

<b>Issuance to Team Members</b>	<ul style="list-style-type: none"> <li>Equity is issued to qualifying team members in the form of zero-priced conditional rights to receive ordinary shares ("options").</li> <li>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.</li> <li>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</li> </ul>
<b>Values and Behaviours</b>	The Values and Behaviours gateway as a pre-qualification to the entitlement to participate in the Equity Incentive Scheme (EIS) reinforces the Board and Executive Team's commitment to maintaining our customer centric culture, demonstrating appropriate behaviours, and managing risk, compliance, and reputational matters.
<b>Fair Value</b>	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.
<b>Employee Share Trust</b>	The company currently has two employee share trusts which are administered by independent third parties: <ol style="list-style-type: none"> <li>FY17 and FY18 Equity Incentive Schemes – Smart Equity Pty Ltd</li> <li>FY19, FY20, FY21, FY22, &amp; FY23 Equity Incentive Schemes – Link Market Services</li> </ol>
<b>Board Discretion</b>	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.
<b>Amendment</b>	The Board retains discretion to suspend or terminate the program at any time or amend all or any elements of the program up until the date of payment.
<b>Clawback</b>	The Board can apply clawback on vested and unvested options or forfeit these awards.
<b>Change of Control</b>	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.
<b>Dealing in Securities</b>	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. Participants are also prohibited entering into any derivative or margin lending arrangements over Lifestyle Communities securities at any time.
<b>Vesting</b>	Following testing and completion of the annual audit, the Board will determine the number of Options to vest, which is expected to occur in late August 2023. Details regarding the vesting of any Options will be included in the FY24 Remuneration Report. Following testing, any Options that do not vest will lapse.
<b>Cessation of Employment</b>	In the event of resignation all unvested Options will lapse unless the Board determines otherwise.

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## 6.6 The relationship between remuneration and company performance

The remuneration framework has been designed to reward the entire Lifestyle Communities team for their contribution to the collective performance of Lifestyle Communities and to support the alignment between the remuneration of the team and shareholder returns. The following table demonstrates the link between the Company's remuneration framework and its performance over the last 5 years.

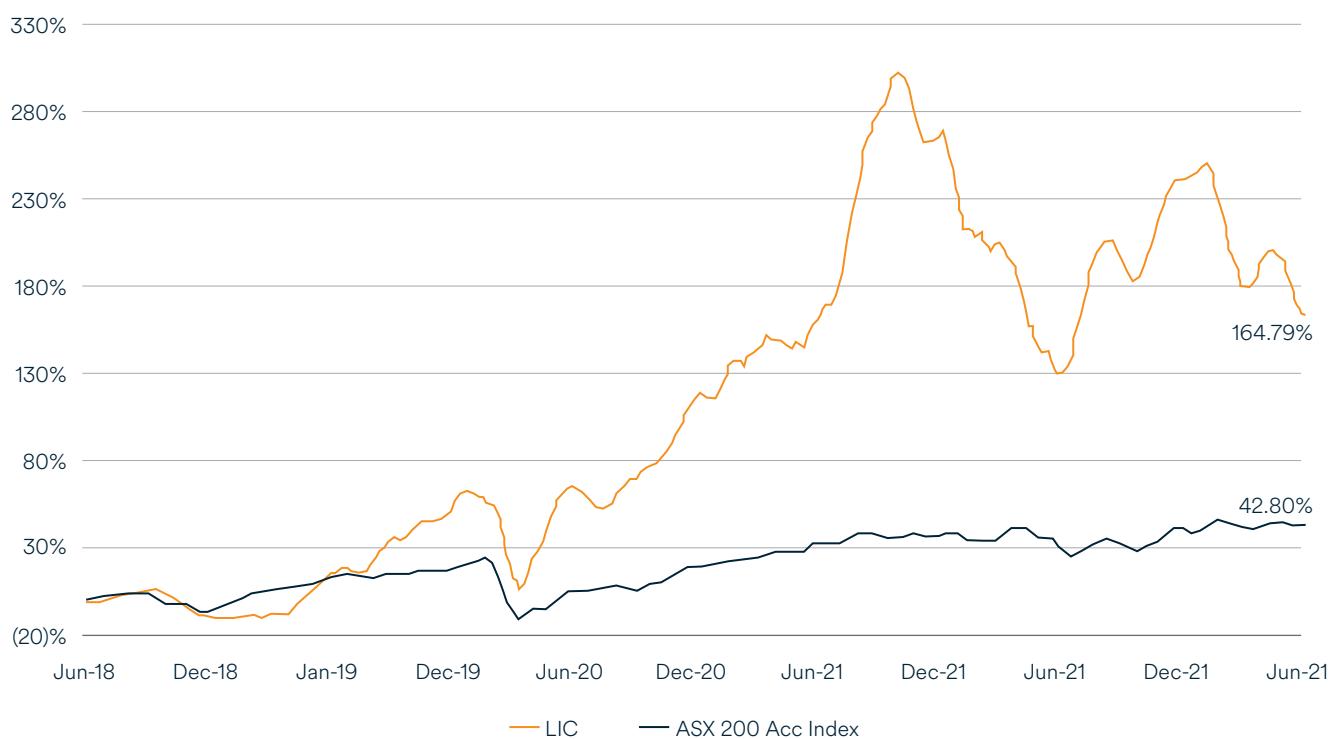
Performance measure	Unit	FY23	FY22	FY21	FY20	FY19
Statutory profit after tax	\$m	<b>81.9</b>	91.1	88.9	42.8	55.1
Dividends declared and paid	cps	<b>11.5</b>	10.5	8	5.5	5.5
Closing share price (30 June)	\$	<b>15.66</b>	13.6	15.6	9.5	6.6
Share price increase / (decrease)	%	<b>15.1%</b>	(13.0)%	64.2%	43.9%	11.9%
Employee share scheme expense <sup>1</sup>	\$m	<b>1.4</b>	2.9	1.4	0.3	0.9
New home settlements in the year	Homes	<b>356</b>	401	255	253	337
Total homes settled	Homes	<b>3,549</b>	3,193	2,792	2,537	2,284
Total portfolio (settled and unsettled)	Homes	<b>5,912</b>	5,391	4,834	4,494	3,563

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 relative to FY21. The new home settlement targets were not met in FY23 resulting in a lower expense for this year.

The chart below shows the total shareholder returns for Lifestyle Communities relative to the ASX200 accumulation index over the last 5 years

### LIC total shareholder return (TSR) from 1 July 2018 to 30 June 2023



## 7. Remuneration details for FY23

### 7.1 Managing Director

The total remuneration for the Managing Director (inclusive of superannuation) in FY23 was \$900,000 and included 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.

External benchmarking indicates that the Managing Director's remuneration remains low relative to peers in the market. To address this, and to minimise the one-off impact on the business in a particular year, the Managing Director's salary has been progressively increased to bring it into line with market over time. The table below demonstrates the movement in salary for FY22, FY23, and the approved salary for FY24.

\$000's	FY22	FY23	FY24
Total fixed compensation	750	900	1,050

As noted in section 6.2, due to his substantial shareholding, the Managing Director does not participate in either the short-term or long-term incentive plans. The Board will continue to monitor the Managing Director's total fixed compensation and adjust as appropriate.

