
2015 ANNUAL REPORT



Lifestyle 
COMMUNITIES

DOWNSIZE TO A BIGGER LIFE

COMMUNITY SNAPSHOT

SNAPSHOT AS OF 30TH JUNE 2015

Total home sites in the Pipeline	2,315
Total number of homes settled	1,146
TOTAL NUMBER OF HOMEOWNERS	1,701



DOWNSIZE TO A BIGGER LIFE

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Chairman's Report

For the 2015 Financial Year

Dear Shareholder,

Lifestyle Communities delivered great numbers in the 2015 financial year. Total homes settled of 240 up 14% on last year, net profit after tax attributable to members of \$16.7 million up 36%, return on average capital employed of 21% up 25% and the commencement of dividends with a final fully franked dividend of 1.5 cents per share.

These numbers are the result of some very hard work by a highly talented team at Lifestyle Communities who are exceptionally well led by our Managing Director, James Kelly. On behalf of all of our stakeholders at Lifestyle Communities – congratulations team on a terrific year.

We have three key strategic “settings” for the business. The first is that, absent an extreme event, we do not want to raise any more equity capital. The second is that we are committed to paying an increasing stream of dividends from “community cash flows” (cash flow received from weekly site rental plus deferred management fees less an agreed set of costs and taxes). The third is to keep gearing at a level where we are confident that the Company’s bank facilities will be available in essentially all market conditions. At almost every meeting throughout the year the board and senior executive team will discuss and debate these settings and whether they remain appropriate.

For a business that has a very good product and market position and has ambitions to grow each year, these three strategic settings could be seen as limiting. To the board’s delight we have found the opposite to be true. With these settings the Company’s growth rate is significantly determined by the rate at which capital can be “recycled” from one project to the next; if settlements in one project exceed expectations then generally the next project can be accelerated. During the 2015 financial year the Company has been terrific at innovating to drive harder the recycling of capital: improved house designs; VIP sales launches; upgraded website and digital lead generation; upgrades to fixtures and fittings; accelerated building schedules; and a continual refinement of marketing messages. There are many more innovations planned for the 2016 financial year.

The strategic setting that probably gets the most debate is the level of gearing and in the last year there has been a lot of work on the Company’s bank facilities. In December the Company successfully refinanced an expensive \$25 million loan note facility. Although the Company had to pay a fee to break the facility this was more than offset by a material reduction in interest rates. Recently our team has been working hard on further improvements to the Company’s bank facilities and we hope to finalise these new arrangements shortly.

We recently announced that one of the Company’s founders, Bruce Carter, would retire as an executive of the business as at 30 June 2015 and become a non-executive Director of the Company. Bruce has made an outstanding contribution to the Company and we are delighted we will retain his skill and experience at board level. Other than this change the board and senior executive team at Lifestyle Communities has remained stable during the 2015 financial year. We continue to assess the size and composition of the board but we are currently comfortable with both.

As at 30 June 2015 the Company has 1,701 people living in 1,146 homes in our communities. We are well on the way to satisfying our long term objectives of: dominating our niche of providing good quality affordable retirement accommodation in Victoria; and providing shareholders with increasing dividends from the Company's growing annuity income streams.

Yours sincerely



Tim Poole
Chairman
20 August 2015

Managing Director's Report

For the 2015 Financial Year

Dear Shareholder

We are pleased to present to you the Lifestyle Communities Annual Report for the year ended 30 June 2015.

This financial year has seen significant improvement in the performance of the business. The benefits of the evolution of the Lifestyle Communities offer to meet the needs of the emerging baby boomer generation as well as refinement of many business processes, has contributed to a substantial increase in performance across the business.

During the year we have continued to improve our message to potential customers with an increased focus on the quality of marketing material and our digital strategy. Digital marketing is now helping to drive the future growth of the business with roughly 50% of leads now coming from our website.

In addition to digital marketing initiatives we have been able to successfully execute some targeted marketing events surrounding community open days and pre-sale events. Particularly pleasing was the initial pre-sale interest in our Officer development which resulted in 42 pre-sales as at 30 June 2015 after release of homes for sale in March 2015.

We have also invested considerable time training our community management team and ensuring the Lifestyle Communities experience is to a consistently high standard across our portfolio. The Lifestyle Communities "difference" has resulted in a 33% referral rate for new sales from existing customers.

During the year we have continued to refine our resales process with vacant homes furnished as display homes as well as offering a refurbishment programme to vendors. This has resulted in an improvement in the settlement rate of established homes from 23 homes in the 2014 financial year to 34 homes in the 2015 financial year.

The key highlights for the 2015 financial year include:

- The number of homes settled increased to 240 in the 2015 financial year from 211 in 2014, taking the total number of home sites settled under management to 1,146.
- Home settlement revenue increased by \$11.5 million to \$66.3 million.
- Home site annuity rentals increased by \$2.6 million to \$9.2 million.
- Net profit before tax increased by \$8.0 million to \$29.1 million.
- Net profit after tax attributable to shareholders increased by \$4.4 million to \$16.7 million

The Company now has ten years of increasing annuities flowing from site rentals and deferred management fees. The rental fees increase annually by the greater of CPI or 3.5% creating a strong inflation linked annuity flow for future dividends.

Annuity Income



Other highlights for the year include:

- ✓ Acquiring three additional sites in Rosebud, Officer and Berwick Waters.
- ✓ Subsequent to year end acquiring a new site for a community in Bittern which is located on the Mornington Peninsula.
- ✓ Selling out of communities in Cranbourne, Chelsea Heights and Hastings during the year. We now have six communities fully sold, with these communities 96% settled.
- ✓ Achieving growth of 71% in community cashflows which were \$6.5 million for the 2015 financial year.
- ✓ Increasing the total portfolio to 2,315 home sites either under planning, development or management.

Lifestyle Communities has robust systems and processes as well as sufficient resources and capital to continue to grow the number of communities under management by at least one community every 12 months subject to identification of appropriate sites.

Yours sincerely



James Kelly
Managing Director
20 August 2015

Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled for the financial year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal activities

The principal activities of the Company during the financial year ended 30 June 2015 were developing and managing affordable communities which offer homeowners an improved lifestyle. There were no changes in those activities during the year.

Results

The consolidated profit after income tax attributable to shareholders of Lifestyle Communities Limited for the year ended 30 June 2015 was \$16,652,690 (2014: \$12,277,939).

Directors

The directors of the Company during the financial year and until the date of this report are set out below. All directors held their position throughout the entire year.

Tim Poole, Non-Executive Chairman (BCom, CA)

Tim was appointed a Director of Lifestyle Communities Limited on 22 November 2007 and was appointed chairman on 31 December 2012. Tim is also a member of the Audit Committee and a member of the HR & Remuneration Committee. He holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant.

Tim has more than 16 years' experience as a director and chairman of ASX listed and unlisted companies across the financial services, infrastructure, aged care and resources industries. He is currently a non-executive Director of Japara Healthcare Limited (since March 2014), McMillan Shakespeare Limited (since December 2013) and Aurizon Holdings Limited (since July 2015). He was formerly Managing Director of Hastings Funds Management, non-executive Chairman of Asciano Limited and a non-executive Director of Newcrest Mining Limited.

James Kelly, Managing Director (BBldg)

James was appointed Managing Director in September 2007 and is one of the founding directors of Lifestyle Communities. With over 30 years' experience in property development and construction, James brings to Lifestyle Communities a wealth of knowledge and experience in the property industry. Prior to establishing Lifestyle Communities, James held several senior management roles in property and related sectors, including CEO of Dennis Family Corporation and roles at Coles Myer and Lend Lease Corporation. James has not held any directorships in any other listed entities during the past three years.

Bruce Carter, Non-Executive Director (BCom)

A founding member of Lifestyle Communities Limited, Bruce was appointed as an executive Director in September 2007 and transitioned to non-executive Director on 1 July 2015. Bruce has more than 30 years' experience in financial and business management. He was the co-founder of Australian Stock Exchange listed telecommunications company Pracom Limited, serving as joint managing director from 1988 to 2002. Bruce brings to Lifestyle Communities Limited extensive knowledge and experience of building, funding and operating complex Australian Stock Exchange listed companies. Bruce has not held any directorships in any other listed entities during the past three years.

Jim Craig, Non-Executive Director (BEC, LLB (Hons) Adel, LLM Melb)

Jim was appointed a Director of Lifestyle Communities Limited on 31 December 2012. Jim is also a member of the Audit Committee and Chairman of the HR & Remuneration Committee.

After working as a lawyer in Australia and Japan, Jim joined Macquarie Group Limited. He held a number of senior roles within Macquarie in the resources, infrastructure and fund management areas, including leading Macquarie's businesses in Europe from 2003-2008, and was Chairman of Macquarie Capital (Melbourne) from 2008-2014. Jim is currently a director of a number of other organisations including the Australian United Investment Company Limited, Cell Care Australia Pty Ltd, River Capital Pty Ltd and Trinity College (University of Melbourne).

Philippa Kelly, Non-Executive Director (LLB, F Fin, GAICD)

Philippa was appointed to the board of Lifestyle Communities Limited as a non-executive Director on 18 September 2013. Philippa is also Chair of the Audit Committee and a member of the HR & Remuneration Committee.

Philippa is an experienced property and finance executive with over 25 years' experience in the corporate sector and a background in law and investment banking at Goldman Sachs. Specialising in property for the past 17 years, she is currently Chief Operating Officer of the Juilliard Group of Companies, one of Melbourne's largest private property owners, managing an extensive portfolio of commercial and retail assets. Previous experience included seven years with Federation Centres (formerly Centro Properties Group), working on the refinancing of the Group and with responsibility for its institutional and wholesale funds management business.

Philippa is a member of the Deakin University Council, Chair of its Finance and Business Committee and a member of the Remuneration Committee. Philippa is also a non-executive Director of the Australian Drug Foundation, including Chair of Audit and Risk. Philippa was previously a non-executive Director of ASX listed 3D Oil Limited until November 2013.

Geoff Hollis, Company Secretary (BCom, CA, AGIA)

Geoff was appointed as company secretary on 24 November 2011. Geoff joined Lifestyle Communities Limited in February 2010 and prior to that he spent 10 years as a Chartered Accountant in professional practice. Geoff was appointed as a member of the Institute of Chartered Accountants in June 2004 and has completed a Graduate Diploma of Applied Corporate Governance.

Directors' interests

At the date of this report, the interests of each Director in the shares and options of Lifestyle Communities Limited were:

Director	Fully Paid Ordinary Shares	Options over Ordinary Shares
Tim Poole	1,080,460	125,000
Bruce Carter	8,579,433	-
James Kelly	14,045,566	-
Jim Craig	4,000,000	-
Philippa Kelly	65,000	-

Dividends

The Directors have resolved to pay a final fully franked dividend 1.5 cents per ordinary share (2014: nil) in respect of the full year result.

Share options

No options over unissued shares in the consolidated entity were granted during the year. Since the end of the financial year 120,000 Convertible Repurchase-able Employee Shares (CRES) were granted to an employee on 22 July 2015 as part of the Employee Share Loan Plan approved at the Company's 2012 Annual General Meeting.

During the year 2,991,668 ordinary shares were issued as a result of the exercise of 2,725,000 options and the conversion of 266,668 CRES.

Unissued ordinary shares of the Company under option or CRES at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of the shares	Expiry date of the options
24 November 2010	300,000	\$0.65	24 November 2015
15 April 2013	750,000	\$0.80	15 April 2018
22 May 2013	533,332	\$0.876	22 May 2018
22 July 2015	120,000	\$2.696	22 July 2020

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.

Significant events after the balance date

On 14 August 2015 the Company entered into a conditional contract to purchase a future development site in Bittern which is located on the Mornington Peninsula. The acquisition price is \$5.0 million and a 5% deposit has been paid. The contract is conditional on receiving planning approval to develop the site.

There are no other matters or affairs that have arisen since balance date which significantly affect or may significantly affect the operations of the consolidated entity.

Future developments

Refer to the operating and financial review for information on likely developments and the future prospects of the Company.

Environmental regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

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 nature of the liabilities insured and premium payable under this contract of insurance has not been disclosed in accordance with confidentiality provisions within the policy.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each of the directors are:

Director	Directors' meetings		Meetings of committees of directors'			
	Held	Attended	Audit		HR & Remuneration	
			Held	Attended	Held	Attended
Tim Poole	13	13	3	3	3	3
James Kelly	13	13	-	-	-	-
Bruce Carter	13	13	-	-	-	-
Jim Craig	13	13	3	3	3	3
Philippa Kelly	13	13	3	3	3	3

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Lifestyle Communities Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained later in this report.

Auditor independence and non-audit services

The directors received an independence declaration from the auditor of Lifestyle Communities Limited which is provided in this report.

Non-audit services

The Company's auditor, Pitcher Partners, provided tax compliance (\$18,600), general tax advice (\$8,000), GST advice (\$3,325), risk management services (\$6,382), human resources advice (\$2,715) and other agreed upon procedures (\$3,768) at a total cost of \$42,790 (2014: \$51,955). 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 and scope of these non-audit services means that auditor independence was not compromised.

Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the 2015 financial year. Profit after tax attributable to shareholders was \$16.7 million (2014: \$12.3 million).

Financial and operating highlights

	Measure	FY2015	FY2014	Change	Change %
Key financial data					
Revenue	A\$ millions	78.8	63.7	15.1	24
Earnings before interest and tax	A\$ millions	32.8	22.8	10.0	44
Net profit before tax	A\$ millions	29.1	21.1	8.0	38
Net profit after tax	A\$ millions	21.9	16.1	5.8	36
Net profit attributable to shareholders	A\$ millions	16.7	12.3	4.4	36
Operating cash flow	A\$ millions	16.4	9.5	6.9	73
Community cash flow ⁽¹⁾	A\$ millions	6.5	3.8	2.7	71
Gearing ⁽²⁾	%	17.2	23.3	(6.1)	(26)
Return on average capital employed ⁽³⁾	%	20.8	16.7	4.1	25
Earnings per share	A\$ cents	16.5	12.3	4.2	34
Diluted earnings per share	A\$ cents	16.1	12.0	4.1	34
Dividend per share	A\$ cents	1.5	-	1.5	-
Key operational data					
Homes settled (gross)	No. of homes	240	211	29	14
Homes settled (after NCI) ⁽⁴⁾	No. of homes	188	159	29	18
Homes sold (gross)	No. of homes	211	267	(56)	(21)
Homes sold (after NCI) ⁽⁴⁾	No. of homes	194	207	(13)	(6)
Average realised sales price of new homes	A\$'000	275	260	15	6
Total number of homes (gross)	No. of homes	1,146	906	240	26
Total number of homes (after NCI) ⁽⁴⁾	No. of homes	959	771	188	24
Total number of homeowners	No. of people	1,701	1,317	384	29
Average age of homeowners	Years	72	74	(2)	(3)
Number of resales settled	No. of homes	34	23	11	48
Average realised sales price of resales	A\$'000	260	238	22	9

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

(2) Calculated as a ratio of net debt to net debt plus equity (net debt includes \$5 million deposit held for the liquidity buffer)

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

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

Included in the table above are several non IFRS measures including earnings before interest and tax, community cash flow, gearing, return on average capital employed and key operational data. These figures have not been subject to audit but have been provided to give a better understanding of the performance of the Company during the 2015 financial year.

The increase in profit after tax attributable to shareholders \$16.7 million (2014: \$12.3 million) can be attributed mainly to: increased new home settlements; improved new home margin; increased contributions from net rental income and deferred management fees received; being partly offset by increased finance costs.

New home settlements for the year were 240 up from 211 in the prior year mainly due to the pull forward of settlements due to the quicker than anticipated sales and settlements at Cranbourne, Chelsea Heights and Hastings. Sales of new homes were 211 down from 267 in the prior year – this is a timing issue relating to the availability of homes in new communities for sale.

Company revenues increased to \$78.8 million (2014: \$63.7 million) due to increased home settlements (240 in the 2015 financial year (2014: 211)), increased average realised sales price (\$275,000 per home in the 2015 financial year (2014: \$260,000) on a GST exclusive basis) and an increase in homeowner rental, utilities and deferred management fees.

The Company continued to develop its communities at Shepparton and Chelsea Heights, and completed construction at Cranbourne and Hastings during the year whilst also commencing construction at Wollert and Geelong.

