Lifestyle Communities Limited
ABN 11 078 675 153
And Controlled Entities

Half-Year Information
For the six months ended 31 December 2013

Provided to the ASX under Listing Rule 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2013.

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2013

Name of entity: Lifestyle Communities Limited

ABN or equivalent company reference: 11 078 675 153

1. Reporting period

Report for the half year ended: 31 December 2013

Previous corresponding periods: Financial year ended 30 June 2013
Half- year ended 31 December 2012

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	Up	72%	to	$33,854,179
Profit from ordinary activities after tax attributable to members (*item 2.2*)	Up	183%	to	$ 6,483,156
Net profit for the period attributable to members *(item 2.3)*	Up	183%	to	$ 6,483,156

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Previous corresponding period		
Interim dividend	Nil	Nil
Final dividend	5 cents	5 cents
Record date for determining entitlements to the dividend *(item 2.5)*	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*: Please refer to the Operating and Financial Review section contained in the attached Directors' Report.

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

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	91.2 cents	78.6 cents

5. Dividends *(item 5)*

	Date of payment	Total amount of dividend
Final dividend - year ended 30 June 2013	N/A	Nil
Final dividend – year ended 30 June 2012	6 October 2012	$2,310,866

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year – final 2013	Nil	N/A	N/A
	Previous year – final 2012	5 cents	100%	N/A

Total dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Ordinary securities *(each class separately)*	N/A	$2,311
Total	**N/A**	**$2,311**

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

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

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

Lifestyle Communities Limited

ABN 11 078 675 153

and Controlled Entities

Financial Report

for the Half-Year Ended

31 December 2013

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2013.

CONTENTS

Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Directors	Tim Poole – Non-Executive Chairman James Kelly – Managing Director Bruce Carter – Executive Director Jim Craig – Non-Executive Director Philippa Kelly – Non-Executive Director
Company Secretary	Geoff Hollis
Principal Place of Business	Level 2, 35 Market Street South Melbourne Vic 3205 Australia
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford Victoria 3067 Telephone 61 3 9415 5000 Fax 61 3 9473 2500. Investor queries (within Australia) 1300 850 505
Solicitors	Herbert Geer Level 20, 385 Bourke Street Melbourne VIC 3000 Australia
Bankers	Westpac Banking Corporation Limited 360 Collins Street Melbourne Vic 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 19, 15 William Street Melbourne VIC 3000 Australia

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled, for the half-year ended 31 December 2013 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the first half of the 2014 financial year. New home sales of 126 (1H FY2013: 89), new home settlements of 109 (1H FY2013: 68) and net profit attributable to shareholders of $6.5 million (1H FY2013: $2.3 million) were all higher than the previous half-year.

Financial and Operating Highlights

	Measure	1H FY2014	1H FY2013	Change	Change %
Key financial data		*31-Dec-13*	*31-Dec-12*		
Revenue	A$ millions	**33.9**	19.7	14.2	72
Earnings before interest and tax	A$ millions	**11.7**	5.3	6.4	121
Net profit before tax	A$ millions	**11.3**	4.2	7.1	169
Net profit after tax	A$ millions	**8.5**	3.1	5.4	174
Net profit attributable to shareholders	A$ millions	**6.5**	2.3	4.2	183
Operating cash flow	A$ millions	**(0.5)**	(5.7)	5.2	91
Community cash flow (1)	A$ millions	**2.1**	1.5	0.6	40
		31-Dec-13	*30-Jun-13*		
Gearing (2)	%	**18.2**	17.7	0.5	3
Return on average capital employed (3)	%	**17.9**	11.3	6.6	58
NTA (4)	A$ cents/share	**91.2**	82.6	8.6	10
Key operational data		*31-Dec-13*	*31-Dec-12*		
Homes settled (gross)	No. of homes	**109**	68	41	60
Homes settled (after NCI) (5)	No. of homes	**79**	51	28	55
Homes sold (gross)	No. of homes	**126**	89	37	42
Homes sold (after NCI) (5)	No. of homes	**92**	64	28	44
Average realised sales price (GST excl.)	A$'000	**259**	233	26	11
Number of resales settled	No. of homes	**10**	4	6	150
		31-Dec-13	*30-Jun-13*		
Total number of homes (gross)	No. of homes	**804**	695	109	16
Total number of homes (after NCI) (5)	No. of homes	**691**	612	79	13
Total number of homeowners	No. of people	**1,225**	1,064	161	15
Average age of homeowners	Years	**73**	73	-	-

(1) Community cash flow comprises cash flows received from homeowner rentals and deferred management fees less community operating costs and the net surplus/deficit from providing utilities

(2) Calculated as a ratio of net debt to net debt plus equity

(3) Calculated as a ratio of EBIT divided by total assets less current liabilities (annualised)

(4) NTA is net tangible assets divided by the number of ordinary shares on issue

(5) Gross number of homes adjusted for share of communities owned by non-controlling interests

Included in the key data above are several non IFRS measures including earnings before interest and tax, community cash flow, gearing, return on average capital employed, NTA and key operational data. These figures have not been subject to audit review but have been provided to give a better understanding of the performance of the Company for the first-half of the 2014 financial year.