There were no other material changes to the Managing Director's service agreement during FY23

#### 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 STI had a 1-year performance period and the following performance metrics

Description	Weighting	Target	Result	Outcome	Weighting achieved
<b>New Home Settlements</b> continues as one of the main operational performance metrics as it is a key driver of earnings growth and shareholder value.	30%	Achievement of 400 or above new home settlements	356 Settlements	Not Achieved	0%
<b>Cashflow from Community Operations (CCO)</b> is an important operational metric focused on the efficient management of our communities, costs and resales.	30%	Budgeted FY23 CCO or above	Underlying CCO above budget	Partly Achieved <sup>1</sup>	22.5%
<b>Capital recovery</b> focuses on recovery of capital deployed into development projects.	20%	Net capital recovery aggregated across all projects meets or exceeds commencement case	Net surplus to commencement case across all projects	Achieved	20%
<b>Team Engagement Survey</b> is an important metric focused on the team culture and engagement which is critical to delivering amazing customer experiences.	20%	Rating 8–9 = 50% Rating 9 & Above = 100%	Rating of 9 achieved	Achieved	20%

#### Note

1. The cash flow from community operations target was met on an underlying basis but there were one-off items outside of the team's control which meant the targets were not met in accordance with the way CCO was defined in the ESS plan. The Board felt it was important to recognise this, and also the important role the STI plays in both reward and retention of the senior leaders in the business.

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 take 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 other material changes to Senior Management service agreements during FY23.

#### 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.

#### FY23 Executive Leadership Team (ELT) Short Term Incentive (STI) Remuneration Outcomes

Following a market review, the Board enhanced the structure of the ELT STI to ensure the following:

- 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.

When setting the performance metrics for FY23, Management and the Board considered ESG metrics in addition to other strategic short-term projects critical to FY23 performance outcomes. Although there are many strategic priorities, the Team Engagement Survey overall result was determined as the most appropriate business priority for the FY23 scheme and replaced the Salesforce project implementation metric which was included in the FY22 scheme. Ensuring optimum performance whilst fostering a great work culture is key to retaining our team and continuing to attract the best talent in the market

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

### FY22 Scheme

Metric	Weighting	Target	Result			Outcome
			FY22	FY23	FY24	
<b>New Home Settlements</b> 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 basis.	40%	1,100 to 1,300 new home settlements (pro-rata) between FY22 and FY24	401	356	tbc	In Progress - 1 Year Remaining
<b>Adjusted Return on Equity (ROE)</b> 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	40%	14% to 18% average ROE (pro-rata) for FY22, FY23, and FY24	16%	12.9%	tbc	In Progress - 1 Year Remaining

### FY23 Scheme

Metric	Weighting	Target	Result			Outcome
			FY23	FY24	FY25	
<b>New Home Settlements</b> 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 basis.	40%	1,400 to 1,700 new home settlements between FY23 and FY25	356	tbc	tbc	In Progress - 2 Years Remaining
<b>Adjusted Return on Equity (ROE)</b> 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	40%	14% to 18% average ROE (pro-rata) for FY23, FY24, and FY25	11.8%	tbc	tbc	In Progress - 2 Years Remaining

Note: The Adjusted ROE target is set at the start of each scheme period. As such, the opening equity and property valuation adjustments are different for each scheme. This is the reason for the variation in outcomes for the FY23 year between the FY22 and FY23 schemes.

The maximum STI available in FY23 was 40% of total fixed remuneration (TFR) for each ELT member. The actual outcome achieved based on the above performance outcomes was 25%. The Board applied its discretion to award 75% of the cashflow from community operations metric due to factors impacting the reported outcomes which were outside of the team's control. Had this discretion not been applied, the total STI achieved would have been 16%.

### Update on ELT Long Term Incentives

At the end of FY23 there were two long term incentive plans in operation. An update on each of the respective schemes is shown in the tables below.

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

The maximum LTI achievable in FY23 equates to 80% of TFR for each ELT member

### 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.

In 2022 independent benchmarking confirmed that current fees payable are low. As a result, the fee levels have been aligned with comparable firms while having consideration for the company's performance and external environment. The fees for FY23 and the approved increase effective 1st July 2023 are detailed in the following table:

#### Current Director and Committee Fees (per annum) are set out below

\$000's	FY23	FY24
<b>Board fees</b>		
Chair	210	240
Member	90	110
<b>Audit Committee</b>		
Chair	15	22
Member	10	10
<b>Remuneration and Nomination Committee</b>		
Chair	15	22
Member	10	10

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 KMP 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 KMP of the Company for the 2023 financial year and for the previous financial year.

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## 2023

\$000's	Salary and fees	Annual and long service leave <sup>(1)</sup>	Super	Equity-based payments <sup>(2)</sup>	Total	Performance related	Take home pay <sup>(3)</sup>
<b>Directors</b>							
James Kelly	872 <sup>4</sup>	(30)	28		870	—	900
Philippa Kelly	208	22			230	—	230
David Blight	105	0			105	—	105
Nicola Roxon	100	0			100	—	100
Mark Blackburn	95	10			105	—	105
Claire Hatton	90	10			100	—	100
<b>Consolidated remuneration</b>	<b>1,470</b>	<b>(30)</b>	<b>70</b>	<b>0</b>	<b>1,510</b>	<b>—</b>	<b>1,540</b>
<b>Key management personnel</b>							
Darren Rowland	429	41	28	160	658	24.3%	457
<b>Consolidated remuneration</b>	<b>1,899</b>	<b>11</b>	<b>98</b>	<b>160</b>	<b>2,168</b>	<b>7.4%</b>	<b>1,997</b>

## 2022

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

1. Annual leave and long service leave represents movements in provisions.
2. Equity based payments represents the fair value of the options granted to key management personnel in FY21, FY22 and FY23 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.

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## 10. Shares and options held by key management personnel

### Vested and unvested options yet to be exercised

	Maximum entitlement	Grant date	Expiry date	Exercise price	Value per option at grant date	Final entitlement	Vested and exercisable	Unvested
<b>Darren Rowland</b>								
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	12,000	
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		
FY23 - STI Tranche 1	6,755	03/10/2022	03/10/2032	\$Nil	\$15.47	4,221	4,221	
FY23 - STI Tranche 2	6,755	03/10/2022	03/10/2032	\$Nil	\$15.42	4,221	4,221	
FY23 - 3 Year LTI Tranche 1	13,510	03/10/2022	03/10/2032	\$Nil	\$15.32	to be determined		
FY23 - 3 Year LTI Tranche 2	13,510	03/10/2022	03/10/2032	\$Nil	\$15.24	to be determined		
<b>Total</b>					<b>46,726</b>	<b>38,284</b>	<b>8,442</b>	

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 2022	Vested	Exercised	Balance at 30 June 2023	Value at 30 June 2023
<b>Darren Rowland</b>	21,000	17,284	—	38,284	\$571,580

All options have a zero exercise price.

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**Shares**

\$000	Shares held at the beginning of the year	Purchased on market	Options exercised	Sold	Shares held at the end of the year
<b>Directors</b>					
James Kelly	7,077,001				7,077,001
Philippa Kelly	75,000				75,000
David Blight	11,000				11,000
Nicola Roxon	7,000				7,000
Claire Hatton	760	1,000			1,760
Mark Blackburn	8,000				8,000
<b>Management</b>					
Darren Rowland	2,500				2,500

**11. Remuneration report voting at Annual General Meeting**

Lifestyle Communities Limited received 98.39% of votes in support of its remuneration report at the 2022 Annual General Meeting.