The Company made good progress operationally with improvements in several key metrics. The total number of homes settled increased to 1,146 homes due to the 240 settlements during the year. Net community cash flows were \$6.5 million (2014: \$3.8 million). This was driven by a \$2.6 million increase in rental revenue, \$0.7 million increase in deferred management fees received, \$0.2 million increase in utilities surplus partly offset by a \$0.8 million increase in management expenses.

The Company had 1,701 people living in its communities as at the end of the 2015 financial year with an average age of 72 years.

Resales (sales of previously settled and occupied homes) during the year were 34 (2014: 23). Deferred management fee income received (inclusive of selling and administration fees) were \$1.6 million (2014: \$0.9 million). As at the end of the year there were 18 resale homes available for sale across the communities.

Update on communities

Community	New homes				Resales				Total homes settled	Total homes in portfolio
	Settled FY15	Settled FY14	Net sales FY15	Net sales FY14	Settled FY15	Settled FY14	Net sales FY15	Net sales FY14		
Brookfield	-	-	-	-	15	12	20	16	228	228
Tarneit	1	3	-	1	5	4	4	4	136	136
Warragul	12	32	1	26	7	2	10	(1)	180	182
Cranbourne	42	38	20	34	5	4	5	3	215	217
Shepparton	38	28	54	27	-	1	1	1	98	221
Chelsea Heights	62	65	13	85	2	-	2	-	159	186
Hastings	82	45	31	74	-	-	1	-	127	141
Wollert	3	-	22	20	-	-	-	-	3	154
Geelong	-	-	28	-	-	-	-	-	-	164
Officer	-	-	42	-	-	-	-	-	-	151
Rosebud	-	-	-	-	-	-	-	-	-	150
Berwick Waters	-	-	-	-	-	-	-	-	-	225
Bittern	-	-	-	-	-	-	-	-	-	160
Total	240	211	211	267	34	23	43	23	1,146	2,315

- Lifestyle Brookfield in Melton and Lifestyle Seasons in Tarneit are fully sold and settled.
- Lifestyle Warragul and Lifestyle Cranbourne are both now 99% settled. Both communities have two homes left to settle, all are sold and expected to settle during the 2016 financial year.
- Lifestyle Shepparton performed well during the year achieving 54 net sales and 38 settlements, exceeding the Company's expectations. The Shepparton region has benefited from a more stable economic outlook and this, coupled with a successful marketing campaign and the community now reaching sufficient size, has contributed to the improved performance. The community is now over 64% sold and 44% settled.
- Lifestyle Chelsea Heights has exceeded the Company's expectations with 62 settlements during the 2015 year such that the community is 85% settled. Of the remaining 27 homes left to settle, all are sold and expected to settle during the 2016 financial year.
- Lifestyle Hastings has exceeded the Company's expectations with 82 settlements during the 2015 year such that the community is 90% settled. Of the remaining 14 homes left to settle, all are sold and expected to settle during the 2016 financial year.
- Lifestyle Lyndarum in Wollert commenced construction in July 2014. The Company has achieved 42 sales which is consistent with other projects at this stage of the development. Settlements commenced in May 2015 with three achieved for the 2015 financial year.
- Lifestyle Geelong commenced construction in November 2014 and has achieved 28 pre-sales to date. Settlements commenced in July 2015.
- The land for Lifestyle Officer settled in June 2015 with construction commencing in July 2015. A higher than expected 42 pre-sales were achieved as of 30 June 2015.
- The land for the Lifestyle Community at Rosebud was acquired in July 2014. The acquisition of Rosebud is subject to planning approval. This is the only site in our portfolio where the planning issues have been more challenging. We remain hopeful that a planning permit will be received.
- The land for Lifestyle Berwick Waters was acquired in April 2015. The acquisition of Berwick Waters is subject to planning approval (although this is not considered a material risk). Settlement of the land is contracted to occur in April 2016 with construction planned to commence soon after.
- The land for the Lifestyle Community in Bittern was acquired in August 2015. The acquisition of Bittern is subject to planning approval (this is also not considered a material risk). Settlement is expected to occur during the first half of the 2017 financial year with construction anticipated to commence soon afterwards.

Analysis of income statement

Net profit before after tax attributable to shareholders increased to \$16.7 million (2014: \$12.3 million). The table below shows the changes to net profit attributable to shareholders from 30 June 2014 to 30 June 2015.

	A\$ millions	A\$ millions
Net profit after tax attributable to shareholders for the year ended 30 June 2014		12.3
Changes in revenues		
Home settlement revenue	11.5	
Rental revenue	2.6	
Utilities revenue	0.2	
Deferred management fee	0.7	
Sub-division revenue	0.2	
Finance revenue	(0.1)	15.1
Changes in cost of sales		(6.5)
Changes in gains from fair value adjustments		2.8
Changes in expenses		
Development expenses	(0.4)	
Management expenses	(0.9)	
Utilities expenses	0.1	
Corporate overheads	(0.2)	
Sub-division expenses	(0.1)	
Finance costs	0.6	
Accelerated finance costs due to re-financing	(2.4)	(3.3)
Increase in income tax expense		(2.3)
Increase in profit after tax attributable to non-controlling interests		(1.4)
Net profit after tax attributable to shareholders for the year ended 30 June 2015		16.7

The Company's \$25 million loan note facility was re-financed on 23 December 2014 (refer to Note 19 in the Company's 2015 financial statements for further details). The loan note facility had a redemption option on 19 May 2016 and incurred a break-fee of \$2.05 million for early redemption. The \$2.4 million (pre-tax) accelerated finance costs due to re-financing includes the break-fee as well as the accelerated write-off of transactions costs associated with the loan note facility.

The key drivers of increased profitability were:

Home settlement revenue and margin

- Revenue from home settlements increased to \$66.3 million (2014: \$54.8 million) due to an increase in settlements to 240 (2014: 211). The main reason for the increase in settlements is communities at Cranbourne, Shepparton and Hastings exceeding prior year settlements. Also contributing was an increase in the average realised sales price of 6% to \$275,000 (exclusive of GST).
- Home settlement gross margin increased to 28% (2014: 25%) due to a change in the product mix of homes sold and the increase in the average realised sales price with a smaller relative increase in the cost of sales. The communities at Cranbourne and Chelsea Heights provide a relatively higher margin than other communities due to the high realised sales prices achieved relative to the cost per unit. Conversely, Shepparton has a relatively lower margin to other communities due to lower realised sales prices achieved relative to the cost per unit.

Annuity income and expenses

- Revenue from homeowner rentals increased to \$9.2 million (2014: \$6.5 million) due to an increase in homes under management and a rental increase of 3.5%. 240 homes were settled during the year bringing the Company's total homes under management to 1,146.
- Community management expenses increased to \$4.4 million (2014: \$3.5 million) due to: an increase in operations at Chelsea Heights and Hastings; commencement of management at Wollert and Geelong; in addition to increased homes under management. Until a community is fully settled there is also an increase in community management expenses for those expense items that are variable on a per home basis such as landscaping and council rates.
- Deferred management fees received (inclusive of selling and administration fees) increased to \$1.6 million (2014: \$0.9 million). There were 34 resale settlements during the year compared to 23 in the prior year. As at year end there were 18 resale homes available across the Company's Brookfield, Tarneit, Warragul, Shepparton and Hastings communities.

Other expenses

- Development expenses increased to \$3.7 million (2014: \$3.3 million) mainly due to increased sales staff salaries and commissions as a result of increased settlements and having more communities under development.
- Corporate overheads remained relatively consistent increasing by \$0.2 million or 4%.
- Finance costs reduced to \$1.6 million (2014: \$2.2 million). This is mainly due to the re-finance of the \$25 million loan note facility in December 2014 resulting in a lower interest rate for the second-half of the 2015 financial year. 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.

Fair value adjustments

- Total fair value adjustments have increased to \$15.1 million (2014: \$12.3 million). Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represents incremental adjustments to their fair value upon settlement of homes 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. Refer to Note 4 in the Company's 2015 financial statements for further details.

Analysis of cash flow

A\$ millions	FY2015	FY2014	Change
Cash flows related to operations	16.4	9.5	6.9
add Project capital expenditure ⁽¹⁾	17.4	9.4	8.0
Adjusted cash flows related to operations	33.8	18.9	14.9
Cash flows related to investing activities	(6.6)	(21.3)	14.7
Cash flows related to financing activities	(4.6)	(1.5)	(3.1)
Net movement in cash	5.2	(13.3)	
Cash at the beginning of the period	2.8	16.1	
Cash at the end of the period	8.0	2.8	
Liquidity buffer funds on deposit	5.0	4.0	
Adjusted closing cash	13.0	6.8	

(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 other legal structures, project capital expenditure may be classified within investing cash flows rather than operating cash flows.

Cash flows related to operations increased to \$16.4 million (2014: \$9.5 million). The increase reflects increased home settlements and annuities from rental streams as well as an increase in deferred management fees. This was offset by an increase in payments to suppliers and employees due to increased civil and infrastructure activity at Chelsea Heights, Wollert and Geelong partially offset by reduced home construction activity (197 homes constructed in the 2015 financial year (2014: 250)) as construction was completed at Cranbourne and inventory at Chelsea Heights and Hastings was utilised.

Cash flows related to investing activities included the purchase of land at Officer that settled in June 2015 as well as the deposit for the land at Berwick Waters. In the prior year cash flows from investing activities included settlement of land at Chelsea Heights, Geelong and Wollert.

Cash flows related to financing activities included repayments of bank development loans of \$29.6, repayment of loan note facility \$25.0 million, funding provided from bank loans of \$54.2 million including the re-finance of the \$25 million facility in December 2014. Also included in financing activities were distributions paid to non-controlling interests of \$7.0 million as well as proceeds received from the exercise of options of \$2.0 million.

Analysis of balance sheet

Net assets and total equity

A\$ millions	FY2015	FY2014	Change	Change %
Assets				
Cash and cash equivalents	8.0	2.8	5.2	186
Other financial assets (term deposits)	5.0	6.0	(1.0)	(17)
Trade and other receivables	-	2.6	(2.6)	(100)
Inventories	30.6	31.7	(1.1)	(3)
Land held for sale	-	0.1	(0.1)	(100)
Property, plant and equipment	2.8	2.4	0.4	17
Investment properties	132.8	110.7	22.1	20
Other assets	0.4	0.2	0.2	144
Total Assets	179.7	156.5	23.2	15
Liabilities				
Trade and other payables	(5.4)	(7.4)	2.0	28
Interest-bearing loans and borrowings	(36.6)	(35.6)	(1.0)	(3)
Provisions	(0.4)	(0.6)	0.2	25
Current tax payable	(1.8)	(1.1)	(0.7)	(65)
Deferred tax liabilities	(21.7)	(16.8)	(4.9)	(29)
Total Liabilities	(65.9)	(61.5)	(4.4)	(7)
Net Assets	113.8	95.0	18.8	20
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	64.6	62.4	2.2	3
Retained earnings	49.2	32.6	16.7	51
Non-controlling interests	-	-	-	-
Total Equity	113.8	95.0	18.8	20

During the year the Company's net assets and total equity increased to \$113.8 million (2014: \$95.0 million) as a result of profit during the period of \$16.7 million and \$2.2 million provided due to the exercise of share options.

Included in other financial assets is a \$5.0 million term deposit representing part of the Company's liquidity buffer. The liquidity buffer represents part of the Company's risk management strategy.

Current tax payable has increased to \$1.8 million (2014: \$1.1 million) reflecting increased taxable income as well as utilising remaining material tax losses in 2014. Deferred tax liabilities have increased to \$21.7 million (2014: \$16.8 million) representing the tax on fair value adjustments being deferred. This will only be realised should an investment property be disposed of which is highly unlikely.

Debt, gearing and liquidity

As at 30 June 2015 the Company had net debt (total borrowings less cash and liquidity buffer) of \$23.6 million (2014: \$28.9 million). The primary driver for the reduction is the movement in cash balances.

A\$ millions	
Net debt at 30 June 2014	28.8
Net increase in bank borrowings	1.0
Release of security deposit assigned to liquidity buffer	(2.0)
Decrease in term deposit assigned to liquidity buffer	1.0
Increase in cash balances	(5.2)
Net movement in 2015	(5.2)
Net debt at 30 June 2015	23.6

The gearing ratio (net debt to net debt plus equity) of the Company as at 30 June 2015 was 17.2% (2014: 23.3%).

The Company's long-term loan note facility was re-financed with Westpac during December 2014. The facility has been increased from \$25.0 million to \$27.05 million with the additional proceeds used to fund the \$2.05 million break-fee. This facility has a three year term with an expiry date of December 2017.

As at 30 June 2015 the Company has a committed development debt facility with Westpac of \$20.8 million and \$9.5 million was drawn. This debt facility relates to developments at Shepparton, Wollert, and Geelong. Development facilities at Chelsea Heights and Hastings were repaid and closed during the year.

Outlook and risks

Outlook

The Company has been pleased with the rate of construction, sales and settlements across the communities currently under development during the 2015 financial year. The Company was particularly pleased with the increase in sales and settlements at Shepparton as well as the level of pre-sales achieved at Officer.

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 at least every 12 months subject to identification of appropriate sites. The Company continues to focus on Melbourne's growth corridors as well as key Victorian regional centres and is currently considering a range of opportunities but will remain disciplined in its assessment of these opportunities.

The Company currently expects that settlements will be lower in the 2016 financial year due to the timing of community developments in the pipeline. The profit impact from the likely reduction in settlements will be approximately offset by increased contributions from rental and deferred management fees and a reduction in profit attributable to non-controlling interests. As a result net profit after tax attributable to shareholders is expected to be largely similar to the result for the 2015 financial year.

It is the Company's intention to pay an interim and final dividend in respect of the 2016 financial year. The Company expects the combined dividend in 2016 to be greater than the 2015 amount.

Key risks

The Company's key risk categories are:

Site selection – if the Company makes a poor site acquisition it may not generate adequate financial returns on the investment and the objective of recovering 100% of the development costs may not be met. The Company attempts to mitigate this risk by maintaining a detailed land acquisition strategy and by carrying out detailed due diligence on potential new sites. The Company also uses the significant experience it has gained from acquiring 13 sites and developing many of these during the past 12 years.

Sales and settlements – the Company is exposed to the rate of sales of new and existing homes, the price of sales of new homes (and to a lesser extent the price of sales of existing homes) and to the timing of settlements of new homes (revenue is only recorded when a sale of a home is settled). The Company's experience to date is that sales rates and realisations are closely related to the difference between the median house price in the area and the home price in the Lifestyle Community. This factor attracts a great deal of attention during the site selection process and also during the development of the community.

Community roll out – management of the construction programme is important to ensure cash flow is managed efficiently and returns are maximised. The Company mitigates this risk by taking a stage by stage approach to construction based on a required level of pre-sales.

Financing risk – there is a risk the Company will not achieve its growth strategy due to insufficient capital or the inability to obtain new debt facilities. The Company may also experience re-financing risk if all debt facilities were cancelled in a short period of time. The Company mitigates these risks by: maintaining a balance sheet with a reasonably low level of gearing; ensuring it complies with all debt covenants and reporting obligations; ensuring project debt facilities only have recourse to the particular development being financed; ensuring sufficient term for debt facilities; and tightly managing the commencement and rate of development of new communities.

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

Regulatory risk – the Company's operations and business and financial model are impacted by the Residential Tenancies Act and the Social Securities Act. Changes to this legislation could have an adverse impact on the operating and financial performance of the Company.

Remuneration Report (audited)

1. Introduction

1.1 About this report

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

1.2 Overview of contents

Section	Contents
1.	Introduction
2.	HR & Remuneration Committee
3.	Details of key management personnel
4.	Non-executive directors' remuneration
5.	Executive directors and senior management remuneration
6.	Relationship between remuneration and performance
7.	Executive service agreements
8.	Remuneration details
9.	Options and CRES held by key management personnel
10.	Remuneration report voting at Annual General Meetings

2. HR & Remuneration Committee

2.1 Role of the HR & Remuneration Committee

As a minimum the HR & Remuneration Committee's role is to make recommendations to the board on:

- the Company's remuneration framework;
- formulation and operation of employee incentive plans;
- remuneration levels of executive directors and other key management personnel; and
- the level of non-executive director fees.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

3. Details of Key Management Personnel

	Position	Commencement date
Non-executive directors		
Tim Poole	Chairman of the Board	22 November 2007
	Non-executive Director	
	Member – Audit Committee	
	Member – HR & Remuneration Committee	
Bruce Carter ⁽¹⁾	Non-executive Director	Founder
Jim Craig	Non-executive Director	31 December 2012
	Member – Audit Committee	
	Chair – HR & Remuneration Committee	
Philippa Kelly	Non-executive Director	18 September 2013
	Chair – Audit Committee	
	Member – HR & Remuneration Committee	

Executive director		
James Kelly	Managing Director	Founder
Other executives		
Michael Imbesj ⁽²⁾	Construction manager	21 March 2005
Chris Paranthoiene ⁽²⁾	Development and acquisition manager	13 March 2007
Geoff Hollis	Chief financial officer and company secretary	15 February 2010
Sam Cohen ⁽²⁾	Operations manager	3 October 2011

(1) Bruce Carter transitioned from executive Director to non-executive Director on 1 July 2015.