The Company recorded settlements and net profit attributable to shareholders for the half-year ended 31 December 2013 that was greater than for the half-year ended 31 December 2012. Net profit attributable to shareholders was $6.5 million up from $2.3 million in the prior half-year.

The Company continued to develop its communities at Warragul, Cranbourne, Shepparton, Chelsea Heights and Hastings during the year whilst also contracting adjoining land at Chelsea Heights and two new sites at Wollert and Geelong.

The Company made good progress operationally with improvements in several key metrics. Total number of homes settled increased to 804 homes up by 109 settlements during the half-year. The Company sold 126 new homes during the half-year compared to 89 in the prior half-year. Community cash flow was $2.1 million up from $1.5 million in the prior half-year.

Resales (sales of previously settled and occupied homes) settled during the half were ten, a reasonable increase from the four settled in the prior half-year. As at 31 December 2013 there are 29 resale homes available for sale across the communities.

Update on communities

Community	Settled 1HFY14	Settled 1HFY13	Net sales 1HFY14	Net sales 1HFY13	Total homes settled	Total homes in portfolio
Brookfield	-	1	-	1	228	228
Tarneit	3	3	-	1	135	136
Warragul	12	15	17	14	148	182
Cranbourne	18	30	18	28	153	217
Shepparton	16	15	16	12	48	221
Chelsea Heights	41	4	14	23	73	104
Hastings	19	-	25	10	19	141
Chelsea Heights (Expansion)	-	-	36	-	-	82
Wollert	-	-	-	-	-	155
Geelong	-	-	-	-	-	162
Total	109	68	126	89	804	1,628

An update on each of the communities as at 31 December 2013 is as follows:

- Lifestyle Brookfield in Melton is fully sold and settled.
- Lifestyle Seasons in Tarneit has one home to settle which is expected to occur during the second-half of the 2014 financial year.
- Lifestyle Warragul is now 81% settled. Of the remaining 34 homes left to settle, 24 are sold leaving a further 10 to sell.
- Lifestyle Cranbourne is now 71% settled. Of the remaining 64 homes left to settle, 28 are sold leaving a further 36 to sell.
- Lifestyle Shepparton has achieved sales and settlements during the half-year in line with the Company's expectations with the community now over 21% settled and 35% sold.

- Lifestyle Chelsea Heights has exceeded the Company's expectations with all but the display homes sold. The community is 70% settled at 31 December 2013 and it is expected that most of the remaining homes will settle in the second-half of the 2014 financial year. The display homes will remain unsold and will be used for selling the expansion site.
- Lifestyle Hastings welcomed its first homeowner in September 2013. The community is 13% settled and 43% sold as at 31 December 2013. The community facilities opened during January 2014 and it is expected that this will have a positive impact on sales.
- The Lifestyle Chelsea Heights expansion has received planning approval and is 49% sold. Construction is planned to commence during the June 2014 quarter with the first settlements expected to occur in the second-half of the 2015 financial year.
- The land for the Lifestyle Community at Wollert was contracted in August 2013. The community, to be known as Lifestyle Lyndarum, has received planning approval. The Company expects construction to commence during the June 2014 quarter with the first settlements expected to occur in the second-half of the 2015 financial year.
- The land at Bell Park in Geelong was contracted in December 2013 and was subject to a 45 day due diligence period. The due diligence period has now been extended until 2 March 2014. Construction is anticipated to commence in the second quarter of the 2015 financial year and first settlements are expected to occur in the first quarter of the 2016 financial year.

Analysis of Income Statement

Net profit after tax attributable to shareholders for the half-year ended 31 December 2013 was $6.5 million compared to $2.3 million for the prior corresponding period. The table below provides an analysis of the changes:

	A$ millions	A$ millions
Net profit after tax attributable to shareholders for the half-year ended 31 December 2012		**2.3**
Changes in revenues		
Home settlement revenue	12.4	
Rental and utilities revenue	1.1	
Deferred management fee	0.5	
Finance revenue	0.2	**14.2**
Changes in cost of sales		**(7.9)**
Changes in gain from fair value adjustments		**0.8**
Changes in expenses		
Development expenses	(0.1)	
Community management expenses	(0.4)	
Corporate overheads	-	
Finance costs	0.5	**-**
Income tax expense		**(1.7)**
Increase in profit after tax attributable to non-controlling interests		**(1.2)**
Net profit after tax attributable to shareholders for the half-year ended 31 December 2013		**6.5**

The net profit attributable to shareholders for the half-year ended 31 December 2012 has been adjusted from $2.0 million to $2.3 million due to a correction of error. Refer to Note 12 for further details.