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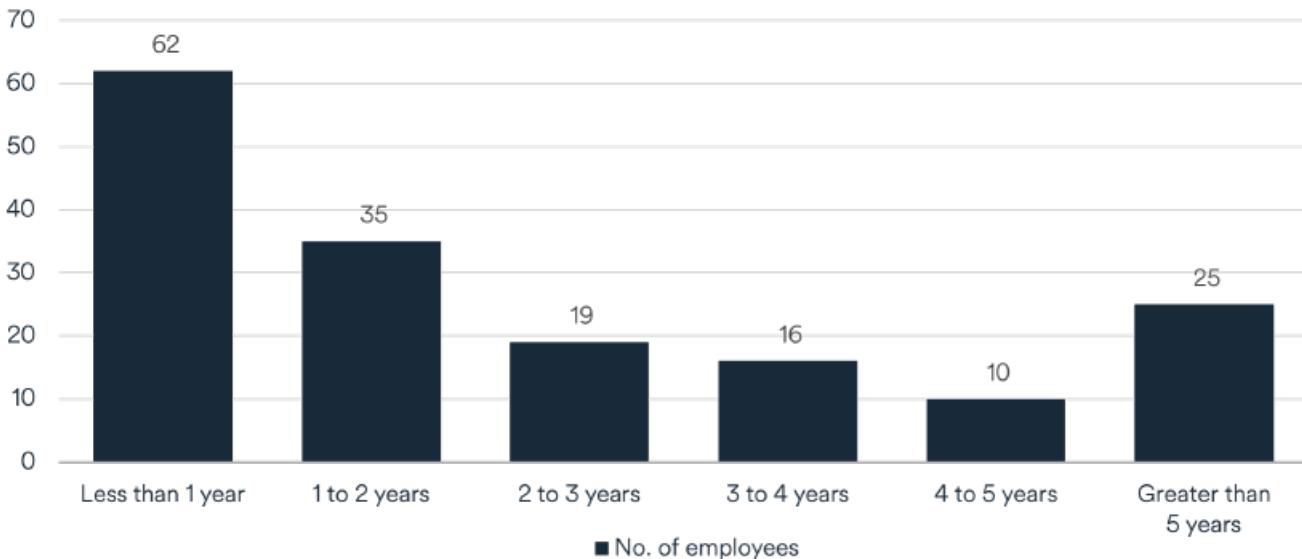
### Additional Remuneration Data

Job classification	Women	Average of TFR	Men	Average of TFR	Total	Average TFR	Women (%)	Men (%)
Managing Director			1	900,000	1			
Key Management Personnel			1	448,000	1			
Executive Leadership Team	4	351,066	2	400,000	6	367,377	67%	33%
Managers	9	165,553	12	166,497	21	166,092	43%	57%
Team / Subject Matter Leader	12	135,612	2	137,895	14	135,938	86%	14%
All other Team Members	92	90,214	32	84,001	124	88,611	74%	26%
<b>Total</b>	<b>117</b>		<b>50</b>		<b>167</b>		<b>70%</b>	<b>30%</b>

Note: Our remuneration process uses external benchmarking to ensure we are competitive in the market as well as recognising an individual's experience, education, effort, and contribution to our culture

Kelly, James MR	900,000
Ratio of MD total annual compensation to median employee TFR	9.9x

### Employee tenure





Cycling the trails near Lifestyle St Leonards

Club Lifestyle Villas

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### Auditor's Independence Declaration

As lead auditor for the audit of Lifestyle Communities Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

A handwritten signature in blue ink, appearing to read 'Andrew Cronin'.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
16 August 2023

PricewaterhouseCoopers, ABN 52 780 433 757  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001  
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Lifestyle Riverfield (July 2023)

Artist impression of courtyard at  
Lifestyle St Leonards



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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

\$000's	Note	2023	2022
<b>Development revenue</b>			
Home settlement revenue	2.1	<b>180,827</b>	180,291
Cost of sales	2.1	(142,837)	(142,844)
<b>Gross profit from home settlements</b>	2.1	<b>37,990</b>	<b>37,447</b>
<b>Management and other revenue</b>			
Rental revenue	2.1	<b>34,244</b>	29,712
Deferred management fees	2.1	<b>12,921</b>	10,906
Utilities revenue	2.1	<b>4,061</b>	3,311
Finance revenue	2.1	<b>240</b>	186
<b>Total management and other revenue</b>		<b>51,466</b>	<b>44,115</b>
<b>Fair value adjustments</b>	2.2	<b>84,946</b>	<b>92,600</b>
<b>Less expenses</b>			
Development expenses (sales and marketing)	2.1	(13,111)	(8,619)
Community Operating Expenses	2.1	(15,219)	(12,694)
Deferred management fee expenses	2.1	(2,061)	(1,985)
Utilities expenses	2.1	(4,160)	(3,436)
Corporate overheads	2.1	(17,148)	(13,245)
Employee share scheme	2.1	(1,404)	(2,876)
IT Implementation costs		—	(1,595)
Facility fees and interest on non-development debt	2.1	(2,919)	(1,600)
Other costs		(1,156)	(1,086)
<b>Statutory profit before income tax</b>		<b>117,224</b>	127,026
Income tax expense	2.4	(35,324)	(38,155)
<b>Statutory profit from continuing operations</b>		<b>81,900</b>	<b>88,871</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent entity:</b>			
Basic earnings per share (cents)		<b>78.3</b>	85.4
Diluted earnings per share (cents)		<b>78.0</b>	85.1

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

# Consolidated Statement of Financial Position

For the year ended 30 June 2023

\$000's	Note	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.3	<b>1,233</b>	1,893
Trade and other receivables	2.6	<b>955</b>	963
Inventories	3.3	<b>136,833</b>	86,755
Assets held for sale	3.5	<b>3,426</b>	—
Other assets	2.7	<b>1,674</b>	1,230
<b>Total current assets</b>		<b>144,121</b>	<b>90,841</b>
<b>Non current assets</b>			
Inventories	3.3	<b>56,722</b>	48,924
Other assets	2.7	<b>1,329</b>	1,275
Property, plant and equipment	3.4	<b>20,770</b>	14,610
Investment properties	3.1	<b>962,150</b>	850,247
Derivative financial instrument	3.6	<b>2,884</b>	—
Right of use assets	3.7	<b>3,464</b>	314
<b>Total non current assets</b>		<b>1,047,319</b>	915,370
<b>TOTAL ASSETS</b>		<b>1,191,440</b>	<b>1,006,211</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	2.8	<b>62,002</b>	104,756
Lease liabilities	3.7	<b>1,095</b>	269
Current tax liabilities	2.4	<b>1,020</b>	1,404
Provisions	5.2	<b>1,259</b>	961
<b>Total current liabilities</b>		<b>65,376</b>	<b>107,390</b>
<b>Non current liabilities</b>			
Trade and other payables	2.8	<b>53,847</b>	55,148
Interest bearing loans and borrowings	4.4	<b>371,000</b>	245,000
Lease liabilities	3.7	<b>3,962</b>	136
Provisions	5.2	<b>443</b>	310
Deferred tax liabilities	2.4	<b>171,954</b>	144,770
<b>Total non current liabilities</b>		<b>601,206</b>	445,364
<b>TOTAL LIABILITIES</b>		<b>666,583</b>	<b>552,754</b>
<b>NET ASSETS</b>		<b>524,857</b>	<b>453,457</b>
<b>EQUITY</b>			
Contributed equity	4.5	<b>55,925</b>	57,726
Reserves	4.6	<b>9,354</b>	6,028
Retained earnings	4.6	<b>459,578</b>	389,703
<b>TOTAL EQUITY</b>		<b>524,857</b>	<b>453,457</b>

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

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# Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

**2023**

\$000's	Note	Contributed equity	Reserves	Hedging reserve	Retained earnings	Total equity
Balance at 1 July 2022		57,726	6,028	–	389,703	453,457
Profit for the year	–	–	–	–	81,900	81,900
<b>Total comprehensive income for the year</b>	–	–	–	–	<b>81,900</b>	<b>81,900</b>
<b>Transactions with owners in their capacity as owners</b>						
Treasury shares purchased		(1,902)	–	–	–	(1,902)
Vesting of treasury shares	101	(101)	–	–	–	–
Hedge reserve		–	–	2,023	–	2,023
Employee share scheme expense		–	1,404	–	–	1,404
Employee share trust contribution		–	–	–	–	–
Dividends paid or provided for	4.7	–	–	–	(12,025)	(12,025)
<b>Balance at 30 June 2023</b>		<b>55,925</b>	<b>7,331</b>	<b>2,023</b>	<b>459,578</b>	<b>524,857</b>

**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
<b>Total comprehensive income for the year</b>	–	–	–	<b>88,871</b>	<b>88,871</b>
<b>Transactions with owners in their capacity as owners</b>					
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)
<b>Balance at 30 June 2022</b>		<b>57,726</b>	<b>6,028</b>	<b>389,703</b>	<b>453,457</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2023

