

8 July 2025

Immediate release to the ASX

Key Summary

- Justice Woodward ruled that the Residential Tenancies Act 1997 (Vic) (Act) does not prohibit a DMF but found the DMF clause in Lifestyle Communities contracts was void due to the lack of disclosure of a precise amount.
- Lifestyle Communities intends to appeal the decision and apply for a stay of the orders until after the appeal is heard.
- Lifestyle Communities will amend its new homeowner contracts in the interim to comply with the disclosure as articulated by Justice Woodward.
- The decision does not trigger a breach of the loan to value ratio or the interest cover ratio covenants in Lifestyle Communities lending agreements.
- Operating cash flow is underpinned by the rental annuity from over 4,000 homes under management.

VCAT Proceeding Update

Lifestyle Communities (ASX: LIC) provides the following update on the proceedings before the Victorian Civil and Administrative Tribunal (VCAT).

On 1 and 5 May 2025, the President of VCAT, the Honourable Justice Woodward, conducted hearings regarding certain preliminary legal questions arising from claims made against Lifestyle Communities.

The preliminary questions related to:

- (a) certain challenges by the applicants to the validity of the deferred management fee (DMF) clause in Lifestyle Communities' Residential Site Agreements (RSAs); and
- (b) the applicants' challenge to the fairness of a clause in the RSAs requiring continued payment of rent by a deceased estate until the home is sold and while no one is permitted to live in the home.

Lifestyle Communities advises that Justice Woodward decided as follows:

- (a) The Residential Tenancies Act 1997 (Vic) (Act) does not prohibit a DMF.
- (b) The DMF must be an amount capable of being accurately calculated as at the date of entry into the RSA. That DMF amount can be indexed or varied in accordance with a disclosed formula. Justice Woodward considered that because the existing DMF clause is calculated as a percentage of the homeowner's sale price, which is unknown at the time of entry into the RSA and will almost certainly be different to the purchase price, it is unable to be calculated as an amount at the time of entering into the RSA.

Justice Woodward found that the DMF clause in the RSAs was void and unenforceable as it did not meet the requirements of the Act.

- (c) In relation to the applicants' challenge to the fairness of a clause in the RSAs regarding the payment of rent by a deceased estate, until the home is sold, Justice Woodward held that while continued charging of rent is permissible, the estate should be permitted to have someone live in the home in the intervening period, subject to Lifestyle Communities' written consent which should not be unreasonably withheld.

No orders have been made at this stage. Justice Woodward has invited submissions from the parties on the exact form of the orders to be issued but this will not change the substance of the decision. If an appeal is made, the appealing party must file the appeal not more than 42 days from the date that orders are made in the proceeding. Any appeal will be heard by the Victorian Supreme Court of Appeal.

Lifestyle Communities intends to appeal the decision and apply for a stay of the orders until the appeal is determined. The timing and duration of the appeal will be determined by the judicial process.

For clarity, the decision does not trigger a breach of the loan to value ratio or the interest cover ratio covenants in Lifestyle Communities lending agreements. Lifestyle Communities will continue to engage with our banking partners constructively as we undertake the appeal process.

Commenting on the decision, Lifestyle Communities Chief Executive Officer, Mr Henry Ruiz, said, "We respect and acknowledge the rights of homeowners to seek clarity through VCAT on matters that are important to them and where we have been unable to reach agreement via our usual engagement channels. We take our compliance obligations very seriously and have sought and obtained legal advice at various stages in our history to ensure our contracts are compliant with all relevant legislation. We are disappointed with the outcome of the VCAT proceedings and intend to lodge an appeal.

Separate to the VCAT case, the company has refreshed its strategy and customer centred approach and was already considering enhancing the options we provide homeowners; including the handling of the DMF & rent on deceased estates.

As a result from 7 July 2025 until the appeal is resolved, we intend to proceed as follows:

- For deposit holders and future homeowners – we will amend the DMF calculation method to be consistent with Justice Woodward's findings. It will be based on the homeowner's purchase price and pro-rated over a 5 year period to a maximum of 20% of this price.
- For existing homeowners selling and leaving Lifestyle Communities – we will continue to operate under the existing contractual arrangements, pending the issuance of any orders by VCAT.
- Notwithstanding that the continued charging of rent after the passing of a homeowner was found permissible under the Act, Lifestyle Communities will no longer charge rent on deceased estates.

