2016 ANNUAL REPORT

Lifestyle COMMUNITIES

DOWNSIZE TO A BIGGER LIFE

COMMUNITY SNAPSHOT

SNAPSHOT AS OF 30 JUNE 2016	
Total home sites in the Pipeline	2,445
Total number of homes settled	1,348
TOTAL NUMBER OF HOMEOWNERS	**1,995**

DOWNSIZE TO A BIGGER LIFE

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Chair’s Report

For the 2016 Financial Year

Dear Shareholder,

The business model of Lifestyle Communities’ is very sound. From a financial perspective we do not require any more equity as we recycle capital through our projects, returns on new developments are attractive and stable, and our management or rental incomes have grown to a stage where we can pay dividends on a sustainable and growing basis. We are continually watchful about risks to these attractive financial settings and whilst the Board worries about and debates many risks, there is no significant risk that we have currently observed that should materially upset our model.

But what is particularly satisfying about the Company’s business model is the market acceptance of our offer and the positive impact it has on the people living in our communities. We use a range of measures to monitor homeowner satisfaction levels but the most telling is our referral rate (the percentage of new homes settled via an introduction from one of our existing homeowners). For several years our referral rate has been about 33%, so one in three of our new homes have been sold and settled via an existing homeowner introduction. Whilst we offer our homeowners a small financial incentive to assist, this is a very high referral rate, we are proud of it and it supports why our business model is attractive.

A few months ago, James Kelly, our Managing Director announced our ambition to increase this referral rate to 50% or one in every two settlements. As a Board we are excited about this challenge for one significant reason. The Company will not be able to lift the referral rate by operating the same way. We will need to examine our processes and the points at which we interact with our homeowners and look for ways to change and improve. Going through this process of self-assessment, review and hopefully improvement will be extremely healthy for the Company.

The 2016 financial year was another successful one for Lifestyle Communities. We settled 202 new homes taking the total number of settled homes to 1,348 with 1,995 people (as at 30 June 2016) now living in our communities throughout Victoria. Notwithstanding the number of new home settlements were lower than in the 2015 financial year, profitability and dividends both increased compared with the prior year.

To continue to grow in the future the Company needs to acquire suitable land at a reasonable price. Given the strength in the housing market, particularly in New South Wales and Victoria, the Board regularly assesses the challenges of acquiring land for new communities. Pleasingly, during the 2016 financial year, the Company was able to acquire two new sites in Bittern and Ocean Grove which has bolstered our medium term development pipeline. Both sites are ideally suited for one of our affordable retirement communities.

The Board of Lifestyle Communities remained stable during the 2016 financial year with no changes. We regularly assess the size and composition of the Board but we are currently comfortable with both.

During the 2016 financial year the Board spent a significant amount of time discussing with James our resourcing plan for the next phase of the Company's growth. The additions we have made leave us very well placed to continue to grow the number of homes we have under development and management. We have also spent considerable time discussing and implementing a new incentive plan to ensure our team continues to be strongly aligned to the execution of our corporate plan. Both developments are outlined further in this Annual Report.

Finally, on behalf of the Board, I would like to thank all of our homeowners, our talented team and our shareholders for great support during the 2016 financial year as we continue our mission to dominate our niche of providing good quality affordable accommodation for active retirees in Victoria.

Yours sincerely

Tim Poole
Chair
18 August 2016

Managing Director's Report

For the 2016 Financial Year

Dear Shareholder

I am pleased to present to you the Lifestyle Communities Annual Report for the year ended 30 June 2016.

The 2016 financial year has seen the addition of 202 new home settlements now providing 1,348 settled homes within our communities providing annuity income streams. I am pleased with the acquisition of two new sites during the year located at Bittern and Ocean Grove. Bittern is located on Melbourne's Mornington Peninsula and Ocean Grove is located on Geelong's Bellarine Peninsula and I am confident these sites, along with current developments will provide a strong platform to grow the business in the 2017 financial year and beyond. Our development plan remains focused in Victoria and we continue to investigate further sites in Melbourne's key growth corridors. As our brand has become better known we are getting more approaches from developers who are interested in having Lifestyle Communities as part of their development mix.

The development focus of the business is now on Shepparton, Lyndarum, Geelong, Officer and Berwick Waters after fully selling and settling some very successful projects at Casey Fields, Chelsea Heights and Hastings during the 2016 financial year. Whilst Shepparton, Lyndarum and Geelong have performed well Officer and Berwick Waters have exceeded expectations and show the potential of the business and the market we operate in. Officer was launched for sale in March 2015 and by the end of the 2016 financial year had sold 93 homes. Officer also contributed 27 settlements in three months with the first homeowner settling in April 2016. Berwick Waters was launched for sale in April 2016 and has seen 40 sales in four months.

At our recent Investor Day in April 2016 I outlined the evolution of the business and provided some new home settlement goals for the 2017 and 2018 financial years as per below:

	FY2016 settlements (actual)	FY2017 settlement range	FY2018 settlement range
TOTAL	**202**	**250-270**	**260-290**
Warragul	1	-	-
Casey Fields(1)	2	-	-
Shepparton	51	40-55	40-55
Chelsea Heights(1)	27	-	-
Hastings	14	-	-
Lyndarum	43	45-55	45-55
Geelong	36	45-55	45-55
Officer	27	85-100	20-30
Berwick Waters(2)	-	10-25	60-80
Bittern(2)(3)	-	-	20-40

The settlement ranges above constitute a forecast for FY2017 and a projection for FY2018 which is indicative only. They are dependent on construction commencement dates for sites not yet commenced at Berwick Waters and Bittern, planning approval for Bittern and market conditions.