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\$000's	Note	2023	2022
<b>Cash flow from operating activities</b>			
Receipts from customers		<b>250,898</b>	243,346
Payments to suppliers and Employees <sup>1</sup>		<b>(257,441)</b>	(187,306)
Income tax paid	2.4	<b>(9,389)</b>	(9,059)
Interest received		<b>241</b>	35
Interest paid		<b>(14,723)</b>	(5,284)
<b>Net cash provided by/(used in) operating activities</b>	<b>2.5</b>	<b>(30,414)</b>	<b>41,732</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		<b>(8,525)</b>	(3,067)
Purchase of investment properties		<b>(73,519)</b>	(77,599)
<b>Net cash provided by/(used in) investing activities</b>		<b>(82,044)</b>	<b>(80,666)</b>
<b>Cash flow from financing activities</b>			
Principal elements of lease payments		<b>(275)</b>	(285)
Purchase of treasury shares for employee share scheme		<b>(1,902)</b>	(6,256)
Proceeds from external borrowings		<b>126,000</b>	55,000
Dividends paid		<b>(12,025)</b>	(9,932)
<b>Net cash provided by/(used in) financing activities</b>		<b>111,798</b>	<b>38,527</b>
Net increase/(decrease) in cash and cash equivalents held		<b>(660)</b>	(407)
Cash and cash equivalents at the beginning of the financial year		<b>1,893</b>	2,300
<b>Cash and cash equivalents at end of financial year</b>		<b>1,233</b>	<b>1,893</b>

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 FY23 payments to suppliers and Employees includes \$62.4 million of such costs (FY22: \$43.5m).

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

# Notes to the **Financial Statements**

For the year ended 30 June 2023

## 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.

**1.5 Derivative financial instruments**

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

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

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

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

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

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

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

**Documentation for hedge accounting**

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

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

**Cash flow hedge**

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

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

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

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

#### Reconciliation of cash flow hedge reserve

\$000's	2023	2022
Opening cash flow hedge reserve	–	–
Net change in fair value of cash flow hedges	<b>2,884</b>	–
<b>Closing cash flow hedge reserve</b>	<b>2,884</b>	–

#### 1.6 Leases

The group leases its support office at 101 Moray St, South Melbourne and also a retail space at Fountain gate shopping centre.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar

economic environment with similar terms, security and conditions. The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

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

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

#### 1.7 Provisions

##### *Short-term employee benefit obligations*

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

##### *Other long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before 12 months after the end of the reporting period are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected further payments incorporate anticipated future wage and salary levels, durations of

service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high-quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs. Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

## 2. How we have performed this year

### 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 three main revenue streams* including Home Settlement Revenue, Rental Revenue, Deferred Management Fee revenue, and two ancillary revenue streams, Utilities revenue and Interest revenue.

#### (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 ownership transfers to the homeowner. 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	2023	2022
Number of settlements	356	401
Home settlement revenue	<b>180,827</b>	180,291
Cost of sales	<b>(142,837)</b>	(142,844)
Gross profit from home settlements	<b>37,990</b>	37,447
Gross profit margin (%)	<b>21.0%</b>	20.8%
Development expenses (sales, marketing, and project management)	<b>(13,111)</b>	(8,619)

New home settlements were 356 in FY23 (FY22: 401) and this, combined with a change in home and project mix, has translated into higher revenue and gross profit from home settlements. Development expenses is higher due more communities under development in FY23. Cost of sales includes \$47.6m for the share of community infrastructure sold to each homeowner and expensed upon settlement (FY22: \$52.1m).

#### (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	2023	2022
Number of homes under management at 30 June	<b>3,549</b>	3,193
Rental revenue	<b>34,244</b>	29,712
Community operating expenses	<b>(15,219)</b>	(12,694)
Net Community surplus	<b>19,025</b>	17,018
Margin	<b>55.6%</b>	57.3%

Rental revenue and community operating expenses both increased during FY23 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 decreased due to the mix of new and established communities. Rent does not commence until the clubhouse opens however costs commence earlier.

**(iii) Deferred management fee**

The deferred management fee is a deferred contribution to the operating costs of the community and assists in keeping the weekly site fees affordable during the homeowners' tenure. 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	2023	2022
Number of resales	178	156
Deferred management fees	12,921	10,906
Deferred management fee expenses	(2,061)	(1,985)

178 resale settlements were achieved in FY23 (FY22:156).

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

**(iv) Utilities revenue and expenses**

Lifestyle Communities operates embedded networks for electricity and water. Gas (where applicable) is provided by third party retailers. Electricity and Water usage is 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	2023	2022
Utilities revenue	4,061	3,311
Utilities expenses	(4,160)	(3,436)

**(v) Finance revenue and costs**

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

\$000's	2023	2022
Finance revenue	240	35

**(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. Lifestyle Communities' developments are classified as qualifying assets. Establishment fees are amortised over the life of the facility. The average interest rate paid in FY23, including commitment fees, was 4.44% up from 2.23% in FY22.

\$000's	2023	2022
Interest on secured loans	2,487	1,218
Amortisation of loan facility fees	432	382

**(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	2023	2022
Interest on secured loans	12,582	4,620

**(vi) Corporate overheads**

Corporate overheads include the Company's support functions such as the Executive Team, People Experience, 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	2023	2022
Corporate overheads	17,148	13,245
Employee share scheme	1,404	2,876

Corporate costs increased compared to the prior year due to increased resources, new leases and computer costs required to support business growth.

The cost of the employee share scheme decreased in FY23 due to the new home settlement target not being achieved. The reported expense relates to the other performance metrics being achieved and the phased vesting of prior year schemes. Further details on the employee incentive scheme can be found in the remuneration report.

**(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**

	<b>FY23 (\$'000)</b>	<b>FY22 (\$'000)</b>
Uplift in value arising from settled homes during the year (356 new home settlements FY22: 401)	<b>43,028</b>	41,900
The uplift created as a result of the contractual rent increase	<b>26,531</b>	11,500
Movements as a result of changes to valuation assumptions	<b>15,387</b>	39,200
<b>Total Fair Value Adjustment</b>	<b>84,946</b>	<b>92,600</b>

**(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**

<b>\$'000's</b>	<b>2023</b>	<b>2022</b>
Net profit	<b>81,900</b>	88,871

**(b) Weighted average number of shares**

<b>\$'000's</b>	<b>2023</b>	<b>2022</b>
Ordinary shares	<b>104,545</b>	104,545
Treasury shares	<b>(570)</b>	(484)
Weighted average number of ordinary shares for basic earnings per share	<b>103,975</b>	104,061
<b>Effect of dilution</b>		
Options	491	424
<b>Weighted average number of ordinary shares adjusted for dilution</b>	<b>105,036</b>	<b>104,969</b>

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.

The total number of securities purchased during the reporting period was 120,000. The average price per security at which the security was purchased during the reporting period was \$15.85.