(2) On 1 July 2014 additional employees were defined as Key Management Personnel as a result of the reduced involvement of founders, Bruce Carter and Dael Perlov, in the day-to-day operations of the business.

4. Non-executive directors' remuneration

4.1 Fixed fees

All non-executive directors are paid fixed fees for their services to the Company. The level of fees are based upon providing the Company with the ability 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 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.

Fixed fees paid to directors during the 2015 financial year are set out in section 8.

4.2 Review of non-executive directors' fees

The HR & Remuneration Committee reviewed non-executive directors' fees in September 2014, benchmarking to similar sized ASX listed companies. No remuneration consultant was used.

Effective 1 January 2015 non-executive director remuneration comprises fees payable to the non-executive Chairman of \$80,000 per annum and to each non-executive Director of \$50,000 per annum as well as an additional \$5,000 per annum for each committee chair.

5. Executive directors and senior management remuneration

5.1 Framework

The Company's executive remuneration framework consists of the following elements:

- fixed remuneration; and
- equity based long-term incentives.

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 and acceptable to shareholders.

5.2 Determining fixed remuneration

Executive directors

During the prior year the HR & Remuneration Committee undertook a benchmarking process in relation to the fixed remuneration of executive Directors with an effective date of any changes being 1 September 2014. The benchmarking was undertaken by Yellow Folder Research, an independent specialist remuneration consultant. Pursuant to the *Corporations Act 2001*, the remuneration consultant was engaged by the non-executive Directors and reporting of the remuneration recommendations were made directly to the HR & Remuneration Committee. Due to the independence of the process the Board is satisfied that the remuneration recommendations received were made free from undue influence by the senior executives to whom the recommendations related. Consideration paid to the remuneration consultant was \$10,000. No other recommendations were provided by the remuneration consultant.

The HR & Remuneration Committee has determined that the fixed remuneration of the Managing Director (the remaining executive director) will be next reviewed on 1 October 2015.

Senior management

Fixed remuneration for senior management is reviewed annually or on promotion. Fixed remuneration is benchmarked against market data or comparable roles in the market. The remuneration for the Company's Chief Financial Officer and Company Secretary was benchmarked along with those of the executive Directors referred to above.

5.3 Short term incentives

The Company currently has no short-term incentive plans. Employees are rewarded by fixed remuneration and key employees are offered access to long-term incentive plans.

5.4 Long term incentives

The Company has two long-term incentive plans in place and uses them to retain key talent and align the interests of senior executives to shareholders.

Employee Share Loan Plan (ESLP)

The purpose of the ESLP is to provide eligible employees with an opportunity to acquire convertible repurchase-able employee shares (CRES) in the Company and, by virtue of the fact that CRES are convertible into ordinary shares in the Company, thereby enable them to participate in any growth in the value of the Company, and encourage them to improve the longer term performance of the Company and its returns to shareholders, and to motivate and retain them.

All employees are eligible to participate in the ESLP and the Company or a subsidiary of the Company may provide financial assistance, in the form of interest-free limited recourse loans, to participants to enable them to acquire shares.

Participation in the ESLP is at the discretion of the Board. No employee has a contractual right to participate in the ESLP.

Directors of the Company are not entitled to participate in the ESLP unless the Board seeks shareholder approval for their participation and approval is given. The Board does not currently intend to seek shareholder approval for their participation.

Pursuant to the ESLP, the maximum number of CRES that may be issued under the plan and converted into ordinary shares must not exceed 5% of the total number of issued ordinary shares at the time of issue, after taking into account the number of CRES issued under the plan and the number of ordinary shares or options issued under any other employee incentive scheme of the Company in the previous five years.

The performance conditions under the ESLP are for participants to provide continuous service to the Company. The CRES have been issued in three tranches; tranche one requires two years continuous service prior to the ability to convert to ordinary shares; tranche two requires three years continuous service; and tranche three requires four years continuous service. The CRES are treated as options for accounting purposes. The performance condition of providing continuous service to the Company was chosen to help the Company attract and retain key talent as well as to align interests of executives to shareholders.

No CRES shares were issued pursuant to this plan during the 2015 financial year (2014: nil).

Senior Executives and Directors Share Option Plan (ESOP)

During the 2011 financial year eligible senior management, executive Directors and non-executive Directors were issued options as part of the ESOP detailed at the Company's 2010 AGM. The main objectives of the plan were to encourage senior management, executive Directors and non-executive Directors to improve the long-term performance of the Company, enable them to share in the long-term growth of the company as well as to provide motivation and to ultimately retain their services. No options were issued pursuant to this plan during the 2015 financial year (2014: nil).

The performance conditions under the ESOP were for participants to provide two years continuous service. This condition has been satisfied and hence all options issued under the ESOP have now vested.

There are currently no plans to issue any further options under the ESOP.

Refer to section 9 for details of options and CRES held by key management personnel.

6. Relationship between remuneration and performance

The Company's current remuneration framework, outlined in section 4 above, is primarily based on providing fixed remuneration. This is because the Managing Director has a large shareholding in the Company and has a strong incentive to increase the value of the Company. A modest long-term incentive plan has been introduced to retain and motivate key employees (other than the Managing Director). The long-term incentive plan is only of value if the share price of the Company increases, thereby encouraging strong operational and financial performance and is therefore directly aligned to the long term interests of all shareholders.

The following table shows key performance indicators for the Company over the last five years:

<i>Performance measure</i>	2015	2014	2013	2012	2011
Net profit after tax attributable to members (\$million)	\$16.65	\$12.28	\$ 6.96	\$ 6.59	\$ 6.82
Net profit (change from prior year) (%)	35.6%	76.4%	5.6%	(3.3%)	16.0%
Dividends paid (fully franked) (cents)	-	-	0.5	0.5	-
Diluted earnings per share (cents)	16.11	12.00	9.40	14.18	14.70
Closing share price (30 June)	\$2.44	\$1.60	\$0.78	\$0.80	\$0.90
Share price increase / (decrease)	52.50%	105.13%	(2.50%)	(5.56%)	50.00%
STI paid to KMP	\$-	\$ -	\$ 10,000	\$ 42,000	\$151,200

7. Executive service agreements

7.1 Executive directors

The HR & Remuneration Committee refreshed the Managing Director's executive service agreement in the prior year. This was executed on the 8 December 2013 with an effective date of 1 September 2013.

Significant conditions

Under the terms of the agreement, the contract may be terminated by either party giving three months written notice.

The Company may terminate the contract at any time without notice if serious misconduct has occurred.

In addition to the above, the Managing Director has a three month restrictive period post termination.

7.2 Senior management

All senior management have consistent key terms of employment.

Significant conditions

Under the terms of all agreements, the contracts may be terminated by either party giving one month written notice.

The Company may terminate the contracts at any time without notice if serious misconduct has occurred.

In addition to the above, senior management have a three month restrictive period post termination.

8. Remuneration details

8.1 Compensation of directors and key management personnel for the year ended 30 June 2015

30 June 2015	Short term				Post-employment	Long term	Share based payment	Total performance related %		Total	
	Salary & fees \$	Cash bonus \$	Non-monetary \$	Other \$	Super \$	Retirement benefits \$	Incentive plans \$	Options/ ESLP \$	Cash bonus %	Shares %	\$
Directors											
Tim Poole	66,051	-	-	-	6,412	-	-	-	-	-	72,463
James Kelly	342,603	-	-	-	20,833	-	-	-	-	-	363,436
Bruce Carter	184,031	-	-	-	17,954	-	-	-	-	-	201,985
Jim Craig ⁽¹⁾	52,025	-	-	-	-	-	-	-	-	-	52,025
Philippa Kelly	47,614	-	-	-	4,523	-	-	-	-	-	52,137
	692,324	-	-	-	49,722	-	-	-	-	-	742,046
Key management personnel											
Michael Imbesi ⁽²⁾	163,078	-	-	-	13,117	-	-	20,496	-	10.4	196,691
Chris Paranthoiene ⁽²⁾	162,381	-	-	-	14,001	-	-	20,496	-	10.4	196,878
Geoff Hollis	179,361	-	-	-	17,039	-	-	30,744	-	13.5	227,144
Sam Cohen ⁽²⁾	154,408	-	-	-	12,769	-	-	10,248	-	5.8	177,425
	659,228	-	-	-	56,926	-	-	81,984	-	-	798,138
Total	1,351,552	-	-	-	106,648	-	-	81,984	-	-	1,540,184

(1) Fees were paid to Bellwether Holdings Pty Ltd, an entity controlled by Jim Craig.

(2) On 1 July 2014 additional employees were defined as key management personnel as a result of the reduced involvement of founders, Bruce Carter and Dael Perlov, in the day-to-day operations of the business.

8.2 Compensation of directors and key management personnel for the year ended 30 June 2014

30 June 2014	Short term				Post-employment		Long term	Share based payment	Total performance related %		Total
	Salary & fees \$	Cash bonus \$	Non-monetary \$	Other \$	Super \$	Retirement benefits \$	Incentive plans \$	Options/ ESLP \$	Cash bonus %	Shares %	\$
Directors											
Tim Poole	58,680	-	-	-	5,728	-	-	-	-	-	64,408
James Kelly	288,237	-	-	-	26,169	-	-	-	-	-	314,406
Bruce Carter	185,133	-	-	-	17,481	-	-	-	-	-	202,614
Jim Craig ⁽¹⁾	49,050	-	-	-	-	-	-	-	-	-	49,050
Philippa Kelly ⁽³⁾	37,500	-	-	-	3,469	-	-	-	-	-	40,969
Dael Perlov ⁽²⁾	47,247	-	-	-	4,370	-	-	-	-	-	51,617
	665,847	-	-	-	57,217	-	-	-	-	-	723,064
Key management personnel											
Dael Perlov ⁽²⁾	143,849	-	-	-	13,472	-	-	-	-	-	157,321
Geoff Hollis	160,239	-	-	-	14,822	-	-	32,292	-	15.6	207,353
	304,088	-	-	-	28,294	-	-	32,292	-		364,674
Total	969,935	-	-	-	85,511	-	-	32,292			1,087,738

(1) Fees were paid to Bellwether Holdings Pty Ltd, an entity controlled by Jim Craig.

(2) Dael Perlov ceased being a director on 18 September 2013.

(3) Philippa Kelly was appointed as a director on 18 September 2013.

9. Options and CRES held by Key Management Personnel

9.1 Options and CRES on issue (issued as remuneration)

The terms and conditions of each grant of options or CRES affecting remuneration in the current or future reporting periods are as follows:

Plan	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Value per option at grant date	Performance hurdles achieved	% Vested
ESOP	1,275,000	24 Nov 2010	24 Nov 2012	24 Nov 2015	\$0.650	\$0.435	Yes	100%
ESLP	266,667	22 May 2013	22 May 2015	22 May 2018	\$0.876	\$0.207	Yes	100%
ESLP	266,667	22 May 2013	22 May 2016	22 May 2018	\$0.876	\$0.216	Not yet	N/A
ESLP	266,666	22 May 2013	22 May 2017	22 May 2018	\$0.876	\$0.220	Not yet	N/A

As at the date of this report, there were 1,703,332 unissued ordinary shares under option or CRES. Of these, 658,332 were issued to Directors and Key Management Personnel as remuneration.

No option holder has any right under the options to participate in any other share issue of the Company. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. During the year 2,991,668 ordinary shares were issued as a result of the exercise of 2,725,000 options and the conversion of 266,668 CRES.

A loan of \$233,601 was provided to four Key Management Personnel in respect of the conversion of 266,668 CRES during the year on 22 May 2015. The loan is non-interest bearing and repayable no later than 22 May 2018. If the Key Management Personnel cease employment with the Company prior to 22 May 2018 the loan will be repayable within three months. The Key Management Personnel are required to use the proceeds from the disposal of the shares to repay the loan. If interest was charged on the loan, using the Company's average cost of funding, interest charged for the period 22 May 2015 to 30 June 2015 would have been \$997.

For details on the valuation of the options, including models and assumptions used, please refer to Note 26 of the Company's 2015 financial statements.

9.2 Options and CRES issued to Key Management Personnel as remuneration

Name	Year of grant	Vesting year	Plan	Number	Value at grant date	Number vested during the year	Vested %	Number exercised during the year
Bruce Carter	2010	2012	ESOP	200,000	\$87,000	200,000	100%	200,000
Dael Perlov	2010	2012	ESOP	200,000	\$87,000	200,000	100%	200,000
James Kelly	2010	2012	ESOP	200,000	\$87,000	200,000	100%	200,000
Tim Poole	2010	2012	ESOP	125,000	\$54,375	125,000	100%	-
Geoff Hollis	2010	2012	ESOP	125,000	\$54,375	125,000	100%	125,000
	2013	2015	ESLP	100,000	\$20,700	100,000	100%	100,000
	2013	2016	ESLP	100,000	\$21,600	-	-	-
	2013	2017	ESLP	100,000	\$22,000	-	-	-
Michael Imbesi	2010	2012	ESOP	100,000	\$43,500	100,000	100%	100,000
	2013	2015	ESLP	66,667	\$13,800	100,000	100%	66,667
	2013	2016	ESLP	66,667	\$14,400	-	-	-
	2013	2017	ESLP	66,666	\$14,667	-	-	-
Chris Paranthoiene	2010	2012	ESOP	50,000	\$21,750	50,000	100%	50,000
	2013	2015	ESLP	66,667	\$13,800	100,000	100%	66,667
	2013	2016	ESLP	66,667	\$14,400	-	-	-
	2013	2017	ESLP	66,666	\$14,667	-	-	-
Sam Cohen	2013	2015	ESLP	33,334	\$6,900	33,334	100%	33,334
	2013	2016	ESLP	33,333	\$7,200	-	-	-
	2013	2017	ESLP	33,333	\$7,333	-	-	-

9.3 Number of options and CRES held by Key Management Personnel

2015

Name	Balance at 1-Jul-14	Granted as remuneration	Exercised	Balance at 30-Jun-15	Total vested 30-Jun-15	Total exercise-able 30-Jun-15	Total unexercisable 30-Jun-15
Directors							
Bruce Carter	200,000	-	200,000	-	-	-	-
James Kelly	200,000	-	200,000	-	-	-	-
Tim Poole	125,000	-	-	125,000	125,000	125,000	-
Jim Craig	1,250,000	-	1,250,000	-	-	-	-
Philippa Kelly	-	-	-	-	-	-	-
Key Management Personnel							
Geoff Hollis	425,000	-	225,000	200,000	-	-	200,000
Michael Imbesi ⁽¹⁾	300,000	-	166,667	133,333	-	-	133,333
Chris Paranthoiene ⁽¹⁾	250,000	-	116,667	133,333	-	-	133,333
Sam Cohen ⁽¹⁾	100,000	-	33,334	66,666	-	-	66,666

(1) These employees were deemed Key Management Personnel as of 1 July 2014

2014

Name	Balance at 1-Jul-13	Granted as remuneration	Exercised	Balance at 30-Jun-14	Total vested 30-Jun-14	Total exercisable 30-Jun-14	Total unexercisable 30-Jun-14
Directors							
Bruce Carter	200,000	-	-	200,000	200,000	200,000	-
James Kelly	200,000	-	-	200,000	200,000	200,000	-
Tim Poole	125,000	-	-	125,000	125,000	125,000	-
Jim Craig	1,250,000	-	-	1,250,000	1,250,000	1,250,000	-
Philippa Kelly ⁽¹⁾	-	-	-	-	-	-	-
Dael Perlov ⁽²⁾	200,000	-	-	200,000	200,000	200,000	-
Key Management Personnel							
Geoff Hollis	425,000	-	-	425,000	125,000	125,000	300,000

(1) Philippa Kelly was appointed to the Board on 18 September 2013; the opening balance represents the balance at her appointment date.