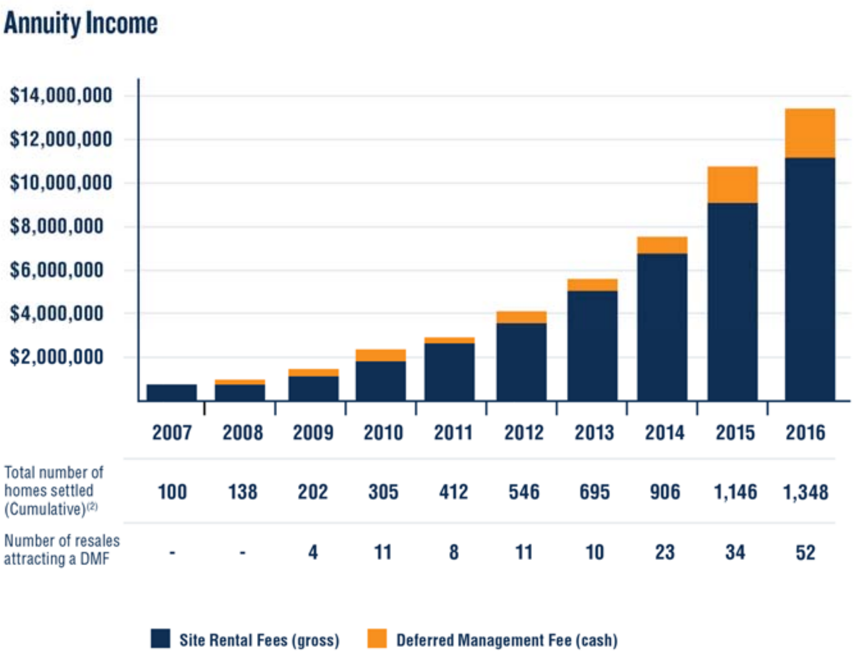
In order to meet the settlement objectives above in the 2017 financial year we are enhancing the capability and depth of the sales team by introducing dual sales consultants at most community locations. Although we remain a lean organisation we have hired some additional executive resources during the 2016 financial year. The positions added were seen as essential to support growth and assist the Company to achieve the settlement targets in the 2017 and 2018 financial years.

A key focus that I have set the organisation for the coming two years is to increase the number of home owner referrals for new sales and resales. Currently approximately one in three sales are coming from homeowner referral and I have set a goal to increase this to approximately one in two sales by ensuring that we make every touch point with the customer a very positive one and one they will remember. This strategy will deliver results into the future as it will decrease our reliance on marketing as well as differentiating against competitors.

The key highlights for the 2016 financial year include:

- Acquiring two additional sites in Bittern and Ocean Grove;
- Achieving 93 sales at Officer in the first 16 months and 27 settlements in the first three months;
- Achieving 40 sales at Berwick Waters since launch four months ago;
- Completion of a five-year, $80 million debt facility with Westpac Bank;
- Increasing the total portfolio to 2,445 home sites either under planning, development or management;
- Net profit after tax attributable to shareholders increased by $2.6 million to $19.3 million (this includes a $2.4 million adjustment to reflect favourable changes in investment property valuations);
- Home site annuity rentals increased by $1.9 million to $11.1 million; and
- Deferred management fees (inclusive of selling and administration fees) increased by $0.9 million to $2.5 million with the settlement of 52 resale settlements (2015: 34).

The Company now has eleven 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.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total number of homes settled (Cumulative)(2)	100	138	202	305	412	546	695	906	1,146	1,348
Number of resales attracting a DMF	-	-	4	11	8	11	10	23	34	52

Other highlights for the year include:

- ✓ Adding 202 settlements, taking the total number of home sites settled under management to 1,348;
- ✓ Announcing the expansion of Lifestyle Shepparton by 47 homes due to the excellent progress with this project;
- ✓ Settling out of communities in Warragul, Casey Fields, Chelsea Heights and Hastings during the year. We now have six communites fully occupied; and
- ✓ Launching a new employee equity incentive scheme available to all staff commencing in respect of the 2017 financial year.

Finally I am pleased to report that the Lifestyle Communities Foundation has been established to remember one of my co-founders, Dael Perlov's life and significant contribution to this business. The goal of the Foundation is to annually donate $50 for every home under management to cancer research and support by a combination of direct donation and co-sponsoring initiatives from within our communites. This support at a community level is very well received and enables Lifestyle Communities to contribute at a homeowner level to a whole range of initiatives and ideas to raise money for cancer charities. In the 2016 financial year over $57,000 was donated and I look forward to watching this figure grow into the future.

Yours sincerely

James Kelly

James Kelly
Managing Director
18 August 2016

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 2016 and auditor's report thereon.

Principal activities

The principal activities of the consolidated entity during the financial year were developing and managing affordable communities which offer homeowners an improved lifestyle. There have been no significant changes in the nature of these activities during the financial year.

Results

The consolidated profit after income tax attributable to shareholders of Lifestyle Communities Limited for the year ended 30 June 2016 was $19,268,682 (2015: $16,652,690).

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 Chair (BCom, CA)

Tim was appointed a Director of Lifestyle Communities Limited on 22 November 2007 and was appointed Chair on 31 December 2012. Tim is also 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 15 years' experience as a Director of ASX listed and unlisted companies across the financial services, infrastructure, aged care and resources industries. He is currently non-executive Chair of Aurizon Holdings Limited and McMillan Shakespeare Limited and is a non-executive Director of Reece Limited. He was formerly Managing Director of Hastings Funds Management, and a non-executive Director of Japara Healthcare Limited and Newcrest Mining Limited.