**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 \$0.3m 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	2023	2022
Current tax	9,311	9,581
Deferred income tax	26,013	28,574
	<b>35,324</b>	<b>38,155</b>

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

\$000's	2023	2022
Decrease / (increase) in deferred tax assets	(2,506)	(280)
Increase in deferred tax liabilities	29,997	29,854
	<b>27,491</b>	<b>29,574</b>

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	2023	2022
Accounting profit before tax	<b>117,224</b>	127,026
Tax	<b>30%</b>	30%
	<b>35,167</b>	<b>38,108</b>
<i>Add / (less):</i>		
<i>Tax effect of:</i>		
Entertainment	<b>66</b>	47
Prior years – (unders)/overs	<b>91</b>	0
<b>Income tax expense</b>	<b>35,324</b>	<b>38,155</b>

#### (d) Current tax liabilities

Current tax relates to the following:

\$000's	2023	2022
Opening balance	<b>1,404</b>	1,712
Income tax payable	<b>9,311</b>	9,581
Tax payments	<b>(9,389)</b>	(9,059)
Prior years – (unders)/overs	<b>(306)</b>	(830)
<b>Current tax liabilities</b>	<b>1,020</b>	<b>1,404</b>

#### (e) Deferred tax

Deferred tax relates to the following:

\$000's	2023	2022
<b>Deferred tax assets</b>		
<b>The balance comprises</b>		
Lease liability	<b>1,626</b>	121
Deferred deductions	<b>335</b>	–
Provision for employee entitlements	<b>511</b>	381
Accruals and business expenses	<b>1,634</b>	1,110
Superannuation	<b>22</b>	10
	<b>4,128</b>	<b>1,622</b>
<b>Deferred tax liabilities</b>		
Interest capitalised	<b>3,613</b>	1,904
Investment property fair value adjustments	<b>168,446</b>	142,963
Employee share scheme	<b>865</b>	709
Hedging reserve	<b>858</b>	–
Fixed assets	<b>1,261</b>	722
Right of use asset	<b>1039</b>	94
	<b>176,082</b>	<b>146,392</b>
<b>Net deferred tax liability</b>	<b>171,954</b>	<b>144,770</b>

## 2.5 Cash Flow Information

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

\$000's	2023	2022
Statutory Operating Profit	81,900	88,871
Cash flows excluded from profit attributable to operating activities		
Non cash flows in profit:		
depreciation	2,365	1,709
amortisation	946	591
share based payments	1,404	2,876
fair value adjustment	(84,946)	(92,600)
Changes in assets and liabilities:		
(increase)/decrease in trade and other receivables	8	123
(increase)/decrease in other assets	(497)	434
(increase)/decrease in inventories	(57,876)	(10,437)
increase/(decrease) in trade and other payables	(87)	21,262
increase/(decrease) in provisions	(431)	(194)
increase/(decrease) in current tax	(384)	(308)
increase/(decrease) in deferred tax	27,184	29,405
<b>Net cash flow from operating activities and development</b>	<b>(30,414)</b>	<b>41,732</b>

## 2.6 Trade and other receivables

\$000's	2023	2022
Other receivables	955	963

Other receivables includes unbilled rental revenue which is deducted from final resale settlements together with a 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	2023	2022
Security deposits	556	372
Other assets	1,752	1,508
Prepayments	695	625
<b>Total</b>	<b>3,003</b>	<b>2,505</b>

### (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	2023	2022
Trade payables	(a)	2,272	20
Customer deposits	(b)	880	1,377
GST payable	(c)	528	496
Other payables and accruals	(d)	36,725	37,842
Contracted land-current	(e)	21,597	65,021
Contracted land-non current	(e)	53,847	55,148
<b>Total</b>		<b>115,849</b>	<b>159,904</b>

### (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 payable includes accruals for works completed or commitments made prior to the end of the year where the invoices will be paid after the end of the year.

### (e) Contracted land

Includes amounts payable on four parcels of land for contracts entered into prior to the reporting date (including stamp duty). Two of the four contracts, totalling \$22 million, are expected to settle in FY24 with the balance expected to settle in FY25. All purchases will be funded from existing debt facilities.

## 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 valuation of the Company's investment properties comprise:

- Capitalisation of the rental revenue
- Capitalisation of the deferred management fees
- Undeveloped land

The undeveloped land is converted to capitalised rental and deferred management fees upon settlement of each home.

At 30 June 2023, the fair value has been determined by a combination of the discounted annuity streams associated with completed home units and the fair value of the undeveloped land. The gain arising from the change in the fair value of investment properties has been recognised in the profit or loss.

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

\$000's	2023	2022
Opening balance	<b>850,247</b>	636,455
Uplift in value arising from settled homes during the year (356 new home settlements FY22: 401)	<b>43,028</b>	41,911
The uplift created as a result of the contractual rent increase	<b>26,531</b>	11,489
Movement as a result of changes to valuation assumptions	<b>14,318</b>	39,200
Additions (Contracted land and capitalised costs)	<b>28,026</b>	121,192
<b>Closing balance</b>	<b>962,150</b>	<b>850,247</b>

The Company's Investment Property Valuation Policy requires that the programme for independent valuations is signed off by the Board and aims to value a minimum of 50% of the portfolio each year. Valuations are to be conducted by independent external valuers who are considered industry specialists in valuing these types of investment properties. The independent valuer can only value an investment property on three separate occasions.

For FY23, ten of twenty one operating communities have been externally valued by independent valuers Colliers, M3, and CBRE. 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 ten communities independently valued in the current year. In the remaining communities (independently valued in the prior years) the directors have adjusted the rental capitalisation rates to reflect the conservative rate adopted by valuers m3 for the properties that were valued in the current year.

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

In relation to the remaining communities (independently valued in the prior years) the Directors have adjusted the rental rate adopted in the prior year to take into account the 6.6% rental increase that was applied on 1 July 2023. 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 ten 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 2023. 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.

	FY23	FY22	Impact on fair value as at 30-Jun-23
Weekly rentals (\$)	<b>223.1 – 233.3</b>	209.3 – 218.8	Increase
Anticipated % expenses (as a percentage of rental income)	<b>33.0% – 51.3%</b>	33.0% – 51.3%	Nil
Rental capitalisation rate (%)	<b>5.0% – 5.25%</b>	4.9% – 5.25%	Increase
Rental values per unit (\$)	<b>121,241 – 173,512</b>	114,394 – 161,884	Increase
Deferred management fee discount rates (%)	<b>12.00% – 14.00%</b>	12.00% – 13.75%	Decrease
Deferred management fee values per unit (\$)	<b>44,500 – 98,988</b>	36,000 – 88,172	Increase
Valuation of undeveloped land (per hectare) (\$'million)	<b>1.3 – 5.4</b>	1.3 – 5.4	Increase