(2) Dael Perlov resigned as a director on 18 September 2013.

For further details relating to options and CRES, please refer to Note 26 of the Company's 2015 financial statements.

9.4 Shareholdings of Key Management Personnel

2015

Name	Balance at 1-Jul-14	Off-market transfer	On-market transactions	Exercise of options	Balance at 30-Jun-15
Directors					
Bruce Carter	11,618,532	-	(3,239,099)	200,000	8,579,433
James Kelly	14,845,566	-	(1,000,000)	200,000	14,045,566
Tim Poole	1,405,460	-	(325,000)	-	1,080,460
Jim Craig	3,800,000	-	(1,050,000)	1,250,000	4,000,000
Philippa Kelly	45,000	-	20,000	-	65,000
Key Management Personnel					
Geoff Hollis	-	-	19,712	225,000	244,712
Michael Imbesi ⁽¹⁾	12,500	-	(8,500)	166,667	170,667
Chris Paranthoienne ⁽¹⁾	-	-	-	116,667	116,667
Sam Cohen ⁽¹⁾	-	-	-	33,334	33,334

(1) These employees were deemed Key Management Personnel as of 1 July 2014.

2014

Name	Balance at 1-Jul-13	Off-market transfer	On-market transactions	Exercise of options	Balance at 30-Jun-14
Directors					
Bruce Carter	12,618,532	(1,000,000)	-	-	11,618,532
James Kelly	14,845,566	-	-	-	14,845,566
Tim Poole	1,405,460	-	-	-	1,405,460
Jim Craig	3,209,486	500,000	90,514	-	3,800,000
Philippa Kelly ⁽¹⁾	-	-	45,000	-	45,000
Dael Perlov ⁽²⁾	7,806,637	-	(620,000)	-	7,186,637
Key Management Personnel					
Geoff Hollis	-	-	-	-	-

(1) Philippa Kelly was appointed to the Board on 18 September 2013; the opening balance represents the balance at her appointment date.

(2) Dael Perlov resigned as a director on 18 September 2013.

10. Remuneration report voting at Annual General Meetings

Lifestyle Communities Limited received more than 97% of votes in support of its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM on its remuneration practices or throughout the 2015 financial year.

Signed in accordance with a resolution of the directors.

On behalf of the Board



Tim Poole
Chairman
20 August 2015



James Kelly
Managing Director
20 August 2015

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

In relation to the independent audit for the year ended 30 June 2015, 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.

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



P A JOSE
Partner

20 August 2015



PITCHER PARTNERS
Melbourne

Corporate Governance Statement

The Company is committed to implementing and maintaining good corporate governance practices.

This Statement outlines the main features of the Company's corporate governance framework and governance practices, and the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council (the ASX Principles and Recommendations) during the financial year ended 30 June 2015.

This Statement is current as at 20 August 2015 and has been approved by the Board of the Company.

All charters and other policies referred to in this statement are available on the Company's website at www.lifestylecommunities.com.au.

1. Lay solid foundations for management and oversight

Board functions

The Company has a Board Charter which describes the roles and responsibilities of the Board.

The primary role of the Board is to create shareholder value by setting the strategic direction of the Company. Matters reserved for the Board include:

- setting the strategic direction of the Company;
- approving and monitoring operating budgets and major capital expenditures;
- overseeing the integrity of the Company's financial reporting;
- overseeing the Company's risk management strategy and approval of the risk management framework;
- selecting, appointing, and where necessary removing, the Managing Director and other senior executives;
- delegating responsibility to the Managing Director, and setting the limits of delegation from the Managing Director to other management;
- appointing committees to assist in the running and oversight of the Company; and
- reviewing Board performance.

The Board has delegated other matters and the day to day management of the Company to the Managing Director, James Kelly, and established cascading delegated authority levels for executives and employees. The Managing Director is also responsible for implementing the Company's strategic plan within the Company's risk management framework and ensuring accurate information is provided to the Board.

The Chairman, Tim Poole, is primarily responsible for facilitating effective Board meetings by encouraging contribution from all directors and by promoting constructive and respectful relations between Directors, management and the Board.

Director appointment, election and re-election

Vetting is undertaken before new Directors are appointed, elected or re-elected to the Board to ensure they are appropriate candidates. This includes background checks, such as for bankruptcy. Information included in respect of recommendation 2.4 (below) further describes the process undertaken by the Board and the information considered in relation to appointing a person as a Director.

For the election or re-election of Directors at Annual General Meetings, the notice of meeting sets out for shareholders information on candidates, including details of any other directorships and whether they are considered to be independent.

Director and Senior Executive agreements

The Company has a written agreement with each Director and senior executive clearly outlining the terms of their appointment.

For non-executive Directors the agreement includes the Company's expectations concerning the time Directors will commit to Company matters including involvement with individual committees, remuneration, circumstances under the Company's constitution in which a Director's office becomes vacant, indemnity and insurance arrangements, access to corporate information, confidentiality and a requirement to comply with Company policies.

For Executive Directors and senior executives the agreement includes similar material (where relevant) as well as a description of the position, roles and responsibilities, the term of appointment, resignation and termination processes, and entitlements on resignation or termination. Further details of the key terms for the employment agreements for Executive Directors and senior executives are set out in the Remuneration Report.

Company Secretary

The company secretary, Geoff Hollis, has a direct reporting line to the Chairman of the Board to ensure that the Board and its committees function efficiently and effectively. The responsibilities of the secretary include advising on governance matters such as Board and committee policies, supporting meetings by preparing agendas and minutes, and communicating with ASIC and ASX.

Diversity

The Company values diversity and recognises the benefits it brings to the organisation. The Company has developed a Diversity Policy to take advantage of a workforce comprised of people with a diverse range of skills, backgrounds and experience.

The Company support diversity in its workforce by:

- Treating all employees fairly and with respect and dignity as detailed in the Code of Conduct;
- Actively and promoting a working environment that values diversity and tolerance of differences;
- Ensuring that applicants and employees of all backgrounds are encouraged to apply for, and have fair opportunity to be considered for all available roles;
- Ensuring that the Company's policies encourage diversity and address specific barriers to groups of employees, such as those with domestic responsibilities, by making reasonable provision for the special needs of these employees, by means such as the Flexible Working Arrangements, Parental Leave and Other Leave Standards, and recognising and rewarding innovative strategies to accommodate diverse groups within the workforce;
- Setting, reviewing and reporting annually, measurable objectives; and
- Complying with all anti-discrimination and equal opportunity legislation.

Gender diversity is of particular importance as the Company has over 40% of homes occupied by single females and over 60% the Company's homeowners are female. The Company has the following objectives in relation to gender diversity which are assessed by the HR & Remuneration Committee annually:

- Objective 1: female representation on the Board;
- Objective 2: female representation within senior management; and
- Objective 3: 50% or more female employees across its workforce.

This seeks to ensure adequate female representation across all of the Company's business practices. There is a particular emphasis on gender diversity in the sales and community management functions of the Company.

During the 2015 financial year each of the three objectives were achieved.

Measuring performance

The Company has an informal evaluation process for Board and committee performance which focuses on the role of the Board, its size and composition, the procedures and practices of the Board and meeting arrangements. The evaluation also includes an assessment of the future requirements of the Board in relation to the skills and experience required to ensure that Board composition is appropriate for the needs of the Company.

Individual non-executive Director performance is assessed by the Chairman informally to ensure that the Director continues to operate effectively within the Board. This may involve discussions with the Director and with other members of the Board, and considering the Director's:

- skills, experience, performance and contributions to the Board, committees and other aspects of the Company;
- degree of independence; and
- availability to attend and prepare for Board and committee meetings.

An evaluation of the Board, committees and individual directors was undertaken during the 2015 financial year.

The Company has an on-going evaluation process for senior management. The HR & Remuneration Committee and Managing Director sets performance objectives for senior executives necessary to achieve the strategic objectives of the Company. Performance of senior executives is assessed annually by the Managing Director.

2. Structure the Board to add value

Board selection process and induction

The Board believes that the composition, including selection, appointment, renewal and retirement of members, is of such importance that it is the role of the Board as a whole to review.

In considering the nomination and appointment of new Directors, the Board assesses candidates with regard to their experience in the industry, as well as more generally, and their skills, qualifications, personal qualities and background. In addition, in selecting new Directors, the Board looks for candidates with skills that complement and balance those of the existing Directors.

The Board reviews succession planning and senior leadership development on at least an annual basis. Details of the number of Board meetings and attendance at those meetings are set out on page 8 of the Directors' Report.

The mix of skills and diversity that the Company seeks to achieve on the Board includes:

- accounting, finance and capital markets;
- property development, construction and management;
- asset management;
- financial and business management;
- sales and marketing; and
- legal.

The Board has an induction program for newly-appointed non-executive Directors. This provides orientation including written materials, briefings, training on accounting principles (where appropriate), site visits and educational opportunities designed to make them familiar with the Company and better equipped to perform their duties. This seeks to build an understanding of the Company's business, the markets in which it operates, customers, suppliers, employees and community residents.

Directors are also encouraged to attend internal and external director education programs to develop and maintain their skills and knowledge.

Independence

The Board comprises Tim Poole, Jim Craig and Philippa Kelly as independent non-executive Directors, Bruce Carter as a non-executive Director (from 1 July 2015) and James Kelly as Managing Director. Details of their qualifications, experience and length of service are set out on pages 5 and 6 of the Directors' Report.

The Board considers an independent Director to be a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement as a Director of the Company.

Tim Poole, Jim Craig and Philippa Kelly are considered to be independent under this definition. Further, none of the aforementioned non-executive Directors have an interest, position, association or relationship of the type described in item 2.3 of the ASX Principles and Recommendations. Bruce Carter is not considered independent as he recently transitioned from executive to non-executive Director on 1 July 2015. The Board assesses independence at least annually.

The Chairman of the Board, Tim Poole, is an independent Director. James Kelly is the Company's Managing Director.

3. Act ethically and responsibly

The Company recognises that its reputation is one of its most valuable assets to build long-term value for its investors. The Company's Code of Conduct applies to its Directors, senior executives and employees.

The Company is committed to promoting and maintaining a high standard of corporate ethics and business integrity. As stated in the Company's Code of Conduct, all Directors, senior executives and employees must act with integrity and professionalism and be scrupulous in the proper use of Company information, funds, equipment and facilities. Directors, senior executives and employees are to exercise fairness, equity, proper courtesy, consideration and sensitivity in dealing with customers, employees and other stakeholders. See also the information in respect of recommendation 7.4 below.

The Code of Conduct is a detailed statement concerning:

- responsibilities of all Directors, senior executives and employees;
- practices to promote the best interests and reputation of the Company;
- confidentiality;
- Company property;
- conflicts of interests;
- public statements;
- policies for preventing the acceptance or offering of bribes or other forms of unlawful or unethical payments or inducements;
- measures to encourage the reporting of unlawful or unethical behaviour;
- compliance; and
- breaches of the Code.

The Company has a Share Trading Policy. Under the Company's Share Trading Policy, Directors, senior executives and employees must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. Provided dealing would not otherwise contravene the insider trading provisions of the Corporations Act, Directors, senior executives and employees can deal in securities of the Company in the following 'window' periods:

- within the period of one month after the release of the Company's annual and half yearly results, and the Annual General Meeting; and
- other specific periods approved by the Board where the Company has publicly released all relevant price-sensitive information (such as the issue of a prospectus).

Trading outside of the 'window' period can only occur with the prior approval from the Chairman.

The Code of Conduct encourages the reporting of unlawful and unethical behaviour and protects whistle-blowers. Any employee who makes a complaint and complies with the reporting process will not be disadvantaged or prejudiced in any way.

All complaints are treated as confidential. Directors, senior executives and employees can report straight to the Managing Director, Company Secretary or the Chair of the Audit Committee if they believe their immediate supervisor may be implicated.

Directors, senior executives and employees must avoid any personal, financial or other interest that may conflict with their duties and responsibilities to the Company. Any interest that may constitute a conflict of interest must be promptly disclosed to the Managing Director, Company Secretary or the Chair of the Audit Committee.

4. Safeguard integrity in corporate reporting

Audit Committee

The Company has an Audit Committee that consists of three members, Philippa Kelly, Tim Poole and Jim Craig, who are all independent non-executive Directors (see Recommendation 2.1). All three Committee members have and maintain very good financial literacy. Further information on their skills, qualifications and experience is set out on pages 5 and 6 of the Directors' Report.

The Chairperson of the Audit Committee is Philippa Kelly, and she is not the Chairperson of the Board.

Details of the number of Audit Committee meetings and attendance at those meetings are set out on page 8 of the Directors' Report.

The Audit Committee has adopted a formal Charter, available on the Company's website. The Charter sets out the Audit Committee's composition, responsibilities and powers to ensure the adequacy of the Company's financial reporting. The Audit Committee oversees the Company's internal financial controls and the appointment of the external auditor. The Audit Committee will consider matters relevant to the preparation of the Company's financial statements for approval by the Board. It also monitors the external auditor's ongoing independence, effectiveness and scope of work, as well as the rotation of the audit engagement partner. The Audit Committee may seek advice from external consultants or specialists where it considers necessary.

External auditor

The external auditor, Pitcher Partners, was appointed in November 2008 and was selected based on having the necessary skills, objectivity and independence. This appointment is reviewed by the Board annually. The Company's policy on audit rotation requires the partner managing the audit for the external auditor be changed within a period of 5 years.

The Company's external auditor is invited to attend meetings of the Audit Committee when appropriate, including meetings without management being present.

Approval of financial statements

As part of the Company's financial assurance processes, the Directors receive a declaration from the Managing Director and the Chief Financial Officer before approving financial statements for a full year or half year period.

The declaration confirms to the Directors that, in the opinion of the Managing Director and the Chief Financial Officer:

- the Company's financial records have been properly maintained in accordance with the Corporations Act;
- the financial statements and the notes for the financial period or year comply with the accounting standards and give a true and fair view of the financial position and performance of the Company; and
- the declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Annual General Meeting

The Company holds a general meeting each year and copies of presentations are lodged with the ASX and made available on the Company's website. Shareholders have the opportunity to ask questions at the meeting and meet informally with Directors after the meeting.

The Company's external auditor attends the general meeting each year and is available to answer questions from shareholders regarding the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in the preparation of its financial statements and the independence of the auditor in relation to the conduct of the audit. The Company considers this is an important safeguard for the integrity of the Company's financial reporting process.

5. Make timely and balanced disclosure

Continuous disclosure

ASX Listing Rule 3.1 requires the Company to inform the ASX immediately once the Company is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's shares. Procedures are in place to ensure that items which potentially require announcement to the ASX are promptly notified to relevant parties for approval. Depending upon content, either the Board, Managing Director or Company Secretary is responsible for authorising market releases. All market releases are posted to the Company's website.

The Company takes the spirit of its continuous disclosure obligations seriously and issues market releases during the year to satisfy these obligations. All ASX announcements are available on the Company's website.

6. Respect the rights of security holders

Company's website

The Company's website is one of the Company's key communication tools.

The Company endeavours to keep the website up-to-date and accurate in order to provide information about the Company's performance and governance to investors. The Company values transparency in all areas of operation, and understands that quality disclosure can foster the trust and confidence of shareholders and investors.

The Company encourages shareholders to take an active interest in the Company, and publishes information about the Company's history, current projects and corporate structure.

The following key documents are available for shareholders on the Company's website under the 'Investor Information' section:

- corporate profile and biographical information of Directors;
- Board Charter;
- Audit Committee Charter;
- HR and Remuneration Committee Charter;
- Communications Policy;
- Code of Conduct;
- Share Trading Policy;
- Diversity Policy;
- financial statements;
- notices of Annual General Meetings;
- Annual Reports;
- investor presentations;
- operational updates; and
- announcements lodged with the ASX.

Communication with shareholders

The Company recognises the timeliness, convenience and environmental advantages of electronic communication. Shareholders have the option of communicating with the Company electronically. Shareholders who wish to update their communication preferences should contact the Company's share registry.

The Annual General Meeting allows the Company to provide shareholders with a greater understanding of the Company's operations, governance, performance and prospects, and gives shareholders the opportunity to raise questions or concerns. All shareholders are invited and encouraged to attend or to appoint a proxy. Whenever possible, all Directors will attend meetings and be available to answer questions, alongside the external auditor. Shareholders may also meet informally with Directors after meetings.