James Kelly, Managing Director (BBldg)

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

With over 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 is the founding Chair of the Residential Land Lease Alliance, the peak body for the land lease industry. He is also on the board of the Caravan Industry Association of Australia and is Vice President of the Victorian Caravan Parks Association. James has not held any directorships in any other listed entities during the past three years.

Bruce Carter, Non-Executive Director (BCom)

Bruce is one of the founders of Lifestyle Communities Limited and was appointed as an executive Director in September 2007, transitioning to a non-executive Director on 1 July 2015. Bruce is also a member of the Audit Committee.

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 ASX 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 Chair 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. Jim is currently Chair of a number of organisations including Cell Care Australia Pty Ltd, River Capital Pty Ltd and Trinity College (University of Melbourne), a member of the investment committee of AustralianSuper and a non-executive Director of Australian United Investment Company Limited.

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 18 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 the Audit and Risk Committee. 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	1,224,607	-
Bruce Carter	7,079,433	-
James Kelly	13,045,566	-
Jim Craig	4,000,000	-
Philippa Kelly	65,000	-

Dividends

A fully franked dividend of 1.5 cents per share was paid on 9 October 2015 (representing the 2015 final dividend). A fully franked dividend of 1.0 cent per share was paid on 8 April 2016 (representing the 2016 interim dividend).

Since the end of the financial year the Directors have resolved to pay a fully franked dividend 1.5 cents per ordinary share (representing the 2016 final dividend).

Share options

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 1,250,001 ordinary shares were issued as a result of the exercise of 1,050,000 options and the conversion of 200,001 CRES.

The 1,050,000 ordinary shares issued as a result of the exercise of options were fully paid with a consideration of $795,000.

The 200,001 ordinary shares issues as a result of the conversion of CRES resulted in loans to relevant employees of $175,201 that will be recognised as paid as the loans are repaid.

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
22 May 2013	333,331	$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

There are no 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:

			Meetings of committees of directors'			
	Directors' meetings		**Audit**		**HR & Remuneration**	
Director	Held	Attended	Held	Attended	Held	Attended
Tim Poole	11	11	1	1	4	4
James Kelly	11	11	-	-	-	-
Bruce Carter	11	10	2	2	-	-
Jim Craig	11	10	3	3	4	4
Philippa Kelly	11	11	3	3	4	4

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 ($19,250), general tax advice ($14,995), human resources advice ($8,528), IT consulting ($2,250), and other agreed upon procedures ($5,750) at a total cost of $50,773 (2015: $42,790). 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 2016 financial year. Profit after tax attributable to shareholders was $19.3 million (2015: $16.7 million). Underlying profit after tax attributable to shareholders was $16.9 million (2015: $16.7 million).

Financial and operating highlights

	Measure	FY2016	FY2015	Change	Change %
Key financial data					
Revenue	A$ millions	**70.2**	**78.8**	(8.6)	(11)
Earnings before interest and tax	A$ millions	**29.2**	**32.8**	(3.6)	(11)
Net profit before tax	A$ millions	**28.6**	**29.1**	(0.5)	(2)
Net profit after tax	A$ millions	**20.6**	**21.9**	(1.3)	(6)
Net profit attributable to shareholders	A$ millions	**19.3**	**16.7**	2.6	16
Underlying net profit attributable to shareholders	A$ millions	**16.9**	**16.7**	0.2	2
Operating cash flow	A$ millions	**(14.2)**	**16.4**	(30.6)	(187)
Community cash flow(1)	A$ millions	**7.5**	**6.5**	1.0	17
Gearing(2)	%	**25.6**	**17.2**	8.4	49
Return on average capital employed(3)	%	**15.5**	**20.8**	(5.3)	(25)
Earnings per share	A$ cents	**18.6**	**16.5**	2.1	13
Diluted earnings per share	A$ cents	**18.5**	**16.1**	2.4	15
Dividend per share(4)	A$ cents	**2.5**	**1.5**	1.0	67
Key operational data					
Homes settled (gross)	No. of homes	**202**	**240**	(38)	(16)
Homes settled (after NCI)(5)	No. of homes	**188**	**188**	-	-
Homes sold (gross)	No. of homes	**217**	**211**	6	3
Homes sold (after NCI)(5)	No. of homes	**217**	**194**	23	12
Average realised sales price of new homes (GST incl)	A$'000	**298**	**302**	(4)	(1)
Total number of homes (gross)	No. of homes	**1,348**	**1,146**	202	18
Total number of homes (after NCI)(5)	No. of homes	**1,147**	**959**	188	20
Total number of homeowners	No. of people	**1,995**	**1,701**	294	17
Average age of homeowners	Years	**72**	**72**	-	-
Number of resales settled(6)	No. of homes	**52**	**34**	18	53
Average realised sales price of resales (GST incl) (7)	A$'000	**275**	**260**	15	6

(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) For FY2016 includes interim dividend of 1.0 cent per share and final dividend of 1.5 cents per share

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

(6) Includes resales attracting a deferred management fee, there were a further 14 resales settled in FY2016 (FY2015: 8 resales) that didn't attract a deferred management fee as the outgoing homeowners moved out within 12 months of initial settlement in accordance with the Company's Smart Buy Guarantee

(7) Average realised sales price of resales attracting a deferred management fee

Included in the table above are several non IFRS measures including earnings before interest and tax, underlying net profit attributable to shareholders, 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 2016 financial year.