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements was up $12.4 million due to an increase in settlements to 109 from 68 in the prior half-year. The main reason for the increase in settlements is having a larger number of communities under development. Also contributing was an increase in the average realised sales price of 11% to $259,000.
- Gross home margin was 26% compared to 17% in the prior half-year due to a change in the product mix and the increase in the average realised sales price.

Annuity income and expenses

- Revenue from homeowner rentals was $3.2 million compared to $2.3 million in the prior half-year due to an increase in homes under management and a rental increase of 3.5%.
- Community management expenses were $2.1 million compared to $1.7 million in the prior half-year. The increase in community management expenses is due to an increase in operations at the Chelsea Heights community and the commencement of operations at the Hastings community.
- Deferred management fees received (cash) were $0.38 million compared to $0.15 million in the prior half-year. There were ten resale settlements during the half-year compared to four in the prior half-year. As at 31 December 2013 there are 29 resale homes available across the Company's Brookfield, Tarneit, Warragul and Cranbourne communities.
- Deferred management revenues were $1.5 million compared to $1.0 million in the prior half-year. The difference between this and the cash deferred management fees received is the movement in the deferred management fee receivable for each individual homeowner, which is recognised for each homeowner to reflect a discounted present value calculation of their anticipated resale at balance date.

Expenses

- Development expenses were constant due to increased expenditure at Chelsea Heights and Hastings being offset by reduced expenditure at Tarneit and Warragul.
- Finance costs were $0.9 million compared to $1.4 million in the prior half-year. This was due to a partial repayment of the loan note facility that occurred in December 2012. The Company capitalises a proportion of finance costs to investment properties and inventories where appropriate and the balance of finance costs are expensed. Capitalised finance costs are expensed in subsequent years through cost of sales when the homes are settled.

Analysis of Cash Flow

A$ millions	1HFY2014	1HFY2013	Change	Change %
Cash flows related to operations	**(0.5)**	(5.7)	5.2	92
***add* Project capital expenditure [1]**	**5.6**	6.3	(0.7)	11
Adjusted cash flows related to operations	**5.1**	0.6	4.5	750
Cash flows related to investing activities	**(1.9)**	(0.2)	(1.7)	763
Cash flows relating to financing activities	**(8.7)**	19.4	(28.1)	145
Net movement in cash	**(11.1)**	13.5		
Cash at the beginning of the period	**16.1**	3.3		
Cash at the end of the period	**5.0**	16.8		

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

Adjusted cash flows relating to operations were $5.1 million compared to $0.6 million in the prior half-year. This reflects increased home settlements and construction activity, increased annuities from rental streams, and interest savings. Homes completed and paid for in the first-half of the 2014 financial year were 155 up from 68 in the prior half. This was mainly due to the high level of development activity at the Chelsea Heights and Hastings communities.

Cash flows related to investing activities included the payment of land deposits at Chelsea Heights, Wollert and Geelong during the half-year.

Cash flows related to financing activities represent a net repayment of bank borrowings during the half-year. This includes the complete repayment of the bank facility in respect of Chelsea Heights. In relation to Hastings and Shepparton, the Company has been using cash reserves to fund those developments to minimise funding costs. Liquidity remains in these bank facilities and will be partially called on to assist with the land settlements at Chelsea Heights, Wollert and Geelong during the June 2014 quarter. Cash flows relating to financing activities in the prior half-year included the proceeds from the entitlement offer and placement and the loan note debt reduction.

Analysis of Balance Sheet

Net assets and total equity

A$ millions	31-Dec-13	30-Jun-13	Change	Change %
Assets				
Cash and cash equivalents	**5.0**	16.1	(11.1)	(69)
Trade and other receivables	**10.5**	9.5	1.0	11
Inventories	**40.4**	35.6	4.8	13
Land held for sale	**0.1**	0.1	-	-
Property, plant and equipment	**1.2**	1.0	0.2	20
Investment properties	**89.9**	75.0	14.9	20
Other financial assets	**2.0**	2.0	-	-
Other assets	**0.4**	0.2	0.2	100
Total Assets	**149.5**	139.5	10.0	7
Liabilities				
Trade and other payables	**(16.8)**	(9.5)	(7.3)	77
Interest-bearing loans and borrowings	**(25.2)**	(33.9)	8.7	(26)
Current tax liability	**(0.3)**	-	(0.3)	-
Provisions	**(0.6)**	(0.6)	-	-
Deferred tax liabilities	**(15.4)**	(12.9)	(2.5)	19
Total Liabilities	**(58.3)**	(56.9)	(1.4)	2
Net Assets	**91.2**	82.6	8.6	10
Equity				
Equity – Lifestyle Communities interest	**89.2**	82.6	6.6	8
Non-controlling interests	**2.0**	-	2.0	-
Equity	**91.2**	82.6	8.6	10

During the half-year the Company's total equity attributable to shareholders increased by 8% to $89.2 million as a result of profit during the period.