Communications with analysts, investors, media and others

The Managing Director, James Kelly and the Chief Financial Officer / Company Secretary, Geoff Hollis generally deal with analysts, investors, media and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December results and other presentations are sent to the ASX and are available promptly on the Company's website. A teleconference held in respect of the 30 June and 31 December presentations is conducted on the afternoon of the release.

The Company's Communications Policy is available on the Company's website.

7. Recognise and manage risk

The Company considers risk management as a core principle of sound corporate governance. The Company recognises the importance of managing risk and controlling its business activities in a manner which enables it to protect established value, identify and capitalise on opportunities to create value, enhance resilience to external events and avoid or reduce risks which may cause injury or loss.

Risk management

In view of its size and operational structure, the Board considers that it is able to oversee the Company's risk management framework efficiently and effectively without establishing a risk committee (stand-alone or part of the responsibilities of the audit committee).

A formal risk register has been developed and approved by the Board. The register identifies specific risks at an operational and strategic level and provides the framework for the reporting and monitoring of material risks across the Company.

The full Board is responsible for oversight of the Company's risk management and control framework. The Board receives periodic reports from management on risk management matters.

The Company has disclosed its current material business risks within the Operating and Financial Review on page 18 of the Annual Report.

The Company's risk management processes and systems that were in place over the reporting period include:

- robust planning and budgeting process providing a long-term financial model that enables the Board to review timely financial forecasts as well as analyse future opportunities and sensitivities. The Board also receives regular forecasts in relation to the liquidity of the business;
- comprehensive site selection process that requires Board approval of any acquisition case prior to any land acquisition. The Board is then notified and approves any changes (positive or negative) to the acquisition case prior to the commencement of construction;
- a system of delegated authorities that cascades authority levels for expenditure and commitments from the Board, the delegation to the Managing Director and further cascading of authorities from the Managing Director to the rest of the organisation;
- maintaining insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses;
- establishing a risk register which identifies the material risks facing the Company and which is regularly reviewed and updated. This includes providing a risk rating, assessment of the key controls in place to manage the risk and the person(s) responsible for implementing and reviewing controls; and
- all members of the senior management team report to the Board on financial and non-financial matters and meet with the Board at least quarterly.

Internal audit

The Company does not have a formal internal audit function. In view of the size of the Company, such a function is not considered necessary or appropriate at this time. A natural control mechanism exists in companies of this size as the Board works closely with the staff and, because the transactional volume is small, the Directors have a detailed knowledge of the Company.

Beginning in the 2016 financial year the board will be engaging the external auditor to review aspects of internal operations and controls on a selected basis each year.

Environmental risk management

The Company's risk register (described above), identifies specific risks for the Company at an operational and strategic level.

The sustainability of the Company's business could also be adversely impacted by the way in which the Company conducts its business and the effects on the Company's residents, employees, suppliers as well as the Company's shareholders.

The Board has regard to economic, environmental and social sustainability risks. It does so by considering:

- what issues are important to the sustainability of the Company's business;
- how those issues could be addressed; and
- whether it is in the interests of the Company to adopt particular measures having regard to the materiality of the risk addressed and the likely costs of doing so or failing to do so.

This process is applied by the Board as part of its annual planning and budget approval process, when setting the Company's strategy and when considering significant transactions for the Company.

By having regard to economic, environmental and social sustainability risks in the manner described above, the Board seeks to ensure that it acts in the best interests of the Company.

8. Remunerate fairly and responsibly

Remuneration Committee

The Company has an HR and Remuneration Committee that consists of three members, Jim Craig, Philippa Kelly and Tim Poole who are all independent non-executive Directors (see Recommendation 2.1). The Chairperson of the HR and Remuneration Committee is Jim Craig, and he is not the Chairperson of the Board.

Details of the number of HR and Remuneration Committee meetings and attendance at those meetings are set out on page 8 of the Directors' Report.

The HR and Remuneration Committee has adopted a formal Charter which is available on the Company's website. The Charter sets out the HR and Remuneration Committee's responsibilities including oversight and approval of the human resources and remuneration policies and practices of the Company. The HR and Remuneration Committee may seek advice from external consultants or specialists where it considers necessary.

Details of remuneration

Details of remuneration of Directors, the Managing Director and senior management are included in the Remuneration Report on pages 24 and 25 of the 2015 Annual Report and in notes 26 and 28 to the financial statements (set out on pages 69 and 70 of the 2015 Annual Report).

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue			
Home settlement revenue		66,344,244	54,812,273
Rental revenue		9,160,202	6,549,194
Utilities revenue		1,106,306	929,777
Deferred management fees	6	1,597,538	909,510
Sub-division revenue		213,636	-
Finance revenue		367,702	516,855
Total revenue		<u>78,789,628</u>	<u>63,717,609</u>
Cost of sales		(47,512,020)	(41,057,429)
Gross profit		<u>31,277,608</u>	<u>22,660,180</u>
Fair value adjustments	5	15,050,549	12,253,437
less expenses			
Development expenses		(3,690,032)	(3,262,770)
Management expenses	6	(4,413,552)	(3,461,817)
Utilities expenses		(1,013,653)	(1,086,743)
Corporate overheads		(3,959,019)	(3,800,825)
Sub-division expenses		(126,619)	-
Finance costs	6	(1,606,134)	(2,227,543)
Accelerated finance costs due to re-financing	6	(2,421,488)	-
Profit before income tax		<u>29,097,660</u>	<u>21,073,919</u>
Income tax expense	7	(7,222,757)	(4,943,761)
Net profit from continuing operations		<u>21,874,903</u>	<u>16,130,158</u>
Profit is attributable to:			
Members of the parent		16,652,690	12,277,939
Non-controlling interests		5,222,213	3,852,219
		<u>21,874,903</u>	<u>16,130,158</u>
Total comprehensive income for the year		21,874,903	16,130,158
Total comprehensive income is attributable to:			
Members of the parent		16,652,690	12,277,939
Non-controlling interests		5,222,213	3,852,219
		<u>21,874,903</u>	<u>16,130,158</u>
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
		cents	cents
Basic earnings per share	24	16.505	12.282
Diluted earnings per share	24	16.106	11.996

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

Consolidated Statement of Financial Position
As at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	7,999,152	2,756,639
Trade and other receivables	10	19,767	2,640,137
Inventories	11	17,962,778	21,076,768
Land held for sale	14	-	126,619
Other financial assets	15	5,000,000	1,000,000
Other current assets	12	432,736	176,598
Total current assets		<u>31,414,433</u>	<u>27,776,761</u>
Non-current assets			
Inventories	11	12,680,744	10,631,646
Property, plant and equipment	13	2,794,430	2,428,443
Other financial assets	15	-	5,000,000
Investment properties	16	132,757,442	110,652,212
Total non-current assets		<u>148,232,616</u>	<u>128,712,301</u>
TOTAL ASSETS		<u>179,647,049</u>	<u>156,489,062</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	5,357,176	7,409,647
Interest-bearing loans and borrowings	19	-	5,099,862
Current tax payable	7	1,807,369	1,096,751
Provisions	18	148,865	302,112
Total current liabilities		<u>7,313,410</u>	<u>13,908,372</u>
Non-current liabilities			
Interest-bearing loans and borrowings	19	36,601,219	30,533,873
Provisions	18	274,921	261,568
Deferred tax liabilities	7	21,689,826	16,785,999
Total non-current liabilities		<u>58,565,966</u>	<u>47,581,440</u>
TOTAL LIABILITIES		<u>65,879,376</u>	<u>61,489,812</u>
NET ASSETS		<u>113,767,673</u>	<u>94,999,250</u>
EQUITY			
Contributed equity	20	63,027,710	60,993,959
Reserves	21	1,493,481	1,411,499
Retained earnings	21	49,246,482	32,593,792
Members' interest in equity		<u>113,767,673</u>	<u>94,999,250</u>
Non-controlling interest	22	-	-
TOTAL EQUITY		<u>113,767,673</u>	<u>94,999,250</u>

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

	Contributed equity	Reserves	Retained earnings	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2013	60,993,959	1,325,123	20,315,853	-	82,634,935
Profit for the year	-	-	12,277,939	3,852,219	16,130,158
Total comprehensive income for the year	-	-	12,277,939	3,852,219	16,130,158
Transactions with owners in their capacity as owners:					
Net distributions to non-controlling interests	-	-	-	(3,852,219)	(3,852,219)
Employee share schemes	-	86,376	-	-	86,376
	-	86,376	-	(3,852,219)	(3,765,843)
Balance as at 30 June 2014	60,993,959	1,411,499	32,593,792	-	94,999,250
Profit for the year	-	-	16,652,690	5,222,213	21,874,903
Total comprehensive income for the year	-	-	16,652,690	5,222,213	21,874,903
Transactions with owners in their capacity as owners:					
Net distributions to non-controlling interests	-	-	-	(5,222,213)	(5,222,213)
Issue of shares - exercise of options	2,033,751	-	-	-	2,033,751
Employee share schemes	-	81,982	-	-	81,982
	2,033,751	81,982	-	(5,222,213)	(3,106,480)
Balance as at 30 June 2015	63,027,710	1,493,481	49,246,482	-	113,767,673

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

Consolidated Cash Flow Statement
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		85,159,922	69,096,826
Payments to suppliers and employees		(63,098,583)	(56,849,672)
Income tax paid		(1,608,312)	-
Interest received		367,702	516,855
Interest paid		(2,363,458)	(3,304,748)
Loan notes break-fee paid		(2,051,125)	-
Net cash flows provided by operating activities	23	<u>16,406,146</u>	<u>9,459,261</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	13(a)	(614,098)	(592,418)
(Payment for) / proceeds from long-term deposit		1,000,000	(4,000,000)
Purchase of investment properties and capitalised costs		(7,007,594)	(16,754,374)
Net cash flows used in investing activities		<u>(6,621,692)</u>	<u>(21,346,792)</u>
Cash flows from financing activities			
Proceeds from external borrowings		54,579,335	21,533,343
Repayment of external borrowings		(54,117,427)	(20,311,694)
Proceeds from exercise of options		2,033,751	-
Distributions paid to non-controlling interests		(7,037,600)	(2,708,056)
Repayments of hire purchase		-	(13,344)
Net cash flows used in financing activities		<u>(4,541,941)</u>	<u>(1,499,751)</u>
Net increase / (decrease) in cash held		5,242,513	(13,387,282)
Cash at the beginning of the financial year		<u>2,756,639</u>	<u>16,143,921</u>
Cash at the end of the financial year	9	<u><u>7,999,152</u></u>	<u><u>2,756,639</u></u>

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report, which 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 in accordance with a resolution of the directors on 20 August 2015.

Compliance with IFRS

The consolidated financial statements of Lifestyle Communities Limited also comply 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.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) 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.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

(c) Cash and cash equivalents

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

(d) 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. With effect from 1 January 2009 sales contract terms were changed and inventories include civil and infrastructure costs. Inventories are classified as either current or non-current assets pursuant to the timing of their anticipated sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of units

Revenue from the sale of units is recognised when there is persuasive evidence, usually in the form of settlement of the unit, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally ownership has passed. The consolidated entity considers all risks and rewards as transferred to the customer upon receipt of final settlement.

(ii) Interest revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) Rental revenue

Rental revenue from investment properties is derived from home owners and is accounted for on a straight-line basis over the lease term.

(iv) Utilities revenue

Utilities revenue is derived from homeowners and is billed monthly and recorded as revenue in the month of billing.

(v) Deferred management fee

The deferred management fee is receivable upon a resident selling their home. Revenue is recorded upon the resale settlement of the home.

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.

(vi) Sub-division revenue

Sub-division revenue is derived from land sold that is surplus to requirements for the residential communities. Sub-division revenue is recognised upon the exchange of an unconditional contract or if the contract is conditional once those conditions have been satisfied.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Property, plant and equipment

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

Property under development is not depreciated. The depreciable amounts of all other fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

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

	2015	2014
Buildings	40 years	40 years
Plant and equipment	2 to 13 years	2 to 13 years
Computer equipment	2 to 9 years	2 to 9 years
Motor vehicles	4 to 7 years	4 to 7 years

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

Investment properties are measured initially at cost, including transaction costs. Investment properties include undeveloped land and land subject to residential site lease agreements. Subsequent to initial recognition, investment properties are re-measured at fair value, which reflects market conditions. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Hire purchase agreements

Assets acquired on hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the income statement over the period of such hire purchase arrangements in equal monthly instalments to produce a constant rate of charge on the balance of capital repayments outstanding. Assets acquired on hire purchase arrangements are depreciated in accordance with the policy set out in Note 1(f).

Operating leases

Lease payments for operating leases are recognised as expenses on a straight-line basis over the term of the lease.

(i) 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 exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs of disposal and its value in use.

(j) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, and ancillary costs incurred in connection with arrangement of borrowings.

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. Acceptance fees are amortised over the life of the facility.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income tax

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

Deferred tax balances

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

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

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

Tax consolidation

The parent entity and its 100% owned entities have formed an income tax consolidated group from 18 March 2011 under the tax consolidation legislation. 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.

(l) Employee benefits

(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 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 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

Defined contribution superannuation plan

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 settled employee option scheme (ESOP) and an employee share loan scheme (ESLP). Under the ESLP, convertible repurchase-able employee shares (CRES) are issued to employees. For accounting purposes CRES are treated like options until the time of vesting. At the time of vesting an interest-free limited recourse loan is made to the participant with the value reflected as equity. The CRES are then convertible to ordinary shares at the discretion of the participant prior to their expiry with the loan being due and payable on or before expiry of the CRES. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of options and employee share loans expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

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

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

Loans and receivables

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

Interest bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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.

(o) Restatement of investment properties, trade and other receivables and trade and other payables

Previously the Company has disclosed the gross value of investment properties separately on the balance sheet within trade and other receivables (deferred management fee receivables), trade and other payables (joint venture share of deferred management fee receivables) and investment properties. The gross value of investment properties is now all disclosed within investment properties. This change has no impact on net profit or total equity. Comparative information has been updated to reflect the restatement. Please refer to Note 34 for further details.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Accounting standards issued but not yet operative

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 15: Revenue from Contracts with Customers

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows: step 1 - identify the contracts with the customer; step 2 - identify the separate performance obligations; step 3 - determine the transaction price; step 4 - allocate the transaction price; and step 5 - recognise revenue when a performance obligations is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

(ii) AASB 9: Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Revised disclosures about an entity's hedge accounting have also been added to *AASB 7 Financial Instruments: Disclosures*.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure: the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The effective date is annual reporting periods beginning on or after 1 January 2018.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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.

(i) Significant accounting judgments

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.

Consolidation of subsidiaries

The Company consolidates its interests in joint venture entities Cameron Street Developments Pty Ltd and Lifestyle Chelsea Heights Pty Ltd in accordance with *AASB 10 Consolidated Financial Statements* requirements. The Company is exposed to variable returns and is able to influence these returns via the power over the investee due to the structure of the arrangements with its joint venture entities.

(ii) Significant accounting estimates and assumptions

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 discounted annuity streams associated with the completed and settled home units are derived from independent valuations and adjusted to reflect actual rental income and estimated expenditure. The fair value of the undeveloped land is based on Directors' valuations.

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. The fair value is determined using the Black-Scholes model, with the assumptions detailed in Note 26. 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.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES

The Group's principal financial instruments comprise loan notes, bank loans, finance leases, cash and term deposits, trade and other receivables and trade payables.

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.

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

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 to the Group's long-term debt obligations. The level of debt is disclosed in Note 19.

In the prior year the Group had a \$25 million long-term loan note facility that was subject to fixed interest. In December 2014 this facility was re-financed with a \$27.06 million facility that is subject to variable interest rates.

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):

	<u>2015</u>	<u>2014</u>
	\$	\$
Financial assets		
Cash and cash equivalents	7,999,152	2,756,639
Other financial assets - term deposits	5,000,000	6,000,000
	<u>12,999,152</u>	<u>8,756,639</u>
Financial liabilities		
Secured loans - bank finance	<u>36,601,219</u>	<u>11,139,310</u>
Net exposure	<u>(23,602,067)</u>	<u>(2,382,671)</u>

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

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Consolidated				
+1% (100 basis points)	(165,214)	(16,679)	-	-
-1% (100 basis points)	165,214	16,679	-	-

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 was exposed to market risk in relation to and investment properties (fluctuation in property prices and capitalisation rates). Refer to Note 4 for sensitivity analysis.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

Risk exposure and responses (continued)

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 is addressed in each applicable note.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and non-bank loans and finance leases.