The increase in profit after tax attributable to shareholders $19.3 million (2015: $16.7 million) can be mainly attributed to: increased contributions from net rental income and deferred management fees received; fair value adjustments from investment property revaluations; and reduced finance costs being partly offset by a reduced contribution from new home settlements (revenue and margin); and increased development expenses and corporate overheads. The reduced contribution from new home settlements and the increase in development expenses were in line with expectations.

Underlying profit of $16.9 million excludes a $2.4 million after tax impact of independent investment property revaluations across the portfolio. Refer to the analysis of income statement section on page 14 for further details.

New home settlements for the year were 202 and, although down from 240 in the prior year, were in line with expectations mainly due to the prior year pull forward of settlements due to the quicker than anticipated sales and settlements at Casey Fields, Chelsea Heights and Hastings.

The Company continued to develop its communities at Shepparton, Lyndarum and Geelong. During the year construction was completed at Chelsea Heights and construction commenced at Officer.

The Company made good progress operationally with improvements in several key metrics. The total number of homes settled increased to 1,348 homes due to the 202 settlements during the year. Net community cash flows were $7.5 million (2015: $6.5 million). This was driven by increases in rental revenue and deferred management fees received, partly offset by increases in management expenses which were in line with expectations.

The Company had 1,995 people living in its communities as at the end of the 2016 financial year with an average age of 72 years (2015: 72).

Resales (sales of previously settled and occupied homes) during the year were 52 (2015: 34). Deferred management fee income received (inclusive of selling and administration fees) was $2.5 million (2015: $1.6 million). As at the 30 June 2016 there were 11 resale homes available for sale across the communities.

Update on communities

Community	New homes				Resales					
	Settled FY16	Settled FY15	Net sales FY16	Net sales FY15	Settled FY16	Settled FY15	Net sales FY16	Net sales FY15	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	23	15	17	20	228	228
Seasons	-	1	-	-	5	5	7	4	136	136
Warragul	2	12	-	1	9	7	11	10	182	182
Casey Fields	2	42	-	20	5	5	8	5	217	217
Shepparton	51	38	49	54	1	-	1	1	149	268
Chelsea Heights	27	62	-	13	5	2	6	2	186	186
Hastings	14	82	-	31	4	-	5	1	141	141
Lyndarum	43	3	39	22	-	-	-	-	46	154
Geelong	36	-	51	28	-	-	-	-	36	164
Officer	27	-	51	42	-	-	-	-	27	151
Berwick Waters	-	-	31	-	-	-	-	-	-	220
Bittern	-	-	-	-	-	-	-	-	-	208
Ocean Grove	-	-	-	-	-	-	-	-	-	190
Total	**202**	**240**	**221**	**211**	**52**	**34**	**55**	**43**	**1,348**	**2,445**

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights and Lifestyle Hastings are fully sold and settled.
- Lifestyle Shepparton performed well during the year achieving 49 net sales and 51 settlements. Given the sustained lift in performance at Lifestyle Shepparton a decision was made during the year to expand the community by 47 homes using surplus Company owned land. This increased the size of the community to 268 homes of which 72% are sold and 56% are settled.
- Lifestyle Lyndarum in Wollert achieved 39 sales and 43 settlements in its first full year of operations. Consistent with other communities Lifestyle Lyndarum received a positive spike in sales upon the opening of the clubhouse in the middle of the 2016 financial year with second-half sales more than doubling first-half sales. The community is now 53% sold and 30% settled.
- Lifestyle Geelong achieved 51 sales and 36 settlements in its first full year of operations. Lifestyle Geelong also opened its clubhouse in the middle of the 2016 financial year with second-half sales almost doubling first-half sales. The community is now 48% sold and 22% settled.
- Lifestyle Officer welcomed their first homeowner in April 2016 and achieved 27 settlements for the 2016 financial year. The community has achieved 93 sales which represents 62% of the total available. This is a particularly pleasing project and is performing historically better than any other community. The clubhouse is due to open in September 2016 and this normally has a positive impact on sales.
- The land for Lifestyle Berwick Waters was acquired in April 2015. Planning approval was obtained during the year and construction is expected to commence in the first quarter of the 2017 financial year. Settlement of the land is scheduled to occur in the second quarter of the 2017 financial year with the earlier construction access being granted by way of licence. 31 sales have been achieved since launching the project in April 2016 which is particularly pleasing in a three month period.
- The land for the Lifestyle Community at Bittern is contracted to settle in two parcels: the first parcel providing approximately 160 homes is expected to settle in the second-half of the 2017 financial year; and the second parcel providing an additional 48 homes is expected to settle in the first-half of the 2018 financial year. The Company currently expects settlements to commence in the second-half of the 2018 financial year. The development of this community is subject to planning approval.
- The land for the Lifestyle Community in Ocean Grove was acquired in May 2016 and is contracted to settle late in the first-half of the 2018 financial year with construction planned to commence soon after. The Company currently expects settlements to commence in the first-half of the 2019 financial year. The development of this community is subject to planning approval.

Analysis of income statement

Net profit after tax attributable to shareholders increased to $19.3 million (2015: $16.7 million). The table below shows the changes to net profit attributable to shareholders from 30 June 2015 to 30 June 2016.