Included in trade and other receivables is the deferred management fee asset which has increased by $1.2 million to $8.4 million. A deferred management fee asset is recognised for each homeowner to reflect a discounted present value calculation of their anticipated cash resale at balance date.

Included in trade and other payables are amounts payable totalling $8.2 million for the purchase of land at Chelsea Heights and Wollert. The corresponding assets are included within investment properties.

Debt, gearing and liquidity

As at 31 December 2013 the Company had net debt (total borrowings less cash) of $20.2 million. This is $2.4 million higher than the 30 June 2013 position of $17.8 million.

A$ millions	
Net debt at 30 June 2013	17.8
Net reduction in bank borrowings	(8.8)
Decrease in cash balances	11.2
Net movement in the period	**2.4**
Net debt at 31 December 2013	**20.2**

The gearing ratio (net debt to net debt plus equity) of the Company as at 31 December 2013 was 18.2% (30 June 2013: 17.7%).

The Company's long-term loan note facility is fully drawn and capped at $25 million. The five year anniversary of this facility occurs in May 2016 and the Company has the right to exercise an early redemption option and seek to re-finance the facility at this time (the lender also has a right to request early redemption during May 2016).

As at 31 December 2013 the Company has committed debt facilities with Westpac of $21 million of which $1.2 million was drawn. The Chelsea Heights debt has been fully repaid as at 31 December 2013 but the facility will be kept in place for the development of the expansion site. As noted above the company has been funding construction of its Shepparton and Hastings developments from cash reserves to minimise funding costs. Liquidity of $12.3 million is available within these facilities and will be partially called on to assist with land settlements during the June 2014 quarter.

Outlook

The Company has a focused strategy to dominate the niche of affordable housing to the over 55's market and is currently funded and resourced to roll out a new community every 12 to 18 months subject to identification of appropriate sites. The Company is presently focused on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities but will remain highly disciplined in its assessment of these opportunities.

Assuming market conditions do not change materially, the Company continues to expect settlements to exceed 200 for the 2014 financial year.

Significant changes in the state of affairs

Refer to the Operating and Financial Review for the significant changes in the state of the affairs of the Company.

Directors

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

Tim Poole, Non-Executive Chairman (director since November 2007)
James Kelly, Managing Director (director since September 2007)
Bruce Carter, Executive Director (director since September 2007)
Jim Craig, Non-Executive Director (director since December 2012)
Philippa Kelly (appointed 18 September 2013)
Dael Perlov, Executive Director (resigned 18 September 2013, was a director since September 2007)

Although Dael Perlov has resigned as a director he is still actively involved in the business as a senior executive and significant shareholder.

Geoff Hollis, Company Secretary

Auditor's independence declaration

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

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Tim Poole	James Kelly
Chairman	Managing Director
17 February 2014	17 February 2014

LIFESTYLE COMMUNITIES LIMITED
ABN 11078675153
AND CONTROLLED ENTITIES

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

In relation to the independent review for the half-year ended 31 December 2013, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

PETER JOSE
Partner

17 February 2014

PITCHER PARTNERS
Melbourne

Lifestyle COMMUNITIES

Condensed Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2013

	Note	Half-year 31-Dec-13 $	31-Dec-12 $
Home settlement revenue		28,266,270	15,847,515
Rental and utilities revenue		3,689,693	2,619,381
Deferred management fee		1,508,901	1,045,747
Finance revenue		389,315	168,457
Revenue		33,854,179	19,681,100
Cost of sales		(21,033,007)	(13,085,051)
Gross profit		12,821,172	6,596,049
Other income	3	5,029,588	4,175,865
less Expenses			
Development expenses		(1,744,412)	(1,687,525)
Community management expenses		(2,126,890)	(1,663,049)
Corporate overheads		(1,828,200)	(1,809,301)
Finance costs		(878,666)	(1,433,381)
Profit before income tax		11,272,592	4,178,658
Income tax expense		(2,782,252)	(1,081,231)
Profit from continuing operations		8,490,340	3,097,427
Total comprehensive income attributable to:			
Members of the parent		6,483,156	2,293,954
Non-controlling interests		2,007,184	803,473
		8,490,340	3,097,427

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

Earnings per share	cents	cents
Basic earnings per share	6.485	4.760
Diluted earnings per share	6.391	4.726