Valuation summary	Last independent valuation date	Cap rate (%)		DMF discount rate (%)		Net rental per home		Valuation (\$m)		
		FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	Land cost
Brookfield	Jun-22	<b>5.25%</b>	5.25%	<b>12.00%</b>	12.00%	<b>8,347</b>	7,881	<b>47.8</b>	45.7	6.8
Seasons	Jun-22	<b>5.25%</b>	5.25%	<b>12.00%</b>	12.00%	<b>6,365</b>	6,011	<b>23.6</b>	22.7	3.7
Warragul	Jun-22	<b>5.25%</b>	5.25%	<b>12.00%</b>	12.00%	<b>7,663</b>	7,235	<b>36.9</b>	35.4	2.5
Casey Fields	Jun-22	<b>5.25%</b>	4.87%	<b>13.50%</b>	13.50%	<b>8,364</b>	7,884	<b>29.2</b>	29.6	3.4
Shepparton	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.80%	<b>8,229</b>	8,235	<b>61.7</b>	57.9	3.2
Chelsea Heights	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.00%	<b>7,473</b>	7,107	<b>27.1</b>	26.3	6.2
Hastings	Jun-21	<b>5.25%</b>	5.25%	<b>13.75%</b>	13.80%	<b>8,069</b>	7,618	<b>31.1</b>	29.9	7.4
Lyndarum	Jun-22	<b>5.25%</b>	5.25%	<b>13.00%</b>	13.00%	<b>7,258</b>	6,810	<b>31.4</b>	30.1	7.1
Geelong	Jun-22	<b>5.25%</b>	4.87%	<b>13.50%</b>	13.50%	<b>8,123</b>	7,662	<b>35.7</b>	36.2	5.5
Officer	Jun-21	<b>5.25%</b>	5.25%	<b>13.75%</b>	13.80%	<b>7,836</b>	7,400	<b>31.5</b>	30.2	7
Berwick Waters	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.00%	<b>8,079</b>	7,865	<b>49.6</b>	46.1	12.1
Bittern	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.00%	<b>8,676</b>	8,014	<b>52.0</b>	45.1	7.4
Ocean Grove	Jun-22	<b>5.25%</b>	4.87%	<b>13.50%</b>	13.50%	<b>8,251</b>	7,782	<b>49.2</b>	49.8	17.6
Mt Duneed	Jun-23	<b>5.00%</b>	5.25%	<b>14.00%</b>	13.80%	<b>8,461</b>	7,799	<b>43.6</b>	37.6	11.1
Kaduna Park	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.00%	<b>7,673</b>	7,391	<b>37.8</b>	32.7	14.5
Wollert North	Jun-21	<b>5.25%</b>	5.25%	<b>13.00%</b>	13.00%	<b>8,733</b>	8,235	<b>41.0</b>	30.4	14.7
Deanside	Jun-21	<b>5.25%</b>	5.25%	<b>13.00%</b>	13.00%	<b>7,629</b>	7,157	<b>39.9</b>	34.0	25.1
St Leonards	Jun-23	<b>5.00%</b>	5.25%	<b>13.75%</b>	13.00%	<b>8,149</b>	7,644	<b>57.6</b>	42.5	29.5
Meridian	Aug-21	<b>5.25%</b>	5.25%	<b>14.00%</b>	14.00%	<b>7,636</b>	7,163	<b>41.1</b>	26.0	23
Bellarine <sup>1</sup>	Dec-23	<b>5.25%</b>		<b>13.00%</b>		<b>7,536</b>		<b>24.2</b>	11.9	21.0
Woodlea	Oct-22	<b>5.25%</b>		<b>13.00%</b>		<b>7,671</b>		<b>16.9</b>	16.6	16.6
Riverfield (Clyde)	Mar-23	<b>5.25%</b>		<b>13.00%</b>		<b>7,805</b>		<b>22.2</b>	22.2	22.2
Phillip Island								<b>31.1</b>	31.1	31.1
Ridgelea (Pakenham)								<b>15.6</b>	15.6	15.6
Merrifield								<b>21.9</b>	21.9	21.9
Ocean Grove II								<b>42.9</b>	42.9	42.9
Warragul II								<b>19.7</b>	0	19.7

1. The purchase of land at Bellarine included \$8.7m (excl. GST) of infrastructure which had been constructed on-site prior to acquisition. This pre-constructed infrastructure has been included as part of the land acquisition cost and will not be sold to homeowners.

### 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:

Key input	Impact on valuation
Increase in weekly rent	Increase in valuation ↑
Decrease in weekly rent	Decrease in valuation ↓
Increase (softening) of the capitalisation rate	Decrease in valuation ↓
Decrease (tightening) of the capitalisation rate	Increase in valuation ↑

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

### Deferred Management Fee Discount rate

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

### Discounted cash flow approach

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

In assessing the value of the discounted cash flow, a forecast model projects the likely cash flows to be

derived from the deferred management fees less expenses using probability factors on the homeowners length of time in the community and also the property market growth rates.

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

### 3.2 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
<b>30 Jun 23</b>				
<b>Recurring Fair Value Measurements</b>				
Investment properties	–	–	962,150	962,150
<b>Total assets measured at fair value</b>	<b>–</b>	<b>–</b>	<b>962,150</b>	<b>962,150</b>
<b>30 Jun 22</b>				
<b>Recurring Fair Value Measurements</b>				
Investment properties	–	–	850,247	850,247
<b>Total assets measured at fair value</b>	<b>–</b>	<b>–</b>	<b>850,247</b>	<b>850,247</b>

#### (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 ten communities independently valued in the current year. In relation to the remaining eleven operating communities (independently valued in the prior years) the Directors have adjusted the rental capitalisation rates to reflect the conservative rate adopted by valuers M3 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 ten 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 6.6% to reflect the increase that was applied on 1 July 2023. The next rent increase is due on 1 July 2024.

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 three 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 as follows:

\$000's	Post Tax Profit		Equity	
	Higher/(Lower)	Higher/(Lower)	2023	2022
<b>Rental expense rate</b>				
+2%	(11,819)	(9,970)	(11,819)	(9,970)
-2%	11,819	9,970	11,819	9,970
<b>Rental capitalisation rate</b>				
+0.50%	(32,890)	(27,415)	(32,890)	(27,415)
-0.50%	39,984	33,287	39,984	33,287
<b>Deferred management fee per unit</b>				
+5%	7,585	6,507	7,585	6,507
-5%	(7,585)	(6,507)	(7,585)	(6,507)
<b>Land prices (undeveloped land)</b>				
+10%	15,955	16,050	15,955	16,050
-10%	(15,955)	(16,050)	(15,955)	(16,050)

**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	2023	2022
<b>Current</b>		
Housing	93,812	48,561
Civils and infrastructure	43,021	38,194
	136,833	86,755
<b>Non current</b>		
Housing	9,436	4,136
Civils and infrastructure	47,286	44,788
	56,722	48,924
<b>Total</b>	<b>193,555</b>	<b>135,679</b>

**(a) Inventory expense**

Inventories recognised as an expense for the year ended 30 June 2023 totalled \$142.8 million for the Group (2022: \$142.8 million). The expense has been included in the cost of sales line item.

**3.4 Property, plant and equipment**

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

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

\$000's	2023	2022
Buildings	40 years	40 years
Plant and equipment	4 to 25 years	4 to 25 years
Computer equipment	2 to 3 years	2 to 3 years
Motor vehicles	4 to 12 years	4 to 12 years

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

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

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

\$000's	Buildings	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
<b>Year ended 30 June 2023</b>					
Balance at the beginning of the year	4,608	7,315	1,720	967	14,610
Additions	3,614	2,814	977	1,120	8,525
Depreciation	(150)	(1,347)	(295)	(573)	(2,365)
<b>Balance at the end of the year</b>	<b>8,072</b>	<b>8,782</b>	<b>2,402</b>	<b>1,514</b>	<b>20,770</b>
At 30 June 2023 cost	8,889	12,850	3,759	3,158	28,656
Accumulated depreciation	(817)	(4,068)	(1,357)	(1,644)	(7,886)
<b>Net carrying amount</b>	<b>8,072</b>	<b>8,782</b>	<b>2,402</b>	<b>1,514</b>	<b>20,770</b>
\$000's	Buildings	Plant and Equipment	Motor Vehicles	Computer Equipment	Total
<b>Year ended 30 June 2022</b>					
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)
<b>Balance at the end of the year</b>	<b>4,608</b>	<b>7,315</b>	<b>1,720</b>	<b>967</b>	<b>14,610</b>
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)
<b>Net carrying amount</b>	<b>4,608</b>	<b>7,315</b>	<b>1,720</b>	<b>967</b>	<b>14,610</b>

**3.5 Assets held for sale**

\$000's	2023	2022
Assets held for sale	<b>3,426</b>	—

Investment property classified as held for sale during the half year was measured at the fair value less costs to sell at the time of the reclassification, resulting in the recognition of a fair value gain of \$1.1m in the statement of profit or loss. The fair value was determined using the prices of comparable properties for the 10 residential lots adjacent to our St Leonards Community currently being marketed for sale.

**3.6 Derivative financial instrument**

\$000's	2023	2022
Hedge receivable	<b>2,884</b>	—

At 30 June 2023 the fair value of the swap was a gain of \$2.9m pre-tax and \$2m post tax. The gain has been recorded in equity.

### 3.7 Leases

\$000's	2023	2022
<b>Non current assets</b>		
Right of use assets	<b>3,464</b>	314
<b>Current liabilities</b>		
Lease liabilities	<b>1,095</b>	269
<b>Non current liabilities</b>		
Lease liabilities	<b>3,962</b>	136

In February 2023 the support office moved to a new premises, 101 Moray St, South Melbourne. The lease term is 5 years with a termination date of 31st March 2028. The Company also entered into a lease with a retail outlet at Fountain gate shopping centre on 30th June 2023 and the termination date is 30 June 2028.