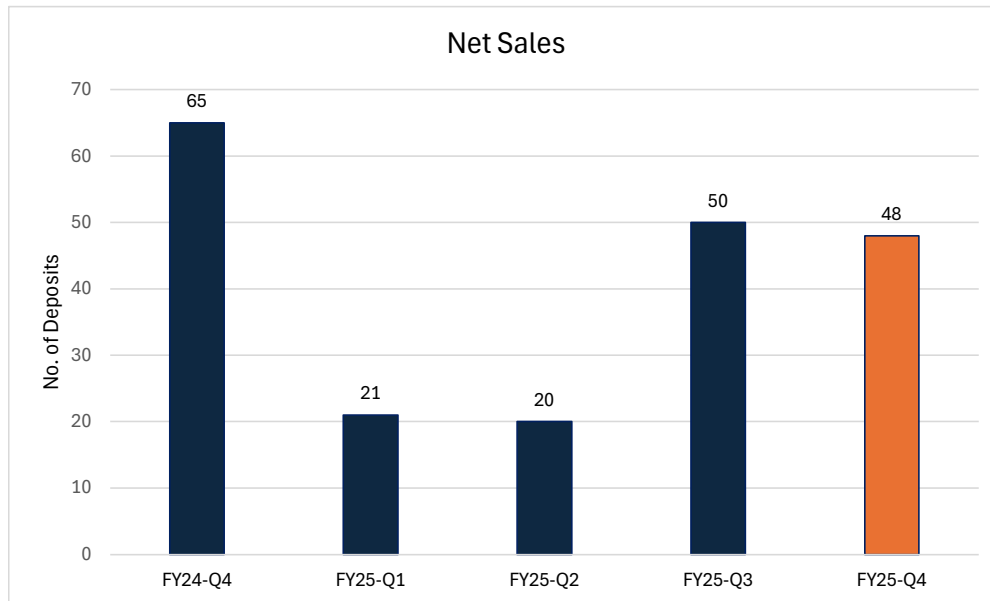
- All other aspects of our existing contractual arrangements will remain the same.

Whilst the decision about the calculation of the DMF is disappointing, we have over 4,000 homes under management, and we are committed to continuing to provide the high standards of service and experience to which our homeowners are accustomed. We have high conviction over a DMF model as it practically lowers the entry costs for downsizers in the midst of a well-documented housing affordability crisis and helps release equity from their homes to boost their savings and improve living standards in retirement. The company has believed in the benefits of the model for over 20 years and we are pleased that the DMF model itself was upheld”.

Trading Update

Lifestyle Communities provides the following trading update for the quarter ended 30 June 2025 (Q4).

As flagged in our March 2025 quarter (Q3) update, we expected Q4 sales rates to remain subdued impacted by seasonality, the Easter holiday period, and the federal election. Net sales for Q4 (48) were consistent with Q3 (50):



Mr Ruiz, commented “We were encouraged with the sustained performance in our sales rates in Q4 in what is traditionally a seasonally lower period. The fundamental drivers of demand by homeowners seeking to downsize for lifestyle and financial reasons remains strong; underpinning our belief in the long-term outlook for the business.”

Other relevant financial information for the year ended 30 June 2025 as follows:

- New home settlements – 268 (FY24: 311)
- Established home settlements – 118 (FY24:151)
- Closing balance of drawn debt - \$463 million

Mr Ruiz continued “Given the challenging landscape; we were pleased with the final settlement results for FY25 and finishing the year by welcoming the first homeowners to our newest community in Pakenham, Lifestyle Ridglea”.

Lifestyle Communities expects trading in its shares to recommence from the open of trading tomorrow morning on 9 July 2025.

Lifestyle Communities expects to release its full year results for FY25 on the morning of 21 August 2025.

Authorised for release by the Board.

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About Lifestyle Communities®

Based in Melbourne, Victoria, Lifestyle Communities® develops, owns and manages affordable independent living residential land lease communities. Lifestyle Communities® has thirty-two residential land lease communities under contract, in planning, in development, or under management. Over 5,500 Victorians call Lifestyle Communities® their home.