	A$ millions	A$ millions
Net profit after tax attributable to shareholders for the year ended 30 June 2015		**16.7**
Changes in revenues		
Home settlement revenue	(11.5)	
Rental revenue	1.9	
Utilities revenue	0.3	
Deferred management fees	0.9	
Sub-division revenue	(0.1)	
Finance revenue	(0.2)	**(8.7)**
Changes in cost of sales		**4.4**
Changes in gains from fair value adjustments		**3.9**
Changes in expenses		
Development expenses	(0.5)	
Management expenses	(1.4)	
Utilities expenses	(0.6)	
Corporate overheads	(0.9)	
Sub-division expenses	-	
Finance costs	0.8	
Accelerated finance costs due to re-financing	2.4	**(0.2)**
Increase in income tax expense		**(0.7)**
Decrease in profit after tax attributable to non-controlling interests		**3.9**
Net profit after tax attributable to shareholders for the year ended 30 June 2016		**19.3**

The key drivers of changes in profitability were:

Home settlement revenue and margin

- Revenue from home settlements decreased to $54.9 million (2015: $66.3 million) due to a decrease in settlements to 202 (2015: 240). The decrease was in line with the Company's expectations and was due to a pull-forward of settlements in the 2015 financial year.
- Home settlement gross margin reduced to 21% (2015: 28%). A contributing factor was a reduction in the average realised sales price to $298k (GST inclusive) in the 2016 financial year (2015: $302k). All communities achieved sales price growth during the 2016 financial year but the average reduced due to the completion of higher priced communities at Chelsea Heights and Casey Fields. The communities at Chelsea Heights and, to a lesser extent, Casey Fields provide a higher margin than other communities due to the high realised sales prices achieved relative to the cost per unit. Conversely, Shepparton has a lower margin relative to other communities. Gross margins achieved in the 2012 and 2013 financial years were 22% and 23% respectively prior to the uplift from Chelsea Heights across the 2014 and 2015 financial years where the gross margins spiked to 25% and 28% respectively. The gross home margin represents home settlement revenue less a pro-rata share of project infrastructure, housing and capitalised finance costs expensed as each home settles.

Annuity income and expenses

- Revenue from homeowner rentals increased to $11.1 million (2015: $9.2 million) due to an increase in homes under management and a rental increase of 3.5%. 202 homes were settled during the year bringing the Company's total homes under management to 1,348.
- Community management expenses increased to $5.8 million (2015: $4.4 million) due to: an increase in operations at Lyndarum and Geelong; commencement of management at Officer; and an increase in 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 $2.5 million (2015: $1.6 million). There were 52 resale settlements during the year compared to 34 in the prior year. The average realised sales price of resales increased to $275k (GST inclusive) (2015: $260k). The 52 resale settlements achieved an average price growth of 3% per annum from their initial acquisition date.

Other expenses

- Development expenses increased to $4.2 million (2015: $3.7 million) due to: increased marketing support required to build the Lifestyle Communities brand in the two newer markets of Lyndarum and Geelong; supporting Officer prior to commencement of construction; launching Berwick Waters; and the write-off of $0.13 million of costs associated with the site acquisition at Rosebud that did not proceed.
- Corporate overheads increased to $4.9 million (2015: $4.0 million) due to expenses associated with the re-financing of the Company's banking facilities and additional executive resources to provide the organisational capability for medium term growth. During the 2016 financial year the Company employed a finance manager, project co-ordinator, marketing co-ordinator and an additional support person to provide increased support to the Managing Director and senior management team.
- Finance costs reduced to $0.8 million (2015: $1.6 million). This is mainly due to the re-financing of the Company's banking facilities in August 2015 resulting in a lower interest rate for most of the 2016 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 $18.9 million (2015: $15.1 million). The increase of $3.8 million includes a $3.3 million uplift ($2.4 million on an after-tax basis) as a result of independent investment property valuations at seven communities. The key drivers were: rental capitalisation rates reduced to 8% for all communities valued, down from between 8.5% - 8.75% within prior valuations (this had a favourable valuation impact of $4.3 million or $3.0 million on an after-tax basis); deferred management fee valuations provided a net favourable valuation impact of $1.7 million ($1.2 million on an after tax basis) mainly due to quicker than expected sell through times at certain communities; and the valuers have updated their view in relation to the long-term expense requirements of maintaining the communities and this has resulted in a downwards adjustment of $2.7 million ($1.9 million on an after tax basis).

Fair value adjustments comprise changes to the fair value of investment properties. Changes relating to investment properties represent 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 2016 financial statements for further details.

Analysis of cash flow

A$ millions	FY2016	FY2015	Change
Cash flows related to operations	**(14.2)**	16.4	(30.6)
add Project capital expenditure [1]	23.7	17.4	6.3
Adjusted cash flows related to operations	9.5	33.8	(24.3)
Cash flows related to investing activities	**2.8**	(6.6)	9.4
Cash flows related to financing activities	**4.2**	(4.6)	8.8
Net movement in cash	**(7.2)**	5.2	
Cash at the beginning of the period	**8.0**	2.8	
Cash at the end of the period	**0.8**	8.0	
Liquidity buffer funds on deposit	**-**	5.0	
Adjusted closing cash	**0.8**	13.0	

(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 decreased to a deficit of $14.2 million (2015: surplus of $16.4 million). The reduction is mainly attributable to a $21.8 million increase in payments to suppliers and employees as well as a reduction of $8.7 million on receipts from customers. Payments to suppliers and employees increased due to a $6.3 million increase in project capital expenditure and a $15.5 million increase in housing construction. There was increased civil and infrastructure activity at Officer and increased home construction activity (271 homes were constructed in the 2016 financial year (2015: 197)) as construction was completed at Chelsea Heights, commenced at Officer and increased at Shepparton, Lyndarum and Geelong to increase stock to target levels to match increased sales activity.