The right of use liability has \$0.2m remaining to be paid monthly until February 2024 for the Raglan St office.

## 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.

We maintain our balance sheet settings with a margin of safety over and above the requirements in our funding agreements. 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.

Due to the capital recycling nature of our business model, we are also reliant on continuing sales and settlements to fund our development pipeline and remain compliant with the financial covenants in our funding agreements. If we experience a sustained slowdown in sales and settlements, we may need to slow down our speed of development, or undertake other capital management activities.

### 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 transaction 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	2023	2022
<b>Financial assets</b>		
Cash and cash equivalents	1,233	1,893
<b>Financial liabilities</b>		
Secured loans—bank finance	(371,000)	(245,000)
<b>Net exposure</b>	<b>(369,767)</b>	<b>(243,107)</b>

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:

\$000s	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2023	2022	2023	2022
<b>Consolidated</b>				
+1% (100 basis points)	(1,067)	(1,835)	(1,067)	(1,835)
-1% (100 basis points)	1,067	1,835	1,067	1,835

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	2023	2022
6 months or less <sup>1</sup>	<b>52,627</b>	71,253
6–12 months <sup>2</sup>	<b>35,273</b>	19,987
1–2 years <sup>3</sup>	<b>81,069</b>	64,430
3–4 years <sup>4</sup>	<b>408,947</b>	255,829
	<b>577,916</b>	<b>411,499</b>

(1) This amount is represented by the following financial liabilities:

- \$40.9 million relates to trade and other payables, refer to Note 2.8 for further detail (2022: \$21.7 million);
- \$11 million relates to expected interest on the secured loan;
- \$0.9 million relates to customer deposits which typically convert to settlement within six months or less (2022: \$1.4 million); and
- \$0.3m relates to lease liabilities at Raglan St, Moray St and Fountain gate.

(2) \$22 million relates to two parcels of land for contracts entered into prior to the reporting date (including stamp duty) expected to settle within 6–12 months of the reporting date  
\$13 million relates to expected interest on the secured loan; and  
\$0.4m relates to lease liabilities at Moray St and Fountain Gate.

(3) \$54 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 1–2 years of the reporting date. \$26.6 million relates to expected interest on the secured loan  
\$0.7m relates to lease liabilities at Moray St and Fountain Gate.

(4) \$35.7 million relates to expected interest on the secured loan, the balance of \$371m relates to future principal repayments  
\$2.3m relates to lease liabilities at Moray St and Fountain Gate.

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	2023	2022
Cash and cash equivalents	<b>1,233</b>	1,893

#### 4.4 Interest bearing loans and borrowings

\$000's	2023	2022
Secured loans—bank finance	<b>371,000</b>	245,000

##### (a) Secured loans bank finance maturity

In October 2022, the Company extended its contracts with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia to secure an additional \$150 million of senior debt facilities and

extend the tenor. The total facility now comprises \$525 million of senior debt facilities under a common terms deed. The facilities comprise of the following:

- \$110 million tranche with a maturity of June 2025,
- \$265 million tranche with a maturity of August 2026
- \$150 million tranche with a maturity of October 2027.

As at reporting date the Company has drawn \$371 million of the \$525 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 \$525 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, Meridian, Woodlea, Clyde (Riverfield), Bellarine (Leopold) and Phillip Island.

##### (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.

**(e) Interest rate swap**

In December 2022, the Company entered into an interest rate swap with the National Australia Bank with a maturity of December 2026.

The interest rate swap is fixed over the following periods:

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

**4.5 Contributed equity**

\$000's	2023	2022
104,545,131 Ordinary shares (30 June 2022: 104,545,131)		
Ordinary Shares - Contributed Equity	<b>64,523</b>	64,523
540,386 Treasury shares (30 June 2022: 484,212)	<b>(8,598)</b>	(6,797)
<b>Total</b>	<b>55,925</b>	<b>57,726</b>

**(i) Reconciliation of Ordinary shares**

	2023		2022	
	Number	\$000	Number	\$000
Opening balance	<b>104,545,131</b>	<b>64,523</b>	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 to satisfy obligations under the employee incentive scheme 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	2023	2022
Opening balance	<b>389,703</b>	310,764
Profit for the year	<b>81,900</b>	88,871
Dividends paid	<b>(12,025)</b>	(9,932)
	<b>459,578</b>	<b>389,703</b>

**(b) Reserves**

\$000's	2023	2022
Opening balance	<b>6,028</b>	3,472
Share based payments expense	<b>1,404</b>	2,876
Vesting of employee shares	<b>(101)</b>	(123)
Employee share trust contribution	–	(197)
Hedge reserve	<b>2,023</b>	–
<b>Closing balance</b>	<b>9,354</b>	<b>6,028</b>

**4.7 Dividends****(a) 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 FY23 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 6.0 cents per share (\$6.3 million) and declare a final fully franked dividend of 5.5 cents per share (\$5.8 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.

**(b) Dividends**

Type	Cents per share	Total (\$000)	Franked %	Payment date
<b>Paid during the year</b>				
2022 final dividend	6.0	6,273	100%	6-Oct-22
2023 interim dividend	5.5	5,751	100%	5-Apr-23
<b>To be paid after end of year</b>				
<b>2023 final dividend</b>	<b>6.0</b>	<b>6,273</b>	<b>100%</b>	<b>5-Oct-23</b>

**(c) Franking account balance**

\$000's	2023	2022
Franking account balance	<b>33,753</b>	29,519

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%.

## 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	2023	2022
Employee number	<b>167</b>	120
Wages and salaries	<b>15,606</b>	12,141
Defined contribution superannuation expense	<b>1,455</b>	1,015
Share based payments expense	<b>1,404</b>	2,876
Movement in employee provisions	<b>431</b>	(194)
<b>Total</b>	<b>18,896</b>	<b>15,838</b>

### 5.2 Employee provisions

\$000's	2023	2022
<b>Current</b>		
Annual leave	<b>935</b>	643
Long service leave	<b>324</b>	318
<b>Non current</b>		
Long service leave	<b>443</b>	310

### 5.3 Share based payments

#### (a) Recognised share based payment expenses

\$000's	2023	2022
Expenses arising pursuant to the EIS	<b>1,404</b>	2,876

#### (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		Final entitlement	Value at grant date (final entitlement)	Vested		Balance at 30 June 2023		
	Granted as compensation	Value at grant date (\$)	No.	%			No.	%	Exercised	Vested & exercisable	Unvested
FY19 Options - granted Nov 2019	149,000	864,200	(18,405)	–	149,000	864,200	149,000	100%	(87,231)	43,364	–
FY21 Options – granted Nov 2020	166,734	1,879,092	(43,515)	(26)%	166,734	–	143,984	86%	(46,537)	76,682	–
FY22 Options – granted Nov 2021	300,481	6,558,159	(81,523)	(27)%	226,918	4,954,503	147,634	49%	(19,208)	120,466	79,284
FY23 Options – granted Nov 2022	418,675	6,510,396	(190,076)	(45)%	57,289	890,844	–	–	–	–	171,310
							440,618		(152,976)	240,512	250,594

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

\$000's	2023	2022
Opening balance	424	283
Issued during the year	419	300
Exercised during the year	(41)	(79)
Forfeited/lapsed during the year	(311)	(80)
<b>Closing balance</b>	<b>491</b>	<b>424</b>

Of the 250,594 unvested options, 27,895 are planned to vest in September 2023 and 27,895 are planned to vest on 30 June 2024. The remainder unvested options relate to the LTI scheme.

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 \$17.53 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	2023	2022
<b>Amounts received or due and receivable for current auditors:</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	230	185
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	36	41
	<b>266</b>	<b>226</b>

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.