The Group's debt as at balance date is outlined at Note 19.

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:

	2015	2014
	\$	\$
6 months or less ⁽¹⁾	5,995,219	6,551,672
6-12 months	-	5,099,862
1-2 years ⁽²⁾	9,546,219	31,039,448
2-3 years ⁽³⁾	27,055,000	-
	42,596,438	42,690,982

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

- \$1,328,736 relates to trust distributions payable to non-controlling interests.
- \$4,028,433 relates to trade and other payables, refer to Note 17 for further detail.

⁽²⁾ This amount is represented by the following financial liabilities:

\$3,306,015 represents the facility held by the company in relation to the Shepparton development. The facility was entered into on 30 November 2011. The facility expires on 30 September 2016.

\$6,206,964 represents the facility held by the company in relation to the Wollert development. The facility was entered into on 28 April 2014. The facility expires on 30 September 2016.

\$33,240 represents the facility held by the company in relation to the Geelong development. The facility was entered into on 30 January 2015. The facility expires on 12 December 2016.

⁽³⁾ \$27,055,000 represents the long-term debt facility held with Westpac Banking Corporation expiring on 24 December 2017.

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.

NOTE 4: 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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30-Jun-15				
Recurring Fair Value Measurements				
Investment properties	-	-	132,757,442	132,757,442
Total assets measured at fair value	-	-	132,757,442	132,757,442
30-Jun-14				
Recurring Fair Value Measurements				
Investment properties	-	-	110,652,212	110,652,212
Total assets measured at fair value	-	-	110,652,212	110,652,212

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

(i) 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) 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 the 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 significant unobservable inputs utilised across the portfolio, including the inputs obtained from the independent valuations:

	Adopted	Per valuations
Weekly rentals (\$)	167.44 - 178.41	162.69 - 171.37
Anticipated % expenses (as a percentage of rental income)	28% - 39%	27% - 34.5%
Rental capitalisation rates (%)	8.25% - 8.75%	8.25% - 8.75%
Rental values per unit (\$)	64,670 - 78,584	67,704 - 75,729
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit (\$)	25,446 - 39,706	25,446 - 39,706
Valuation of undeveloped land (per hectare) (\$'million)	0.17 - 1.58	N/A

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

	2015	2014
	\$	\$
(d) Reconciliation of recurring level 3 fair value movements		
<i>(i) Investment properties</i>		
Opening balance	110,652,212	81,651,068
Additions (contracted land and capitalised costs)	7,054,681	16,747,707
Net gain from fair value adjustments (a)	15,050,549	12,253,437
Closing balance	132,757,442	110,652,212

Gains and losses are recognised in the statement of comprehensive income within fair value adjustments.

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

(i) Investment properties

The Company obtains independent valuations of each community at least every two years. 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 at 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

(i) Investment properties

The impact of changes to the inputs that affect 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 Higher/(Lower)		Equity Higher/(Lower)	
	2015	2014	2015	2014
	\$	\$	\$	\$
<i>Rental expense rate</i>				
+2%	(1,507,695)	(1,146,075)	(1,507,695)	(1,146,075)
-2%	1,507,695	1,146,075	1,507,695	1,146,075
<i>Rental capitalisation rate</i>				
+0.50%	(2,889,703)	(2,213,311)	(2,889,703)	(2,213,311)
-0.50%	3,251,345	2,487,752	3,251,345	2,487,752
<i>Deferred management fee per unit</i>				
+5%	1,185,176	995,044	1,185,176	995,044
-5%	(1,185,176)	(995,044)	(1,185,176)	(995,044)
<i>Land prices (undeveloped land)</i>				
+10%	1,619,259	1,741,810	1,619,259	1,741,810
-10%	(1,619,259)	(1,741,810)	(1,619,259)	(1,741,810)

NOTE 5: FAIR VALUE ADJUSTMENTS

Net gain from fair value adjustments - investment properties (a) (Note 16)	15,050,549	12,253,437
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(a) Fair value adjustment results from restating Brookfield, Seasons, Warragul, Cranbourne, Shepparton, Chelsea Heights, Hastings and Wollert 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.

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 6: PROFIT FROM CONTINUING OPERATIONS		
Profit from continuing operations before income tax has been determined after the following specific revenues and expenses:		
Revenues		
(i) Deferred management fee		
Deferred management fees received	1,336,088	735,150
Selling and administration fees	261,450	174,360
	<u>1,597,538</u>	<u>909,510</u>
Expenses		
(i) Finance costs expensed		
<i>Accelerated finance costs due to re-financing</i>		
Loan notes break-fee (a)	2,051,125	-
Accelerated amortisation of capitalised costs of loan note finance (a)	370,363	-
	<u>2,421,488</u>	<u>-</u>
<i>Other finance costs</i>		
Loan notes	789,909	1,612,028
Bank loans	621,002	10,229
Amortisation of capitalised costs of loan note finance	135,212	551,870
Amortisation of loan facility fees	60,011	53,416
	<u>1,606,134</u>	<u>2,227,543</u>
Total finance costs	<u>4,027,622</u>	<u>2,227,543</u>
(a) The \$25,000,000 loan note facility was re-financed on 23 December 2014 (refer Note 19 for further details). The loan note facility had an early redemption option on 19 May 2016. The \$2,051,125 break-fee represents the cost of redeeming the loan note facility early. The accelerated amortisation of capitalised costs of loan note finance of \$370,363 represents the write-off of all transaction costs associated with the loan note facility that existed as at 23 December 2014.		
(ii) Finance costs capitalised		
Finance costs expensed excludes interest capitalised as part of inventory:		
Loan notes	647,445	1,682,490
Bank loans	594,205	446,233
	<u>1,241,650</u>	<u>2,128,723</u>
Interest has been capitalised at the prevailing facility interest rate and is expensed through costs of sales as a pro-rata amount per home settled.		
(iii) Management expenses		
Management expenses attributable to communities	3,303,000	2,901,197
Deferred management fee sales and marketing expenses	217,083	167,518
Management surplus applicable to joint venture partners	893,469	393,102
	<u>4,413,552</u>	<u>3,461,817</u>
(iv) Plant and equipment		
Depreciation (Note 13)	246,417	295,205
Write-off of plant and equipment (Note 13)	1,694	86,848
	<u>248,111</u>	<u>382,053</u>
(v) Employee benefits expense		
Wages and salaries	3,670,014	3,282,812
Defined contribution superannuation expense	304,989	266,763
Share option expense	81,982	86,376
Movement in employee provisions	(139,894)	51,825
	<u>3,917,091</u>	<u>3,687,776</u>

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 7: INCOME TAX		
(a) Components of tax expense		
Current tax	2,852,871	1,096,751
Deferred income tax	4,903,827	3,847,010
Under / (over) provision in prior years	(533,941)	-
	<u>7,222,757</u>	<u>4,943,761</u>
(b) Deferred income tax expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	628,001	82,646
Increase in deferred tax liabilities	4,275,826	3,764,364
	<u>4,903,827</u>	<u>3,847,010</u>
(c) Deferred income tax included directly in equity comprises		
Increase in deferred tax assets	-	-
(d) Reconciliation between tax expense recognised in the income statement and tax expense		
Accounting profit before tax	29,097,660	21,073,919
At the statutory income tax rate of 30% (2013:30%)	8,729,298	6,322,176
Add / (less):		
Share based payments	24,595	25,913
Non-controlling interests accounting and tax adjustments	(1,566,923)	(1,185,495)
Other	35,787	(218,833)
Income tax expense	<u>7,222,757</u>	<u>4,943,761</u>
(e) Current tax		
Current tax relates to the following:		
Opening balance	(1,096,751)	-
Income tax	(2,852,871)	(1,096,751)
Tax payments	1,608,312	-
Over provision	533,941	-
Current tax liabilities	<u>(1,807,369)</u>	<u>(1,096,751)</u>
(f) Deferred tax		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Borrowing costs	38,599	4,602
Finance arranger costs	71,206	-
Capital raising costs	178,478	249,881
Capital losses	481,872	519,439
Tax losses	950,067	1,050,228
Provision for employee entitlements	127,136	169,104
Project expenses within inventory	-	482,105
	<u>1,847,358</u>	<u>2,475,359</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Interest capitalised	1,269,334	1,522,799
Investment property fair value adjustments	22,267,850	17,738,559
	<u>23,537,184</u>	<u>19,261,358</u>
Net deferred tax liability	<u>(21,689,826)</u>	<u>(16,785,999)</u>

Notes to the Financial Statements
For the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
NOTE 8: DIVIDENDS		
(a) Dividends		
Dividends paid \$nil per share (2014: \$nil per share) fully franked	-	-
(b) Dividends declared after balance date and not recognised		
Since balance date the directors have recommended a dividend of 1.5 cents per share fully franked at 30%	1,544,427	-
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:	<u>5,968,951</u>	<u>4,161,582</u>
NOTE 9: CASH & CASH EQUIVALENTS		
Cash at bank and on hand	7,792,652	2,602,739
Short-term deposits	206,500	153,900
	<u>7,999,152</u>	<u>2,756,639</u>
NOTE 10: TRADE AND OTHER RECEIVABLES		
CURRENT		
GST receivable	-	579,903
Other receivables	19,767	2,060,234
	<u>19,767</u>	<u>2,640,137</u>
(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.		
NOTE 11: INVENTORIES		
CURRENT		
Completed units	10,336,368	12,195,211
Civils & infrastructure	7,626,410	8,881,557
	<u>17,962,778</u>	<u>21,076,768</u>
NON-CURRENT		
Completed units	603,427	2,411,671
Civils & infrastructure	12,077,317	8,219,975
	<u>12,680,744</u>	<u>10,631,646</u>
TOTAL INVENTORIES	<u>30,643,522</u>	<u>31,708,414</u>
(a) Inventory expense		
Inventories recognised as an expense for the year ended 30 June 2015 totalled \$47,512,020 for the Group (2014: \$41,057,429). The expense has been included in the cost of sales line item.		

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 12: OTHER CURRENT ASSETS		
Security deposits	197,028	105,700
Other assets	177,267	15,340
Prepayments	58,441	55,558
	<u>432,736</u>	<u>176,598</u>

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

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

Year end 30 June 2015	<i>Buildings</i>	<i>Plant and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	\$	\$	\$	\$	\$
At 1 July 2014 net of accumulated depreciation	1,292,398	819,537	64,677	251,831	2,428,443
Additions	3,400	436,670	60,424	113,604	614,098
Write-off	-	(1,694)	-	-	(1,694)
Depreciation charge for the year	(31,984)	(128,669)	(26,712)	(59,052)	(246,417)
At 30 June 2015 net of accumulated depreciation	<u>1,263,814</u>	<u>1,125,844</u>	<u>98,389</u>	<u>306,383</u>	<u>2,794,430</u>
At 30 June 2015					
Cost	1,415,911	1,849,785	382,010	577,977	4,225,683
Accumulated depreciation	(152,097)	(723,941)	(283,621)	(271,594)	(1,431,253)
Net carrying amount	<u>1,263,814</u>	<u>1,125,844</u>	<u>98,389</u>	<u>306,383</u>	<u>2,794,430</u>
Year end 30 June 2014					
At 1 July 2013 net of accumulated depreciation	139,713	557,151	74,092	204,551	975,507
Additions	7,850	432,948	37,269	114,351	592,418
Write-off	-	(86,848)	-	-	(86,848)
Transfer (i)	1,242,571	-	-	-	1,242,571
Depreciation charge for the year	(97,736)	(83,714)	(46,684)	(67,071)	(295,205)
At 30 June 2014 net of accumulated depreciation	<u>1,292,398</u>	<u>819,537</u>	<u>64,677</u>	<u>251,831</u>	<u>2,428,443</u>
At 30 June 2014					
Cost	1,412,511	1,419,268	321,586	464,373	3,617,738
Accumulated depreciation	(120,113)	(599,731)	(256,909)	(212,542)	(1,189,295)
Net carrying amount	<u>1,292,398</u>	<u>819,537</u>	<u>64,677</u>	<u>251,831</u>	<u>2,428,443</u>

(i) Community manager's residences, historically carried within inventory were classified to Buildings in the prior year.

	2015	2014
	\$	\$
NOTE 14: LAND HELD FOR SALE		
CURRENT		
Land held for sale at cost	-	126,619

Land held for sale relates to the sub-division of 3.1ha of land at the site in Warragul. All sites have been sold and settled.

Notes to the Financial Statements
For the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
NOTE 15: OTHER FINANCIAL ASSETS		
CURRENT		
Term deposit	5,000,000	1,000,000
NON-CURRENT		
Term deposits	-	5,000,000

The \$5,000,000 is represented by two term deposits (\$3,000,000 and \$2,000,000). These are due to expire in April 2016 and May 2016 respectively. These funds represent part of the liquidity buffer held in line with the Company's capital management strategy (refer Note 20). In the prior year the \$2,000,000 term deposit was held as security for the loan note facility held by the Company with Morstem.

NOTE 16: INVESTMENT PROPERTIES

Investment properties at fair value	132,757,442	110,652,212
(a) Reconciliation of carrying amounts at the beginning and end of the period		
Opening balance as at 1 July	110,652,212	81,651,068
Additions	7,054,681	16,747,707
Net gain from fair value adjustments	15,050,549	12,253,437
Closing balance as at 30 June	<u>132,757,442</u>	<u>110,652,212</u>

Investment properties are carried at fair value, which has been 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 for the discounted annuity streams associated with the completed home units are derived from independent valuations. The inputs are adjusted to reflect appropriate conditions pertaining to the weekly rental and expenses at each community. The fair value of the land is based on a combination of independent valuations and Directors' valuations. Inputs from independent valuations are provided by property valuers who are industry specialists in valuing these types of investment properties.

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 arms 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.

All rental income and deferred management fee income disclosed in the income statement was generated from investment properties. All management expense relates to investment properties that generated rental income.

Investment properties are subject to a first charge, forming, in part, the security of the Group's loans as disclosed in Note 19.

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

(b) Carrying amount of investment properties if the cost method had been applied	<u>54,733,787</u>	<u>47,726,193</u>
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Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 17: TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables (a)	2,750,778	1,403,008
Customer deposits (b)	638,050	864,642
GST payable	23,843	-
Other payables and accruals (c)	615,769	352,003
Trust distributions payable (d)	1,328,736	4,789,994
	<u>5,357,176</u>	<u>7,409,647</u>

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 7 to 30 day terms.

(b) Customer deposits

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

(c) Other payables

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

(d) Trust distributions payable

These are payable to non-controlling interests and are expected to be paid within six months to two years but the Company has no legal right to defer payment so they are classified as current.

NOTE 18: PROVISIONS

CURRENT

Employee provisions	148,865	302,112
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NON-CURRENT

Employee provisions	274,921	261,568
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NOTE 19: INTEREST-BEARING LOANS AND BORROWINGS

CURRENT

Secured loans - bank finance	-	5,099,862
	<u>-</u>	<u>5,099,862</u>

NON-CURRENT

Secured loans - bank finance	36,601,219	6,039,448
Secured loans - loan notes	-	25,000,000
Capitalised costs of finance	-	(505,575)
	<u>36,601,219</u>	<u>30,533,873</u>

For terms and conditions attached to each type of borrowing, refer to section (b)

(a) Secured loans - bank finance maturity

\$27,055,000 relates to a fully drawn facility maturing on 22 December 2017. \$9,546,219 relates to a facility with a limit of \$20,800,000. This facility has three tranches with two tranches maturing on 30 September 2016 and the remaining tranche maturing on 12 December 2016.

(b) Fair values

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

Notes to the Financial Statements

For the year ended 30 June 2015

NOTE 19: INTEREST-BEARING LOANS AND BORROWINGS (continued)

(b) Terms and conditions

(i) Current secured loans

The prior year balance related to facilities held by the company with Westpac Banking Corporation in relation to the Hastings development which was fully repaid during the year.

(ii) Non-current secured loans - bank finance

\$9,546,219 relates to the facility held by the company with Westpac Banking Corporation in relation to Lifestyle Investments 2. This facility has three tranches with a total facility limit of \$20.8 million providing development funding for the Company's Shepparton, Wollert and Geelong developments. Tranche A is for the Shepparton development and has a facility limit of \$6.0 million. As at 30 June 2015 this tranche had capacity of \$2.7 million and an expiry date of 30 September 2016. Tranche B is for the Wollert development and has a facility limit of \$7.2 million. As at 30 June 2015 this tranche had capacity of \$1.0 million and an expiry date of 30 September 2016. Tranche C is for the Geelong development and has a facility limit of \$7.6 million. As at 30 June 2015 this facility had only incurred interest charges as this development is currently being funded from surplus cash. This tranche has an expiry date of 12 December 2016.