Cash flows related to investing activities included: $1.2 million relating to the deposits paid at Ocean Grove and Bittern as well as the deposit released from Rosebud; $1.0 million relating to purchases of property, plant and equipment; offset by $5.0 million from the release of term deposits.

Cash flows related to financing activities included: $0.8 million received upon exercise of options; $9.4 million net proceeds from bank borrowings; $2.6 million for payment of dividends; and distributions paid to non-controlling interests of $3.4 million.

Analysis of balance sheet

Net assets and total equity

A$ millions	FY2016	FY2015	Change	Change %
Assets				
Cash and cash equivalents	**3.4**	8.0	(4.6)	(58)
Other financial assets (term deposits)	**-**	5.0	(5.0)	(100)
Trade and other receivables	**0.8**	-	0.8	100
Inventories	**49.7**	30.6	19.1	62
Property, plant and equipment	**4.2**	2.8	1.6	51
Investment properties	**163.7**	132.8	30.9	23
Other assets	**0.7**	0.5	0.2	50
Total Assets	**222.5**	179.7	42.8	24
Liabilities				
Cash and cash equivalents (overdraft)	**(2.5)**	-	(2.5)	(100)
Trade and other payables	**(14.4)**	(5.4)	(9.0)	(168)
Interest-bearing loans and borrowings	**(46.0)**	(36.6)	(9.4)	(20)
Provisions	**(0.6)**	(0.4)	(0.2)	(33)
Current tax payable	**(0.4)**	(1.8)	1.4	80
Deferred tax liabilities	**(27.3)**	(21.7)	(5.6)	(26)
Total Liabilities	**(91.2)**	(65.9)	(25.3)	(38)
Net Assets	**131.3**	113.8	17.5	15
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	**65.4**	64.6	0.8	1
Retained earnings	**65.9**	49.2	16.7	34
Non-controlling interests	**-**	-	-	-
Total Equity	**131.3**	113.8	17.5	15

During the year the Company's net assets and total equity increased to $131.3 million (2015: $113.8 million) as a result of: profit during the period of $19.3 million; $0.8 million provided due to the exercise of share options; partly offset by dividends paid of $2.6 million.

Inventories have increased to $49.7 million (2015: $30.6 million). There has been a transition from projects in 'run-off' mode at Casey Fields, Chelsea Heights and Hastings that are now fully settled. Apart from Shepparton all other projects (Lyndarum, Geelong and Officer) are at or near to their peak inventory levels as the intense civil infrastructure phases have been completed during the 2016 financial year.

Included within trade and other payables is a payable of $10.9 million relating to the land at Berwick Waters which is due to settle in the second quarter of the 2017 financial year. The corresponding asset is included within investment properties.

Current tax payable has reduced to $0.4 million (2015: $1.8 million) due to more timely tax instalments being paid throughout the year (after first commencing instalments in the 2015 financial year). Deferred tax liabilities have increased to $27.3 million (2015: $21.7 million) representing the tax on fair value adjustments being deferred. This liability will only be realised should an investment property be disposed of which is highly unlikely.

Debt, gearing and liquidity

As at 30 June 2016 the Company had net debt of $45.2 million (2015: $23.6 million).

A$ millions	
Net debt at 30 June 2015	23.6
Net increase in bank borrowings	9.4
Decrease in term deposit assigned to liquidity buffer	5.0
Decrease in cash balances / overdraft	7.2
Net movement in 2016	**21.6**
Net debt at 30 June 2016	**45.2**

The gearing ratio (net debt to net debt plus equity) of the Company as at 30 June 2016 was 25.6% (2015: 17.2%).

The Company's bank facilities were re-financed during the 2016 financial year with the execution of a five-year, $80 million facility agreement with Westpac in August 2015. The new facility provides greater flexibility and has resulted in lower finance costs. The facility includes financial and reporting undertakings but shifts away from project specific development undertakings previously in place.

Due to the tenure provided by the facility coupled with the strong and growing annuity income being generated by the Company, the Company considers that a 30% gearing ceiling is appropriate. This level of gearing may allow a faster roll-out of new communities rather than solely relying on recycled capital from completed communities. Continued utilisation of the debt facility is subject to internal gearing disciplines and Westpac covenant requirements.

As at 30 June 2016 the Company has a committed facility with Westpac of $80.0 million of which $48.6 million was drawn ($46.0 million drawn plus utilisation of overdraft facility of $2.6 million).

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 2016 financial year. The Company was particularly pleased with the continued performance at Shepparton as well as the level of sales achieved at Officer and Berwick Waters and early settlements achieved at Officer.

The Company has a focused strategy to dominate the niche of affordable housing to the over 50'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 has previously released guidance that settlements are expected to be in the range of 250 to 270 for the 2017 financial year. The increase in settlements, coupled with an expected increased contribution from community management, is expected to result in net profit after tax attributable to shareholders being materially higher in the 2017 financial year.

It is the Company's intention to pay an interim and final dividend in respect of the 2017 financial year. The Company expects the combined dividend in the 2017 financial year to be greater than the 2016 financial year amount of 2.5 cents per share (1.0 cent per share interim dividend and 1.5 cents per share final dividend). The Company also expects both dividends in 2017 to be fully franked.

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 13 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 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 homeowner 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)

Dear Shareholder,

On behalf of the Board, we are pleased to present Lifestyle Communities' Remuneration Report for the 2016 financial year.