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 31 December 2013

	Note	31-Dec-13	30-Jun-13
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		4,992,762	16,143,921
Trade and other receivables		1,272,723	1,184,861
Inventories		21,402,575	21,279,703
Land held for sale		126,619	126,619
Other current assets		371,890	242,707
Total current assets		28,166,569	38,977,811
Non-current assets			
Trade and other receivables		9,213,080	8,343,628
Inventories		18,992,178	14,253,221
Property, plant and equipment		1,203,779	975,507
Other financial assets		2,000,000	2,000,000
Investment properties		89,925,101	74,974,188
Total non-current assets		121,334,138	100,546,544
TOTAL ASSETS		149,500,707	139,524,355
LIABILITIES			
Current liabilities			
Trade and other payables		16,839,203	9,565,279
Interest-bearing loans and borrowings		1,157,280	5,691,695
Current tax payable		326,304	-
Provisions		311,619	295,219
Total current liabilities		18,634,406	15,552,193
Non-current liabilities			
Interest-bearing loans and borrowings		24,067,687	28,181,602
Provisions		235,214	216,636
Deferred tax liabilities		15,394,937	12,938,989
Total non-current liabilities		39,697,838	41,337,227
TOTAL LIABILITIES		58,332,244	56,889,420
NET ASSETS		91,168,463	82,634,935
EQUITY			
Contributed equity	5	60,993,959	60,993,959
Reserves		1,368,311	1,325,123
Retained earnings	6	26,799,009	20,315,853
Members' interest in equity		89,161,279	82,634,935
Non-controlling interest	7	2,007,184	-
TOTAL EQUITY		91,168,463	82,634,935

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

	Note	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total Equity
		$	$	$	$	$
Balance as at 1 July 2012		24,214,692	799,363	15,121,327	(170,448)	39,964,934
Adjustment due to correction of error	12	-	-	540,661	-	540,661
Restated opening balance		24,214,692	799,363	15,661,988	(170,448)	40,505,595
Profit for the half year		-	-	2,293,954	803,473	3,097,427
Total comprehensive income for the half-year		-	-	2,293,954	803,473	3,097,427
Transactions with owners in their capacity as owners:						
Dividends paid	4	-	-	(781,728)	-	(781,728)
Dividend reinvestment plan	4	1,529,138		(1,529,138)	-	-
Employee share options		-	109,784	-	-	109,784
Issue of shares - placement	5	3,000,001	-	-	-	3,000,001
Issue of shares - entitlement offer	5	33,489,619	-	-	-	33,489,619
Costs of issue	5	(1,185,050)	-	-	-	(1,185,050)
Costs of issue - options	5	(406,456)	406,456	-	-	-
Tax effect - costs of issue	5	355,515	-	-	-	355,515
		36,782,767	516,240	(2,310,866)	-	34,988,141
Balance as at 31 December 2012		60,997,459	1,315,603	15,645,076	633,025	78,591,163
Balance at 1 July 2013		60,993,959	1,325,123	19,050,424	-	81,369,506
Adjustment due to correction of error	12	-	-	1,265,429	-	1,265,429
Restated opening balance		60,993,959	1,325,123	20,315,853	-	82,634,935
Profit for the half year		-	-	6,483,156	2,007,184	8,490,340
Total comprehensive income for the half-year		-	-	6,483,156	2,007,184	8,490,340
Transactions with owners in their capacity as owners:						
Employee share options		-	43,188	-	-	43,188
		-	43,188	-	-	43,188
Balance as at 31 December 2013		60,993,959	1,368,311	26,799,009	2,007,184	91,168,463

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2013

	Half-Year 31-Dec-13 $	Half-Year 31-Dec-12 $
Cash flow from operating activities		
Receipts from customers	35,206,286	20,597,186
Payments to suppliers and employees	(34,406,154)	(23,316,069)
Interest received	376,364	154,219
Interest paid	(1,645,124)	(3,142,091)
Net cash flows used in operating activities	(468,628)	(5,706,755)
Cash flow from investing activities		
Purchase of property, plant and equipment	(323,601)	(171,259)
Purchase of investment properties and capitalised costs	(1,641,325)	(56,536)
Net cash flows used in investing activities	(1,964,926)	(227,795)
Cash flow from financing activities		
Proceeds from entitlement offer and placement (net of costs)	-	35,304,570
Dividend paid	-	(781,728)
Proceeds from external borrowings	6,086,034	16,475,318
Repayment of external borrowings	(14,792,107)	(31,594,473)
Repayments of hire purchase	(11,532)	(11,532)
Net cash flows (used in) / provided by financing activities	(8,717,605)	19,392,155
Net (decrease) / increase in cash held	(11,151,159)	13,457,605
Cash at the beginning of the half-year	16,143,921	3,329,742
Cash at the end of the half-year	4,992,762	16,787,347

The accompanying notes form part of these financial statements.

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Lifestyle Communities Limited during the half-year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001.*

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

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

(a) Basis of preparation

This financial report is a general purpose half-year financial report that has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2013 and the corresponding half-year except as described in Note 1(b) below.

(b) Summary of the significant accounting policies

Due to new or revised accounting standards which became operative for the annual reporting period commencing 1 January 2013, Lifestyle Communities Limited has changed some of its accounting policies as described below.

(i) AASB 10 *Consolidated Financial Statements*

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and of all the entities the parent controls.

Under AASB 10, the group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The Company has adopted AASB 10 within its 30 June 2013 financial report. The Company previously proportionately consolidated its interests in joint ventures being Cameron Street Developments Pty Ltd and Lifestyle Chelsea Heights Pty Ltd. Under the adopted AASB 10 standard the Company now consolidates its interests in Cameron Street Developments Pty Ltd and Lifestyle Chelsea Heights Pty Ltd. Refer to the 30 June 2013 financial report for additional disclosure.