\$27,055,000 relates to a fully drawn facility held by the company with Westpac Banking Corporation. This facility re-financed the \$25,000,000 loan note facility on 23 December 2014. The surplus funds were used to pay the break-fee referred to in Note 6. The facility has an expiry date of 22 December 2017.

The prior year balance related to facilities held by the company with Westpac Banking Corporation in relation to the Shepparton development.

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.

(iii) Non-current secured loans - loan notes

The prior year balance related to the loan note facility held by the company with Morstem. This facility was closed on 23 December 2014.

(c) Assets pledged as security

The development facility held with Westpac Banking Corporation is secured by the following:

Fixed and floating charge over all existing and future assets and undertakings of Lifestyle Developments 2 Pty Ltd, Lifestyle Investments 2 Pty Ltd and Lifestyle Management 2 Pty Ltd.

Fully interlocking guarantee and indemnity in respect of the Shepparton, Wollert and Geelong facilities provided by Lifestyle Investments 2 Pty Ltd, Lifestyle Developments 2 Pty Ltd, Lifestyle Management 2 Pty Ltd and Lifestyle Communities Limited.

Mortgage by Lifestyle Investments 2 Pty Ltd over the Shepparton, Wollert and Geelong properties.

The fully drawn \$27,055,000 facility held with Westpac Banking Corporation is secured by the following:

Fully interlocking guarantee and indemnity supported by general security agreement by Lifestyle Investments 1 Pty Ltd, Lifestyle Developments 1 Pty Ltd, Lifestyle Management 1 Pty Ltd, Brookfield Village Development Pty Ltd and Brookfield Village Management Pty Ltd.

Mortgage by Lifestyle Investments 1 Pty Ltd over Melton, Tarneit and Warragul properties.

Guarantee provided by Lifestyle Communities Limited for \$27,055,000.

(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 various Business Finance Agreements with Westpac; also there have been no breaches of any arrangements as prescribed within the Subscription Agreement between the Group and Morstem executed on 6 May 2011 (which ceased on 23 December 2014).

Notes to the Financial Statements

For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 20: CONTRIBUTED EQUITY		
102,961,799 Ordinary shares (2014: 99,970,131 Ordinary shares)	63,027,710	60,993,959
533,332 Convertible repurchase-able employee shares (CRES) (2014: 800,000 CRES)	-	-
	<u>63,027,710</u>	<u>60,993,959</u>
(i) Reconciliation of Ordinary shares		
	Number	\$
2014		
Opening balance	99,970,131	60,993,959
Movement	-	-
Balance as at 30 June 2014	<u>99,970,131</u>	<u>60,993,959</u>
2015		
Opening balance	99,970,131	60,993,959
Issue of shares - exercise of options	2,725,000	2,033,751
Issue of shares - conversion of CRES to ordinary shares	266,668	-
Balance as at 30 June 2015	<u>102,961,799</u>	<u>63,027,710</u>
(ii) Reconciliation of CRES		
	Number	\$
2014		
Opening balance	800,000	-
Movement	-	-
Balance as at 30 June 2014	<u>800,000</u>	<u>-</u>
2015		
Opening balance	800,000	-
Conversion to ordinary shares	(266,668)	-
Balance as at 30 June 2015	<u>533,332</u>	<u>-</u>

(a) Ordinary shares

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

(c) CRES

800,000 convertible repurchase-able employee shares were issued on 22 May 2013 pursuant to the employee share loan plan approved at the 2012 AGM. On 22 May 2015 the first tranche of CRES (266,668 CRES) were converted to ordinary shares. The conversion of 266,668 CRES to ordinary shares has crystallised a non-recourse loan with selected employees. This loan will only be brought to account upon settlement of the loan by the employee. The balance of 533,332 can be converted to ordinary shares in two tranches on 22 May 2016 and 22 May 2017. For further information relating to the value prescribed to the CRES refer to Note 26.

CRES shares are treated as an option for accounting purposes as the employee has the option not to convert them to ordinary shares by not completing the required years of service.

CRES shares carry no right to dividends and holders can only vote on the following matters (one vote per share): on a proposal to reduce the share capital of the company that effects rights attached to CRES; and during the winding up of the company.

(d) 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.

In the current year \$5 million has been placed on term deposit representing part of the Group's liquidity buffer representing approximately six months operating cash flow requirements. The liquidity buffer forms part of the Company's financial risk management policy.

Dividends

As a general principle, the Directors of Lifestyle Communities intend to declare dividends out of post tax, operating cash flow generated from community management. In FY2015 community management cash flows delivered a sufficient surplus to declare a final fully franked dividend of 1.5 cents per share or \$1,544,427.

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.

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 21: RETAINED EARNINGS AND RESERVES		
(a) Movements in retained earnings were as follows:		
Balance 1 July	32,593,792	20,315,853
Net profit	16,652,690	12,277,939
	<u>49,246,482</u>	<u>32,593,792</u>

	Option reserve
	\$
2014	
At 1 July 2013	1,325,123
Option expense	86,376
At 30 June 2014	<u>1,411,499</u>
2015	
At 1 July 2014	1,411,499
Option expense	81,982
At 30 June 2015	<u>1,493,481</u>

The option reserve is used to record the fair value of options issued to employees and directors as part of their remuneration (refer Note 26 for further details) as well as the fair value of options issued for services (refer Note 26 for further details).

NOTE 22: NON-CONTROLLING INTERESTS

Interest in:
Retained earnings

-	-
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Details of subsidiaries with non-controlling interests

(a) The Group has a 50% interest (2014: 50%) in the subsidiary entity, Cameron Street Developments Unit Trust, whose principal activity is the development of a master planned residential village. The Group's voting power is equal to its ownership interest.

Cameron Street Developments Unit Trust commenced its operations in November 2010.

	2015	2014
	\$	\$
(i) Summarised financial information for subsidiary:		
Current assets	639,334	8,958,210
Non-current assets	78,702	931,134
Total assets	<u>718,036</u>	<u>9,889,344</u>
Current liabilities	718,036	9,889,344
Non-current liabilities	-	-
Total liabilities	<u>718,036</u>	<u>9,889,344</u>
Net assets	<u>-</u>	<u>-</u>

The joint venture arrangement provides significant restrictions on the use of assets and liabilities to protect the non-controlling interest. There are many key decisions that require agreement from non-controlling interests including: entering into unbudgeted capital commitments greater than \$50,000; sales and purchases of assets that are greater than 10% of total assets; and substantial alteration to the strategic direction of the activities.

Revenues	12,119,580	10,563,865
Expenses	(8,685,748)	(7,880,754)
Net profit after tax from continuing operations	<u>3,433,832</u>	<u>2,683,111</u>
Profit allocated to non-controlling interest	<u>1,716,916</u>	<u>1,341,556</u>

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 22: NON-CONTROLLING INTERESTS (continued)

Details of subsidiaries with non-controlling interests (continued)

	2015	2014
	\$	\$
(ii) Summarised financial information for subsidiaries' cash flows:		
Cash flows from operating activities	8,974,585	3,661,828
Cash flows from investing activities	(4,049)	(7,829)
Cash flows from financing activities	(9,407,311)	(2,992,712)
Net cash flows	<u>(436,775)</u>	<u>661,287</u>
(iii) Summarised financial information for subsidiaries' trust distributions:		
Trust distributions	<u>3,433,832</u>	<u>2,683,111</u>
(iv) Summarised financial information for subsidiaries' contingent liabilities:		
Bank guarantees	<u>100,000</u>	<u>147,400</u>
Bank guarantees are funded by the subsidiaries and are secured by term deposits.		
(b) The Group has a 50% interest (2014: 50%) in the subsidiary entity, Lifestyle Chelsea Heights Unit Trust, whose principal activity is the development of a master planned residential village. The Group's voting power is equal to its ownership interest.		
Lifestyle Chelsea Heights Unit Trust commenced its operations in 22 December 2011.		
(i) Summarised financial information for subsidiary:		
Current assets	4,761,294	2,151,832
Non-current assets	188,320	171,546
Total assets	<u>4,949,614</u>	<u>2,323,378</u>
Current liabilities	4,949,614	2,296,924
Non-current liabilities	-	26,454
Total liabilities	<u>4,949,614</u>	<u>2,323,378</u>
Net assets	<u>-</u>	<u>-</u>
The joint venture arrangement provides significant restrictions on the use of assets and liabilities to protect the non-controlling interest. There are many key decisions that require agreement from non-controlling interests including: entering into unbudgeted capital commitments greater than \$50,000; sales and purchases of assets that are greater than 10% of total assets; and substantial alteration to the strategic direction of the activities.		
Revenues	20,392,291	18,485,861
Expenses	(13,381,696)	(13,464,535)
Net profit after tax from continuing operations	<u>7,010,595</u>	<u>5,021,326</u>
Profit allocated to non-controlling interest	<u>3,505,298</u>	<u>2,510,663</u>
(ii) Summarised financial information for subsidiaries' cash flows:		
Cash flows from operating activities	7,389,488	8,558,585
Cash flows from investing activities	(48,617)	(8,266)
Cash flows from financing activities	(5,947,272)	(10,177,302)
Net cash flows	<u>1,393,599</u>	<u>(1,626,983)</u>
(iii) Summarised financial information for subsidiaries' trust distributions:		
Trust distributions	<u>7,010,595</u>	<u>5,021,326</u>
(iv) Summarised financial information for subsidiaries' capital commitments:		
Contracted development costs	<u>418,436</u>	<u>1,975,467</u>
(v) Summarised financial information for subsidiaries' contingent liabilities:		
Bank guarantees	<u>106,182</u>	<u>106,182</u>
Bank guarantees are funded by the subsidiaries and are secured by term deposits.		

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 23: CASH FLOW STATEMENT RECONCILIATION		
a) Reconciliation of net cash flows from operating activities to operating profit		
Operating profit after income tax	21,874,903	16,130,158
<u>Adjustment for non-cash items:</u>		
Depreciation	246,417	295,205
Amortisation	565,586	605,286
Write-off of plant and equipment	1,694	86,848
Share option expense	81,982	86,376
Fair value adjustment	(15,050,549)	(12,253,437)
<u>Add back/(subtract) changes in operating assets and liabilities:</u>		
(Increase)/decrease in trade and other receivables	78,447	237,217
(Increase)/decrease in inventories	1,064,892	191,770
Increase/(decrease) in trade and other payables	2,068,223	(915,748)
Increase/(decrease) in provisions	(139,894)	51,825
Increase in current tax	710,618	1,096,751
Increase in deferred tax	4,903,827	3,847,010
Net cash flow from operating activities	<u>16,406,146</u>	<u>9,459,261</u>

NOTE 24: EARNINGS 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

For basic and diluted earnings per share:

Net profit	16,652,690	12,277,939
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(b) Weighted average number of shares

Weighted average number of ordinary shares for basic earnings per share	100,894,035	99,970,131
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Effect of dilution:

Share options	2,498,837	2,375,903
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Weighted average number of ordinary shares adjusted for dilution	<u>103,392,872</u>	<u>102,346,034</u>
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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.

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 25: RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Lifestyle Communities Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest		Carrying value of parent entity's interest	
		2015	2014	2015	2014
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%	-	-
Lifestyle Seasons Pty Ltd	Australia	100%	100%	3	3
Lifestyle Cranbourne Pty Ltd	Australia	100%	100%	3	3
Brookfield Management Trust (Trustee: Brookfield Village Management Pty Ltd)	Australia	100%	100%	-	-
Brookfield Development Trust (Trustee: Brookfield Village Development Pty Ltd)	Australia	100%	100%	-	-
Lifestyle Communities Investments Cranbourne Pty Ltd	Australia	100%	100%	-	-
Cameron Street Developments Pty Ltd	Australia	50%	50%	-	-
Cameron Street Developments Unit Trust (Trustee: Cameron Street Developments Pty Ltd)	Australia	50%	50%	-	-
Lifestyle Investments 2 Pty Ltd	Australia	100%	100%	2	2
Lifestyle Developments 2 Pty Ltd	Australia	100%	100%	2	2
Lifestyle Management 2 Pty Ltd	Australia	100%	100%	2	2
Lifestyle Chelsea Heights Pty Ltd	Australia	50%	50%	-	-
Lifestyle Chelsea Heights Unit Trust (Trustee: Lifestyle Chelsea Heights Trust Pty Ltd)	Australia	50%	50%	-	-
Lifestyle Warragul Pty Ltd	Australia	100%	100%	120	120
Lifestyle Shepparton Pty Ltd	Australia	100%	100%	120	120
Lifestyle Whirakee Pty Ltd	Australia	100%	100%	3	3
Lifestyle Parks Australia Pty Ltd	Australia	100%	100%	3	3
				<u>8,751,809</u>	<u>8,751,809</u>

(b) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(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.

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 26: SHARE-BASED PAYMENTS

	2015	2014
	\$	\$
(a) Recognised share-based payment expenses		
The expense recognised for employee services received during the year is shown in the table below:		
Expense arising from equity-settled share-based payment transactions	81,982	86,376

(b) Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. The ESOP was approved at the company's 2010 AGM and 1,275,000 options have been issued under this plan to date. The ESOP is available for directors and selected employees.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited.

The contractual life of each option granted is five years. The vesting conditions require that the owner of the option has completed continuous services with the Company since date of issue. There are no cash settlement alternatives.

Employee Share Loan Plan, 'ESLP'

The purpose of the ESLP is to provide eligible employees with an opportunity to acquire convertible repurchase-able employee shares ("CRES") in the Company and, by virtue of the fact that CRES are convertible into ordinary shares in the Company, thereby enable them to participate in any growth in the value of the Company, encouraging them to improve the longer term performance of the Company and its returns to shareholders, and to motivate and retain them. The issue of a CRES involves the granting of a financial assistance loan to each participant for each CRES issued. The loan is due and payable on or before expiry of the CRES.

The ESLP was approved at the Company's 2012 AGM and 800,000 CRES shares have been issued under this plan to date. The ESLP is available for selected employees but excludes directors.

When a participant ceases employment prior to the vesting of their CRES shares, the CRES are forfeited and the employee loan is written off against CRES capital. The contractual life of each CRES share granted is five years. The vesting conditions require that the owner of the CRES share has completed continuous service requirements with the Company since date of issue. There are no cash settlement alternatives.

(c) Summaries of options and CRES granted

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	2015 No.	2015 WAEP A\$	2014 No.	2014 WAEP A\$
Outstanding at the beginning of the year	4,575,000	0.771	4,575,000	0.771
Options exercised during the year	(2,725,000)	0.746	-	-
CRES exercised during the year	(266,668)	0.876		
Outstanding at the end of the year	1,583,332	0.797	4,575,000	0.771
Exercisable at the end of the year	1,050,000	0.757	3,775,000	0.749

The outstanding balance as at 30 June 2015 is represented by:

- 300,000 options over ordinary shares with an exercise price of \$0.65 each, exercisable upon completion of a continuous two years of service. Vested on 24 November 2012, the expiry date is 24 November 2015 (issued pursuant to the Employee Share Option Plan).
- 533,332 CRES shares with a conversion price of \$0.876 each, exercisable in two tranches upon completion of a continuous three years and four years of service. Vesting dates 22 May 2016 and 22 May 2017; the expiry date is 22 May 2018 (issued pursuant to the Employee Share Loan Plan).
- 750,000 options over ordinary shares with an exercise price of \$0.80 each, exercisable at anytime. These options vested on issue date of 15 April 2013, the expiry date is 15 April 2018 (issued for services provided).

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 26: SHARE-BASED PAYMENTS (continued)

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options and CRES outstanding as at 30 June 2015 is 2.4 years (2014: 3.1).

(f) Range of exercise price

The range of exercise prices for options and CRES outstanding at the end of the year was \$0.65 to \$0.876 (2014: \$0.65 to \$0.876).

(g) Weighted average fair value of options and CRES granted during the year

There were no options granted during the year or the prior year.

(h) Option and CRES pricing models:

The fair value of the equity-settled share options granted under the 2011 ESOP, the 2013 ESLP (CRES) and the 2013 issue of options to Bellwether Investments Pty Ltd for services is estimated as at the date of grant using a Black-Scholes Model taking into account the terms and conditions upon which the options/CRES were granted.