The Company's approach to executive remuneration continues to evolve. Historically the Company has paid fixed remuneration that is fair and based on external benchmarking. Due to the size of the Company and the founders being significant shareholders, it has not been considered necessary to have annual short and long term incentive schemes. However, the Company has implemented a few targeted equity incentive schemes during the past six years to provide long term incentives to some key management personnel. The Board considers that the alignment and retention aspects of these historical schemes have been successful given the significant increase in the Company's profitability over this time.

Moving forward the Company will continue to use external benchmarking to provide fair fixed remuneration to executives. The Company is keen to implement a new scheme to provide incentive, alignment and retention of key executives. To that end we are pleased to announce that a new equity incentive scheme will be introduced in respect of the 2017 and 2018 financial years, with the following key features (refer to 5.3 for further details):

- Incentives will be provided for reaching settlement targets on a two year rolling basis reflecting settlement projections previously announced to the ASX (refer 5.3);
- Incentives will be paid in the form of fully paid ordinary shares (to be acquired by the Company on market), rather than options;
- The scheme will be open to all employees (subject to the qualifying rules) to create company-wide alignment. Directors will not be entitled to participate; and
- Shares issued to senior management will be held in escrow for specified periods to assist with retention.

The HR & Remuneration Committee considers that the scheme will enhance shareholder value by driving the business towards the goal of settlements. Coupled with tight financial control over costs at Board level, a focus on customer touch points and ultimately homeowner referrals we believe the settlement target provides the clearest and strongest alignment with shareholders. We will continue to monitor the effectiveness of this target against long-term shareholder value creation.

The Committee also reviewed the compensation of the Managing Director during the 2016 financial year. As the largest shareholder in the Company, it was considered that the Managing Director's alignment of interest would not be improved by either short term or long term incentive arrangements. However, following an external benchmarking study, it was decided to increase the Managing Directors base salary to more closely align to a market level.

The above two measures will increase the Company's corporate overheads beyond inflation in the 2017 financial year. However, we anticipate that the benefits derived from productivity improvements across the Company will be greater than the increased costs.

The following report sets out further detail on your Company's approach to remuneration.

Yours sincerely

Tim Poole
Chair
18 August 2016

Jim Craig
Chair, HR & Remuneration Committee
18 August 2016

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	Chair of the Board	22 November 2007
	Non-executive Director	
	Member – HR & Remuneration Committee	
Bruce Carter(1)	Non-executive Director	Founder
	Member – Audit Committee	
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 Imbesi	Construction Manager	21 March 2005
Chris Paranthoiene	Development and Acquisition Manager	13 March 2007
Geoff Hollis	Chief Financial Officer and Company Secretary	15 February 2010
Sam Cohen	Operations Manager	3 October 2011

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

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 2016 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.

As part of the review of non-executive Directors' fees in September 2014 it was determined that the Chair's market remuneration should be $100,000 per annum. It was decided to step to this amount over a two year period and effective 1 January 2015 remuneration payable to the non-executive Chair was increased to $80,000 and effective 1 January 2016 remuneration payable to the non-executive Chair was increased to $100,000.

Other non-executive Director fees have not changed in the 2016 financial year and remain at $50,000 per annum for each non-executive Director 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 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

Managing Director

During the year the HR & Remuneration Committee undertook a benchmarking process in relation to the fixed remuneration of the Managing Director with an effective date of any changes being 1 September 2015. 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 $3,000. No other recommendations were provided by the remuneration consultant.

The Managing Directors total package (inclusive of superannuation) is $450,000 effective from 1 September 2015 (previous package was $375,000). This fixed remuneration includes a $20,000 car allowance as compensation for the high level of travel required between the Company's communities. The HR & Remuneration Committee has been mindful to ensure the Managing Director is being remunerated at fair market rates for fixed remuneration given there is no entitlement to participate in any short term incentive or long term incentive plans.

Senior management

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

5.3 New equity incentive scheme

As outlined within the introduction to the Remuneration Report the proposed equity incentive scheme, to be implemented in the 2017 financial year, will be measured each year as a short term incentive but have the retention aspects (for key management personnel and other selected staff) of a long term incentive.

Incentives, in the form of fully paid ordinary shares (to be acquired on-market), will be issued to participants on reaching new home settlement targets as follows:

	FY2017	FY2018
Settlement targets	250 to 270	260 to 290

Should settlement targets be achieved, incentives will be issued as follows:

- Key management personnel and other selected senior management (on a pro-rata basis based on standard hours) will receive: 10,000 shares if the low point of the target is reached; 15,000 shares if the mid-point is reached; and 20,000 shares if the high point is reached or exceeded.
- All other staff (on a pro-rata basis based on standard hours) will receive: 500 shares if the low point of the target is reached; 1,000 shares if the mid-point is reached; and 1,500 shares if the high point is reached or exceeded.

To be entitled to the incentive staff will need to have been employed by the Company on 1 July of the target year with shares to be allocated in September following the end of the target year. Shares allocated to key management personnel and other selected senior management will be held in escrow (50% for one year and 50% for two years for the FY2017 issue and 50% for two years and 50% for three years for the FY2018 issue). The allocation relating to all other staff will not have an escrow period and will be allocated provided they remain employed at the date of allocation.

The proposed equity incentive scheme is subject to final structuring.

5.4 Short term incentives

The Company currently has no widespread short-term incentive plans other than the new incentive scheme outlined at 5.3.

5.5 Long term incentives

The Company has two existing long-term incentive plans in place and uses them to retain key talent and align the interests of senior executives to shareholders. With the proposed introduction of the new incentive scheme as outlined at 5.3, there is no intention to issue any further incentives under these two plans.