(ii) AASB 13 *Fair Value Measurement*

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not change the group's fair value measurements. However, the additional disclosures required under AASB 13 are provided in Note 11: Fair Value Measurements.

All other accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2013.

(c) Accounting standards issued but not yet effective

Standards and interpretations have been issued at reporting date but are not yet effective. When adopted, these standards and interpretations are unlikely to materially impact on the financial information presented, however the assessment of the impact has not yet been completed.

(d) Comparatives

Comparative information has been updated to reflect the early adoption of AASB 10 *Consolidated Financial Statements* within the annual financial report for the year ended 30 June 2013 and to reflect adjustments required due to a correction of error. It is therefore recommended that the half-year financial report is read in conjunction with disclosures made within the annual financial report for the year ended 30 June 2013. Please refer to Note 12 for further details relating to the correction of error.

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

NOTE 2: SEGMENT INFORMATION

Operating segments are reported based on internal reporting provided to the Managing Director who is the Group's chief operating decision maker.

The consolidated entity operates within one operating segment, being the property development and management of residential accommodation. As a result disclosures in the consolidated financial statements and notes are representative of this segment.

NOTE 3: OTHER INCOME

	Half-year 31-Dec-13 $	Half-year 31-Dec-12 $
Fair value adjustment - investment properties (a)	5,029,588	4,175,865

(a) Fair value adjustment results from restating Brookfield, Tarneit, Warragul, Cranbourne, Shepparton, Chelsea Heights and Hastings Communities to their fair value at balance date. This income represents incremental adjustments to the fair value of investment properties upon settlement of units and reflects the discounted value of future rental and deferred management fee revenues net of expenses as well as the fair value of undeveloped land.

NOTE 4: DIVIDENDS

	31-Dec-13	31-Dec-12
Dividend paid during the half-year	-	781,728
Dividend reinvestment plan	-	1,529,138
	-	2,310,866

NOTE 5: CONTRIBUTED EQUITY

	31-Dec-13	31-Dec-12
99,970,131 Ordinary shares (2012: 999,703,416)	60,993,959	60,997,459

Note: a one for ten share consolidation was completed during April 2013.

	Number	$
2012		
Balance as at 1 July 2012	462,173,090	24,214,692
Movement in ordinary shares on issue		
Dividend reinvestment plan (issued at 9.4 cents per share)	16,250,043	1,529,138
Issue of shares - placement (issued at 7 cents per share)	42,857,150	3,000,001
Issue of shares - entitlement offer (issued at 7 cents per share)	478,423,133	33,489,619
Costs of issue		(1,185,050)
Costs of issue - options		(406,456)
Tax effect - costs of issue		355,515
Balance as at 31 December 2012	999,703,416	60,997,459
2013		
Balance as at 1 July 2013	99,970,131	60,993,959
Movement in ordinary shares on issue	-	-
Balance as at 31 December 2013	99,970,131	60,993,959

NOTE 6: RETAINED EARNINGS

Movements in retained earnings were as follows:

	Half-year 31-Dec-13 $	Half-year 31-Dec-12 $
Balance 1 July	19,050,424	15,121,327
Net profit	6,483,156	2,293,954
Dividend paid	-	(2,310,866)
	25,533,580	15,104,415

	Half-year 31-Dec-13	Half-year 31-Dec-12
	$	$
NOTE 7: NON-CONTROLLING INTERESTS		
Interest in:		
Retained earnings	2,007,184	803,473

NOTE 8: BORROWINGS

(a) As at reporting date the company has drawn down $1,152,241 on its Shepparton development facility. The company has been funding construction from cash reserves and has liquidity of $5,347,759 within this facility as at 31 December 2013.

(b) As at reporting date the company has drawn down $57,526 on its Hastings development facility. The company has been funding construction from cash reserves and has liquidity of $6,930,424 within this facility as at 31 December 2013.

(c) As at reporting date the company had $1,822 to repay on its Chelsea Heights development facility. The facility was fully repaid in January 2014. The $7,000,000 facility will be left in place to fund the the Chelsea Heights expansion site.

NOTE 9: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2013 that has significantly affected or may significantly affect:

(a) the operations, in financial periods subsequent to 31 December 2013, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial periods subsequent to 31 December 2013, of the consolidated entity.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Below are the changes in commitments and contingent liabilities since 30 June 2013:

(a) Bank guarantees as at 31 December 2013 are $301,300.

(b) A contract was executed on 19 August 2013 to purchase land in Wollert for $6,700,000. At balance date $670,000 has been paid. A further instalment of $670,000 was paid in January 2014 with the balance of $5,360,000 due upon settlement during June 2014.

(c) A contract was executed on 21 October 2013 to purchase a 50% share of land in Chelsea Heights for $2,500,000. At balance date $250,000 has been paid. The balance of $2,250,000 is due upon settlement during May 2014.