	ESOP FY2011	ESLP (CRES) FY2013	Options for services FY2013
Dividend yield (%)	0%	3%	5%
Expected volatility (%) (4 year historical monthly)	67%	41%	43%
Risk-free interest rate (%)	5.28%	2.81%	2.73%
Vesting period at issue (years)	2	2, 3, 4	-
Time to expiry at issue (years)	5	5	5
Option/CRES exercise price (\$)	\$0.650	\$0.876	\$0.800
Weighted average share price at measurement date (\$)	\$0.700	\$0.070	\$0.070
Model used	Black-Scholes Black-Scholes Black-Scholes		

The expected volatility was determined by reference to the Group's individual historical volatility and is based on a four year monthly calculation.

NOTE 27: SEGMENT INFORMATION

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

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

	<u>2015</u>	<u>2014</u>
	\$	\$
NOTE 28: KEY MANAGEMENT PERSONNEL		
Compensation of Key Management Personnel		
Short-term employee benefits	1,351,552	969,935
Post-employment benefits	106,648	85,511
Share-based payments	81,984	32,292
	<u>1,540,184</u>	<u>1,087,738</u>

On 1 July 2014 additional employees were defined as key management personnel as a result of the reduced involvement of founders, Bruce Carter and Dael Perlov, in the day-to-day operations of the business. Bruce Carter transitioned to non-executive director on 1 July 2015 and for all of FY2015 adopted a more strategic role.

Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$	\$
NOTE 29: COMMITMENTS AND CONTINGENCIES		
(a) Commitments		
<u>Operating lease commitments receivable – Group as lessor</u>		
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 84 and 90 years and are transferable. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.		
Future minimum rentals receivable under non-cancellable operating leases as at balance date were as follows:		
Within one year	10,362,827	7,865,626
After one year but not more than five years	41,451,307	31,462,504
After more than five years	853,428,936	650,021,190
Total minimum lease payments	905,243,070	689,349,320
Minimum lease payments were determined by measuring the current years rentals and measuring this over the standard 90 year lease agreement.		
<u>Operating lease commitments payable - Group as lessee</u>		
The Group has entered into commercial property lease with its landlord for office premises. The contract provides for future lease commitments payable as disclosed below.		
The lease has an initial term of four years from the commencement date being 1 May 2014.		
Future minimum rentals payable under non-cancellable operating leases as at balance date were as follows:		
Within one year	144,228	119,714
After one year but not more than five years	264,418	430,108
Total minimum lease payments	408,646	549,822
<u>Contracted construction commitments</u>		
Payable not later than one year	4,699,458	1,975,467
(b) Contingencies		
Bank guarantees	206,182	253,582
Bank guarantees are funded by the joint venture entities and are secured by term deposits.		

Notes to the Financial Statements
For the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
NOTE 30: AUDITORS REMUNERATION		
The auditor of Lifestyle Communities Limited is Pitcher Partners.		
<i>Amounts received or due and receivable for current auditors:</i>		
<ul style="list-style-type: none"> An audit or review of the financial report of the entity and any other entity in the consolidated group. 	142,500	152,000
<ul style="list-style-type: none"> Other services in relation to the entity and any other entity in the consolidated group - tax compliance, general tax advice, requirements pursuant to the loan note subscription agreement, human resources advice, risk management advice. 	42,790	51,955
	<u>185,290</u>	<u>203,955</u>
NOTE 31: PARENT ENTITY DISCLOSURES		
Required disclosures relating to Lifestyle Communities Limited as a parent entity:		
Current assets	<u>39,332,995</u>	<u>38,713,692</u>
Total assets	<u>51,839,613</u>	<u>50,622,547</u>
Current liabilities	<u>2,329,898</u>	<u>633,017</u>
Total liabilities	<u>2,760,119</u>	<u>1,049,885</u>
Net assets	<u>49,079,494</u>	<u>49,572,662</u>
Equity:		
Contributed equity	63,027,710	60,993,960
Reserves:		
Option reserve	1,493,481	1,411,499
Accumulated losses	<u>(15,441,697)</u>	<u>(12,832,797)</u>
Total equity	<u>49,079,494</u>	<u>49,572,662</u>
Net profit	<u>(2,608,900)</u>	<u>(2,382,862)</u>
Total comprehensive income	<u>(2,608,900)</u>	<u>(2,382,862)</u>

Subsequent to year end Lifestyle Developments 2 Pty Ltd, a subsidiary of Lifestyle Communities Limited, declared a dividend of \$20,000,000. This ensures that there are sufficient retained earnings within Lifestyle Communities Limited to declare its dividend.

NOTE 32: SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 14 August 2015 the Company entered into a conditional contract to purchase a future development site in Bittern which is located on the Mornington Peninsula. The acquisition price is \$5.0 million and a 5% deposit has been paid. The contract is conditional on receiving planning approval to develop the site.

There are no other matters or affairs that have arisen since balance date which significantly affect or may significantly affect the operations of the consolidated entity.

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 33: DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, 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.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. 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 parties subject to the Deed are:

- Lifestyle Communities Limited
- Lifestyle Investments 2 Pty Ltd
- Lifestyle Developments 2 Pty Ltd

The Deed was executed on 19 June 2015. Lifestyle Developments 2 Pty Ltd obtained relief pursuant to the Class Order for the year ended 30 June 2015. Lifestyle Investments 2 Pty Ltd is ineligible for relief pursuant to the Class Order for the year ended 30 June 2015 as it was a small proprietary company.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2015 is set out as follows:

	2015
	\$
(a) Consolidated Statement of Comprehensive Income of the closed group	
Revenue	
Home settlement revenue	30,633,341
Rental revenue	820,983
Management fees	1,681,370
Trust distributions	3,505,297
Finance revenue	245,499
Total revenue	36,886,490
Cost of sales	(24,743,715)
Gross profit	12,142,775
Fair value adjustments	11,559,738
less expenses	
Development expenses	(3,093,531)
Management expenses	(820,983)
Corporate overheads	(3,932,304)
Profit before income tax	15,855,695
Income tax expense	(4,856,269)
Net profit from continuing operations	10,999,426
Profit is attributable to:	
Members of the parent	10,999,426
Non-controlling interests	-
	10,999,426

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 33: DEED OF CROSS GUARANTEE (continued)

	<u>2015</u>
	\$
(b) Summary of movements in consolidated retained earnings of the closed group	
Balance 1 July	(2,119,926)
Net profit	<u>10,999,426</u>
	<u>8,879,500</u>
(c) Consolidated Statement of Financial Position of the closed group	
ASSETS	
Current assets	
Cash and cash equivalents	5,743,116
Trade and other receivables	563,625
Inventories	15,364,768
Other financial assets	3,000,000
Other current assets	366,353
Total current assets	<u>25,037,862</u>
Non-current assets	
Inventories	13,626,244
Property, plant and equipment	686,175
Other financial assets	8,893,334
Investment properties	58,127,313
Total non-current assets	<u>81,333,066</u>
TOTAL ASSETS	<u>106,370,928</u>
LIABILITIES	
Current liabilities	
Trade and other payables	15,970,473
Current tax payable	1,807,369
Provisions	148,865
Total current liabilities	<u>17,926,707</u>
Non-current liabilities	
Trade and other payables	155,300
Interest-bearing loans and borrowings	9,546,219
Provisions	274,921
Deferred tax liabilities	5,067,090
Total non-current liabilities	<u>15,043,530</u>
TOTAL LIABILITIES	<u>32,970,237</u>
NET ASSETS	<u>73,400,691</u>
EQUITY	
Contributed equity	63,027,710
Reserves	1,493,481
Retained earnings	8,879,500
TOTAL EQUITY	<u>73,400,691</u>

Notes to the Financial Statements
For the year ended 30 June 2015

NOTE 34: RESTATEMENT OF INVESTMENT PROPERTIES, TRADE AND OTHER RECEIVABLES AND TRADE AND OTHER PAYABLES

Previously the Company has disclosed the gross value of investment properties separately on the balance sheet within trade and other receivables (deferred management fee receivables), trade and other payables (joint venture share of deferred management fee receivables) and investment properties. The gross value of investment properties is now all disclosed within investment properties. This change has no impact on net profit or total equity. The impact of the restatement is presented below:

Consolidated Statement of Financial Position	Prior period 30 June 2013 \$	Increase / (Decrease) \$	Restated 30 June 2013 \$	Prior period 30 June 2014 \$	Increase / (Decrease) \$	Restated 30 June 2014 \$
Cash and cash equivalents	16,143,921	-	16,143,921	2,756,639	-	2,756,639
Trade and other receivables	1,184,861	(210,678)	974,183	3,279,030	(638,893)	2,640,137
Inventories	21,279,703	-	21,279,703	21,076,768	-	21,076,768
Land held for sale	126,619	-	126,619	126,619	-	126,619
Other financial assets	-	-	-	1,000,000	-	1,000,000
Other current assets	242,707	-	242,707	176,598	-	176,598
Total current assets	38,977,811	(210,678)	38,767,133	28,415,654	(638,893)	27,776,761
Trade and other receivables	8,343,628	(7,033,040)	1,310,588	11,675,809	(11,675,809)	-
Inventories	14,253,221	-	14,253,221	10,631,646	-	10,631,646
Property, plant and equipment	975,507	-	975,507	2,428,443	-	2,428,443
Other financial assets	2,000,000	-	2,000,000	5,000,000	-	5,000,000
Investment properties	74,974,188	6,676,880	81,651,068	99,626,182	11,026,030	110,652,212
Total non-current assets	100,546,544	(356,160)	100,190,384	129,362,080	(649,779)	128,712,301
Total assets	139,524,355	(566,838)	138,957,517	157,777,734	(1,288,672)	156,489,062
Trade and other payables	9,565,279	(566,838)	8,998,441	8,698,319	(1,288,672)	7,409,647
Interest-bearing loans and borrowings	5,691,695	-	5,691,695	5,099,862	-	5,099,862
Current tax payable	-	-	-	1,096,751	-	1,096,751
Provisions	295,219	-	295,219	302,112	-	302,112
Total current liabilities	15,552,193	(566,838)	14,985,355	15,197,044	(1,288,672)	13,908,372
Interest-bearing loans and borrowings	28,181,602	-	28,181,602	30,533,873	-	30,533,873
Provisions	216,636	-	216,636	261,568	-	261,568
Deferred tax liabilities	12,938,989	-	12,938,989	16,785,999	-	16,785,999
Total non-current liabilities	41,337,227	-	41,337,227	47,581,440	-	47,581,440
Total liabilities	56,889,420	(566,838)	56,322,582	62,778,484	(1,288,672)	61,489,812
Net assets	82,634,935	-	82,634,935	94,999,250	-	94,999,250
Contributed equity	60,993,959	-	60,993,959	60,993,959	-	60,993,959
Reserves	1,325,123	-	1,325,123	1,411,499	-	1,411,499
Retained earnings	20,315,853	-	20,315,853	32,593,792	-	32,593,792
Members' interest in equity	82,634,935	-	82,634,935	94,999,250	-	94,999,250
Non-controlling interest	-	-	-	-	-	-
Total equity	82,634,935	-	82,634,935	94,999,250	-	94,999,250

The consolidated statement of comprehensive income was not impacted by the restatement.

The consolidated statement of cash flows was not impacted by the restatement.

Earnings per share was not impacted by the restatement.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 42 to 75 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1(a), the consolidated financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and its performance for the 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.

At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and the managing director to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

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

Handwritten signature of Tim Poole in black ink.

Tim Poole
Chairman

Handwritten signature of James Kelly in black ink.

James Kelly
Managing Director

Melbourne, 20 August 2015

**LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES**

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

Report on the Financial Report

We have audited the accompanying financial report of Lifestyle Communities Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**LIFESTYLE COMMUNITIES LIMITED
ABN 11 078 675 153
AND CONTROLLED ENTITIES**

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Lifestyle Communities Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 30 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Lifestyle Communities Limited and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



P A JOSE
Partner

20 August 2015



PITCHER PARTNERS
Melbourne

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 19 August 2015.

(a) Distribution of equity securities

- (i) Ordinary share capital
102,961,799 fully paid ordinary shares are held by 1,503 individual shareholders
- (ii) Convertible repurchase-able employee shares (CRES)
653,332 CRES shares are held by five individual shareholders
- (iii) Options
1,050,000 options are held by four individual option holders.
Options do not carry a right to vote

(b) Substantial shareholders

Fully paid ordinary shareholders	Number	Percentage	Current at (last notification date)
James Kelly	14,045,566	13.64%	19 August 2015
Cooper Investors Pty Ltd	9,459,205	9.19%	5 May 2015
Bruce Carter	8,579,433	8.33%	19 August 2015
Perlov family	6,686,637	6.49%	19 August 2015
Colonial First State Investment Ltd	5,381,379	5.23%	11 May 2015
Invesco Australia Limited	5,247,595	5.10%	15 May 2015
	49,399,815	47.98%	

(c) Twenty largest holders of quoted equity securities

LIFESTYLE COMMUNITIES LIMITED

Rank	Name	Units	% of Units
1.	MASONKELLY PTY LTD	11,116,265	10.80
2.	NATIONAL NOMINEES LIMITED	10,153,703	9.86
3.	DAKEN INVESTMENTS PTY LTD	6,649,539	6.46
4.	CITICORP NOMINEES PTY LIMITED	6,606,944	6.42
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,503,555	6.32
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,881,465	5.71
7.	B S CARTER INVESTMENTS PTY LTD <B S CARTER FAMILY A/C>	5,492,910	5.33
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,292,884	4.17
9.	EQUITAS NOMINEES PTY LIMITED <PB-600687 A/C>	4,000,000	3.88
10.	MIRRABOOKA INVESTMENTS LIMITED	3,450,000	3.35
11.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA>	3,177,081	3.09
12.	BS CARTER SUPERANNUATION PTY LTD <CARTER SUPERANNUATION A/C>	2,886,523	2.80
13.	PJ COOPER INVESTMENTS PTY LTD <COOPER INVESTMENT A/C>	2,857,142	2.77
14.	BNP PARIBAS NOMS PTY LTD <DRP>	2,693,978	2.62
15.	AMCIL LIMITED	2,500,000	2.43
16.	KELLY SUPERANNUATION FUND PTY LTD	2,116,801	2.06
17.	ARMADA INVESTMENTS PTY LTD	1,908,229	1.85
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,666,130	1.62
19.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	739,222	0.72
20.	MR TERRENCE JOHN JASPER + MRS JESSICA ANNE JASPER <JASPER SUPER FUND A/C>	692,643	0.67
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		85,385,014	82.93

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

Range of Units Snapshot		Composition : ORD		
Range	Total holders	Units	% of Issued Capital	
1 - 1,000	524	230,885	0.22	
1,001 - 5,000	580	1,557,748	1.51	
5,001 - 10,000	158	1,236,254	1.20	
10,001 - 100,000	191	5,547,638	5.39	
100,001 - 999,999,999	50	94,389,274	91.67	
1,000,000,000 - 9,999,999,999	0	0	0.00	
Rounding			0.01	
Total	1,503	102,961,799	100.00	

Unmarketable Parcels				
	Minimum Parcel Size	Holders	Units	
Minimum \$500.00 parcel at \$2.58 per unit	194	157	9879	

Voting rights

All ordinary shares carry one vote per share without restriction.

All CRES shares carry one vote per share on the following specific matters:

- On a proposal to reduce the share capital of the Company that effects rights attached to CRES, and
- During the winding up of the Company.

Corporate information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered office	Level 2, 25 Ross Street South Melbourne Vic 3205 Australia
Directors	Tim Poole – Non-executive Chairman James Kelly – Managing Director Bruce Carter – Non-executive Director Jim Craig – Non-executive Director Philippa Kelly – Non-executive Director
Company secretary	Geoff Hollis
Principal place of business	Level 2, 25 Ross Street South Melbourne VIC 3205 Australia
Share registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street, Abbotsford VIC 3067 Telephone 61 3 9415 5000 Fax 61 3 9473 2500. Investor queries (within Australia) 1300 850 505
Lawyers	Thomson Geer Level 20, 385 Bourke Street Melbourne VIC 3000 Australia
Bankers	Westpac Banking Corporation Limited Level 7, 150 Collins Street Melbourne VIC 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 19, 15 William Street Melbourne VIC 3000 Australia