		2023 %	2022 %	2023 \$	2022 \$
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	—	—
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
				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	2023	2022
<b>Assets</b>		
Current assets	400,448	262,450
<b>Total Assets</b>	<b>405,415</b>	<b>264,570</b>
<b>Liabilities</b>		
Current liabilities	47,534	262,450
<b>Total Liabilities</b>	<b>311,847</b>	<b>264,570</b>
<b>Equity</b>		
Issued capital	54,697	57,727
Reserves	10,320	6,028
Retained earnings	28,551	9,359
<b>Total Equity</b>	<b>93,568</b>	<b>73,114</b>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
Net profit/(loss)	—	—
Profit for the year	19,853	13,751
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>19,853</b>	<b>13,751</b>

## 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	2023	2022
No later than 1 year	42,096	35,551
Between 1 year and 5 years	168,386	142,204
Greater than 5 years	3,342,565	2,836,150
<b>Total minimum lease payments</b>	<b>3,553,047</b>	<b>3,013,905</b>

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 \$483 million.

These commitments include future construction costs committed for Wollert, Deanside, St Leonards, Meridian, Bellarine, Woodlea, Riverfield, Phillip Island and Ridgelea.

### 7.3 Contingencies

The company's sites are exempt from land tax once fully completed and settled. The Company is holding a provision for land tax which is payable on a proportion of its development sites whilst they are under construction. Discussions are ongoing with the State Revenue Office of Victoria regarding the appropriate apportionment methodology. The Company has formed its position after taking independent advice from relevant subject matter experts, including senior counsel.

### 7.4 Events Occurring After the Reporting Date

The Group had no others 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.

In August 2023 the Company signed contracts to purchase a site in Clifton Springs. Construction is expected to commence in 18–24 months subject to planning.

For personal use only

# The Director's Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes for the year ended 30 June 2023 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, 16 August 2023



## 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 2023 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 2023
- 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.

#### 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

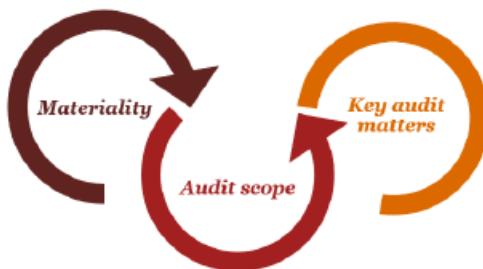
PricewaterhouseCoopers, ABN 52 780 433 757  
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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$5.1 million, which represents approximately 5% of the Group's profit before tax, adjusted for the impact of items as described below.</li> <li>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.</li> <li>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 representative of the Group's performance from ongoing operating activities.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> </ul>

#### 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. We communicated the key audit matters to the Audit Committee.



Key audit matter	How our audit addressed the key audit matter
<p><b>Fair valuation of investment properties</b>  <i>(Refer to note 3.1) [\$962.2 m]</i></p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• capitalisation rate</li> <li>• discount rate</li> <li>• operating and capital expenditure</li> <li>• deferred management fee values per unit.</li> </ul> <p>The Group's valuation policy requires properties to be valued by external valuation experts in accordance with the Board approved programme. In the period between external valuations, the Directors perform internal valuations.</p> <p>This was a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• subjectivity and sensitivity of valuations to key input assumptions, specifically capitalisation and discount rates and deferred management fee values per unit.</li> </ul>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Assessed the methodology used in the internal valuations and agreed them to the values adopted in the financial report.</li> <li>• Performed tests to assess appropriateness of certain input data used in the valuations. These tests included, amongst others: <ul style="list-style-type: none"> <li>◦ For a sample of contracts with residents across the portfolio, comparing the rental income used in the valuation to underlying contracts.</li> <li>◦ 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.</li> </ul> </li> <li>• 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.</li> <li>• Evaluated the reasonableness of related disclosures made in Note 3.1 in light of the requirements of Australian Accounting Standards.</li> </ul>



## 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 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 95 to 106 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Lifestyle Communities Limited for the year ended 30 June 2023 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*  
PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Andrew Cronin".

Andrew Cronin  
Partner

Melbourne  
16 August 2023

# 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 2023.

**(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)
Australian Super	<b>9,971,488</b>	<b>9.54%</b>	23-Feb-23
Brahman Capital Management Pty Ltd	<b>9,363,012</b>	<b>8.96%</b>	09-Jul-21
Challenger Limited	<b>7,153,197</b>	<b>6.84%</b>	19-Jan-23
James Kelly	<b>7,077,001</b>	<b>6.77%</b>	14-Sep-21
Vanguard Group	<b>5,227,441</b>	<b>5.00%</b>	17-Feb-23

**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 1 August 2023.

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

Holding	Total holders	Units	% of issued capital
1 – 1,000	<b>2,475</b>	816,886	0.8%
1,001 – 5,000	<b>1,069</b>	2,597,044	2.5%
5,001 – 10,000	<b>213</b>	1,527,832	1.5%
10,001 – 100,000	<b>220</b>	6,279,676	6%
100,000 and over	<b>35</b>	93,323,693	89.3%
<b>Total</b>	<b>4,012</b>	<b>104,545,131</b>	<b>100.0%</b>

**(d) Twenty largest holders of quoted equity securities**

		Shares held	% issued
1	JP Morgan Nominees Australia PTY Limited	21,398,480	20.5%
2	HSBC Custody Nominees (Australia) Limited	14,574,311	13.9%
3	Citicorp Nominees PTY Limited	11,739,767	11.2%
4	Brahman Pure Alpha Pte Ltd	9,265,125	8.9%
5	National Nominees Limited	9,223,890	8.8%
6	Masonkelly PTY Limited	4,266,265	4.1%
7	BNP Paribas Noms PTY Limited <Drp>	3,912,854	3.7%
8	Netwealth Investments Limited <Wrap Services A/C>	3,883,964	3.7%
9	Daken Investments PTY Limited <Perlov Family A/C>	3,149,539	3.0%
10	Kelly Superannuation Fund PTY Limited	2,116,801	2.0%
11	Armada Investments PTY Limited	1,408,229	1.4%
12	Tracey Ryan Investments PTY Limited <Ryan Investment A/C>	1,183,400	1.1%
13	Australian Shareholder Nominees PTY Ltd <Legal Eagle Pl Colmansf A/C>	768,435	0.7%
14	Citicorp Nominees PTY Limited <Colonial First State Inv A/C>	680,930	0.7%
15	Pacific Custodians PTY Limited <Lic Emp Share Tst A/C>	517,252	0.5%
16	Maxima Ethan PTY Ltd <Maxi Foglgarn S/Fund A/C>	465,193	0.4%
17	Elizabeth Kelly Foundation PTY Ltd <Blue Sky Foundation A/C>	462,500	0.4%
18	One Managed Investment Funds Ltd <Charter Hall Maxim Property Sec>	455,000	0.4%
19	BNP Paribas Nominees PTY Ltd Hub24 Custodial Serv Ltd <Drp A/C>	430,240	0.4%
20	Mutual Trust PTY Limited	357,067	0.3%
<b>Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>90,259,242</b>	<b>86.3%</b>
<b>Total remaining holders balance</b>		<b>14,285,889</b>	<b>13.66%</b>

**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	194,804
78 holders of short term unvested options issued as part of the incentive scheme	240,512
18 holders of short term vested options issued as part of the incentive scheme	55,790
	<b>491,106</b>

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**Corporate Information**

<b>Lifestyle Communities Limited</b>	<b>ABN 11 078 675 153</b>
<b>Registered Office</b>	Level 5, 101 Moray Street South Melbourne VIC 3205 Australia
	Telephone 61 3 9682 2249
<b>Directors</b>	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
<b>Company Secretaries</b>	Darren Rowland Anita Addorisio
<b>Principal Place of Business</b>	Level 5, 101 Moray Street South Melbourne VIC 3205 Australia
<b>Share Registry</b>	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
<b>Solicitors</b>	Thomson Geer Level 39, 525 Collins Street Melbourne VIC 3000 Australia
<b>Auditors</b>	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006 Australia

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