(d) A conditional contract was executed on 17 December 2013 to purchase land in Bell Park, Geelong for $6,850,000. This contract is conditional on completion of a due diligence period that expires on 2 March 2014. At balance date $685,000 has been paid (fully refundable). Subject to the contract becoming unconditional, the balance of $6,165,000 is due upon settlement during May 2014.

The company expects to fund these commitments via cash reserves, liquidity within bank borrowings and future net development cash inflows from the developments at Warragul, Cranbourne and Chelsea Heights.

The purchases of land at Wollert and Chelsea Heights have been recorded within investment properties. The amounts owing of $8,280,000 have been recorded within current trade and other payables.

NOTE 11: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy
Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement heirarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Inputs for the asset or liability that are not based on observable market data

31-Dec-13	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Fair Value Measurements	**$**	**$**	**$**	**$**
Deferred management fee (trade and other receivables)	-	-	8,369,839	8,369,839
Investment properties	-	-	89,925,101	89,925,101
Total assets measured at fair value	-	-	98,294,940	98,294,940

30-Jun-13	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Fair Value Measurements	**$**	**$**	**$**	**$**
Deferred management fee (trade and other receivables)	-	-	7,243,718	7,243,718
Investment properties	-	-	74,974,188	74,974,188
Total assets measured at fair value	-	-	82,217,906	82,217,906

(b) Valuation techniques and inputs used in level 3 fair value measurements
(i) Deferred management fee receivable
The fair value of the deferred management fee asset is calculated based on assumptions such as probability of expected stay utilising inputs from Australia Bureau of Statistics Life Tables. In determining this, the calculation takes into account the age and gender of the occupants. In addition the calculation uses the current house prices and is discounted using an imputed rate of interest that is aligned to the Company's weighted cost of finance. The Australian Bureau of Statistics Life Tables have been discounted to reflect that a larger proportion of residents depart the communities for reasons other than death.

The deferred management fee receivable has been classified as level 3 as it is an internally generated calculation that utilises non-observable market inputs.

(ii) Investment properties

The fair value of investment properties is determined by a combination of inputs from independent valuations and directors' valuations. Fair value is determined by a combination of the discounted annuity streams associated with the completed home units and the fair value of the undeveloped land. Inputs, including capitalisation rates, discount rates and deferred management fee annuity value are derived from independent valuations. Some inputs relating to the rental annuity streams are adjusted to reflect appropriate data relating to the rental and expenses at each community. The fair value of undeveloped land is based on directors' valuations. Inputs from independent valuations are provided by property valuers who are industry specialists in valuing these types of investment properties.

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

(c) Significant unobservable inputs used in level 3 fair value measurements
(i) Deferred management fee receivable
The fair value of the deferred management fee asset is calculated using a weighted cost of finance of 10.9%.
The Australian Bureau of Statistics Life Tables have been discounted by four years based on an estimate of the expected occupancy of homeowners in a mature community.

(ii) Investment properties
Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.

Rental annuity - the valuers use a standard rate for rental income and expenses across the portfolio. The rate is adjusted to reflect actual rental income rates and anticipated expenses upon maturity of each community. The valuers use standardised weekly rental income rates which assume an on-completion split of singles and couples. The directors adjust the weekly rental rate to actuals.
Undeveloped land - the valuation for this component is a directors' valuation.

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

	Adopted	**Per valuations**
Weekly rentals ($)	158.69 - 167.60	164.02 - 167.98
Anticipated % expenses (as a percentage of rental income)	28% - 36%	27% - 28%
Rental capitalisation rates (%)	8.5% - 9%	8.5% - 9%
Rental values per unit ($)	64,645 - 73,824	69,982 - 74,251
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit ($)	22,624 - 44,095	22,624 - 44,095
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.51	N/A

NOTE 11: FAIR VALUE MEASUREMENTS (continued)

	31-Dec-13	30-Jun-13
(d) Reconciliation of recurring level 3 fair value movements	**$**	**$**
(i) Deferred management fee receivable		
Opening balance	7,243,718	4,799,118
Impact of changes to house prices	-	480,942
Deferred management fees received	(382,780)	(381,443)
Aged growth in existing receivables and new settlements	1,508,901	2,345,101
Closing balance	**8,369,839**	**7,243,718**
(ii) Investment properties		
Opening balance	74,974,188	66,552,889
Additions (contracted land and capitalised costs)	9,921,325	606,103
Net gain from fair value adjustments	5,029,588	7,815,196
Closing balance	**89,925,101**	**74,974,188**

Gains and losses are recognised in the statement of comprehensive income within deferred management fee revenue for the deferred management fee receivable and within other income for investment properties.

(e) Valuation processes used for level 3 fair value measurements
(i) Deferred management fee receivable

The Company assesses the significant assumptions to ensure they are materially correct. The weighted cost of finance is re-calculated and the Australian Bureau of Statistics Life Tables are updated annually. The discount applied to the Life Tables is reviewed annually.

(ii) Investment properties
The Company obtains independent valuations of each community at least every two years. The Company uses the independent valuers' inputs in relation to the rental and deferred management fee annuity streams apart from making adjustments to the weekly rental income and level of expenses. These adjustments are assessed each period end. The directors assess the value attributed to undeveloped land annually. Land contracted in any period is recognised at cost until the first valuation is obtained.

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

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	31-Dec-13	**31-Dec-12**	**31-Dec-13**	**31-Dec-12**
	$	**$**	**$**	**$**

(i) Deferred management fee receivable
There is no change to post tax profit and equity as the deferred management fee receivable has an inverse relationship with the valuation of investment properties. Changes to deferred management fee income would be offset by the movement in other income. The investment properties valuation includes the deferred management fee annuity stream. Users of the financial statements should combine the deferred management fee receivable and the investment properties within the balance sheet, as this represents gross investment properties. The deferred management fee receivable is separately disclosed and investment properties reduced. Therefore any changes to the deferred management fee receivable will only result in a change to the investment property asset and will therefore have no impact on total equity.

(ii) Investment properties
The impact of changes to the inputs that derive the valuation of investment properties is assessed below:
Rental income
Rental is contractually fixed to increase by the greater of CPI or 3.5% annually. Therefore it is unlikely that there will be any material sensitivities in relation to rental income.

	Post Tax Profit 31-Dec-13	Post Tax Profit 31-Dec-12	Equity 31-Dec-13	Equity 31-Dec-12
Rental expense rate				
+1%	(719,557)	(544,385)	(719,557)	(544,385)
-1%	719,557	544,385	719,557	544,385
Rental capitalisation rate				
+0.25%	(1,430,846)	(1,108,224)	(1,430,846)	(1,108,224)
-0.25%	1,517,032	1,175,263	1,517,032	1,175,263
Deferred management fee per unit				
+5%	1,272,472	994,636	1,272,472	994,636
-5%	(1,211,878)	(947,272)	(1,211,878)	(947,272)
Land prices (undeveloped land)				
+10%	1,156,596	646,054	1,156,596	646,054
-10%	(1,156,596)	(646,054)	(1,156,596)	(646,054)

NOTE 12: CORRECTION OF ERROR

Correction of error in investment properties in prior periods

The Company historically recognised 50% of investment properties in relation to jointly owned land in line with its joint venture interests. However as the Company is entitled to a greater share of the annuity income streams due to the nature of the contractual relationships with its joint venture partners, the allocation of the annuity streams within the investment property calculation has been adjusted.
The error has been corrected by restating the appropriate financial statements in the line items as described below:

Condensed Consolidated Statement of Financial Position	**Prior period 30-Jun-12 $**	**Impact of error $**	**Restated 30-Jun-12 $**	**Prior period 30-Jun-13 $**	**Impact of error $**	**Restated 30-Jun-13 $**
Investment properties	65,780,516	772,373	66,552,889	73,166,432	1,807,756	74,974,188
Total assets	111,024,514	772,373	111,796,887	137,716,599	1,807,756	139,524,355
Deferred tax liabilities	9,636,017	231,712	9,867,729	12,396,662	542,327	12,938,989
Total liabilities	71,059,580	231,712	71,291,292	56,347,093	542,327	56,889,420
Net assets	39,964,934	540,661	40,505,595	81,369,506	1,265,429	82,634,935
Retained earnings	15,121,327	540,661	15,661,988	19,050,424	1,265,429	20,315,853

Condensed Consolidated Statement of Comprehensive Income	**Prior period 31-Dec-12 $**	**Impact of error $**	**Restated 31-Dec-12 $**
Other income (fair value adjustments)	3,815,268	360,597	4,175,865
Income tax expense	(973,052)	(108,179)	(1,081,231)
Profit from continuing operations	2,845,009	252,418	3,097,427
Comprehensive income attributable to members of the parent	2,041,536	252,418	2,293,954

As a result of the correction of error basic earnings per share has increased from 4.236 cents to 4.760 cents for the period ended 31 December 2012. Diluted earnings per share has increased from 4.206 cents to 4.726 cents for the period ended 31 December 2012.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 10 to 19 in accordance with the C*orporations Act 2001;*

(a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* , and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance for the half-year ended on that date.

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

This declaration is made in accordance with a resolution of the directors.

Tim Poole
Chairman

James Kelly
Managing Director

Melbourne, 17 February 2014

LIFESTYLE COMMUNITIES LIMITED
ABN 11078675153
AND CONTROLLED ENTITIES

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

We have reviewed the accompanying half-year financial report of Lifestyle Communities Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half- year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lifestyle Communities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PITCHER PARTNERS

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lifestyle Communities Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Peter Jose — Pitcher Partners

PETER JOSE
Partner

PITCHER PARTNERS
Melbourne

17 February 2014