Employee Share Loan Plan (ESLP)

The ESLP was approved at the Company's 2012 AGM. The purpose of the ESLP was to provide eligible employees (at the Board's discretion based on a recommendation from the Managing Director) with an opportunity to acquire convertible repurchase-able employee shares (CRES) in the Company and, as CRES are convertible into ordinary shares in the Company, thereby enable them to participate in any growth in the value of the Company, and to motivate and retain them.

The performance conditions under the ESLP are for participants to provide continuous service to the Company. The CRES are 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; and tranche three requires four years. The CRES are treated as options for accounting purposes.

The Company acknowledges that the ESLP was implemented without any financial or non-financial performance conditions apart from continuous service. The HR & Remuneration Committee considered the remuneration framework of the Company and determined that this was appropriate given senior management did not have access to any short term incentives. 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 and to support the growth trajectory of the Company.

In May 2013 CRES were issued to the four key management personnel. The continuous service requirements were met for the first two tranches with the third tranche due to be met in May 2017.

In July 2015 120,000 CRES shares were issued pursuant to this plan (2015: nil) to someone in the senior management team who is not considered to be key management personnel. The 120,000 CRES shares have been issued under the same terms as the May 2013 issue and have been issued in three tranches with the same continuous service requirements.

Senior Executives and Directors Share Option Plan (ESOP)

No options were issued pursuant to this plan during the 2016 financial year (2015: nil). The performance conditions under the ESOP were for participants to provide two years continuous service. This condition has been satisfied for all prior options issued under the ESOP and hence all options issued under the ESOP have now vested.

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, 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. In prior years a modest long-term incentive plan has been used 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 proposed implementation of the new equity incentive scheme in the 2017 financial year, as outlined at 5.3 and in the introduction to the Remuneration Report, will provide equity incentives on achieving new home settlement targets. New home settlements are one of the key drivers of growth within the business and the HR & Remuneration Committee is confident the new equity incentive scheme will help to further the alignment of key management personnel and all other employees to this common goal.

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

Performance measure	FY2016	FY2015	FY2014	FY2013	FY2012
Net profit after tax attributable to members ($million)	$19.27	$16.65	$12.28	$ 6.96	$ 6.59
Net profit (change from prior year) (%)	15.7%	35.6%	76.4%	5.6%	(3.3%)
Dividends declared & paid (fully franked) (cents)	2.5	1.5	-	0.5	0.5
Diluted earnings per share (cents)	18.47	16.11	12.00	9.40	14.18
Closing share price (30 June)	$2.91	$2.44	$1.60	$0.78	$0.80
Share price increase / (decrease)	19.26%	52.50%	105.13%	(2.50%)	(5.56%)
STI paid to KMP	$10,000	$ -	$ -	$ 10,000	$ 42,000

7. Executive service agreements

7.1 Executive Directors

The HR & Remuneration Committee refreshed the Managing Director's executive service agreement in the 2014 financial year. This was executed on 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. 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. 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 2016

30 June 2016	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	82,192	-	-	-	7,808	-	-	-	-	-	90,000
James Kelly	396,317	-	-	-	22,678	-	-	-	-	-	418,995
Bruce Carter(1)	49,562	-	-	-	5,086	-	-	-	-	-	54,648
Jim Craig(2)	55,000	-	-	-	-	-	-	-	-	-	55,000
Philippa Kelly	50,228	-	-	-	4,772	-	-	-	-	-	55,000
	633,299	**-**	-	-	**40,344**	-	-	**-**			**673,643**
Key management personnel											
Michael Imbesi	167,567	-	-	-	13,544	-	-	10,895	-	5.7	192,006
Chris Paranthoiene	172,260	9,132	-	-	15,807	-	-	10,895	-	5.2	208,094
Geoff Hollis(3)	194,824	-	-	-	18,508	-	-	16,343	-	7.1	229,675
Sam Cohen	166,996	-	-	-	13,628	-	-	5,448	-	2.9	186,072
	701,647	**9,132**	**-**	**-**	**61,487**	**-**	**-**	**43,582**			**815,848**
Total	**1,334,946**	**9,132**	**-**	**-**	**101,831**	**-**	**-**	**43,582**			**1,489,491**

(1) Bruce Carter's standard directors fees for the 2016 financial year inclusive of superannuation were $50,000, a payment of outstanding leave liabilities was also paid during the year reflecting the transition from executive to non-executive director on 1 July 2015.
(2) Fees were paid to Bellwether Holdings Pty Ltd, an entity controlled by Jim Craig.
(3) For comparative purposes note that Geoff Hollis took one month unpaid leave during the year.

8.2 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.

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	Yes	100%
ESLP	266,666	22 May 2013	22 May 2017	22 May 2018	$0.876	$0.220	Not yet	N/A
ESLP	40,000	22 July 2015	22 July 2017	22 July 2020	$2.696	$0.608	Not yet	N/A
ESLP	40,000	22 July 2015	22 July 2018	22 July 2020	$2.696	$0.608	Not yet	N/A
ESLP	40,000	22 July 2015	22 July 2019	22 July 2020	$2.696	$0.608	Not yet	N/A

As at the date of this report, there were 453,331 unissued ordinary shares under option or CRES. Of these, 333,331 were issued to 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 1,250,001 ordinary shares were issued as a result of the exercise of 1,050,000 options and the conversion of 200,001 CRES.

A loan of $175,201 was provided to three Key Management Personnel in respect of the conversion of 200,001 CRES during the year on 22 May 2016. In the prior year a loan of $233,601 was provided to four Key Management Personnel in respect of the conversion of 266,668 CRES on 22 May 2015. The loans are 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 2016 financial year would have been $9,334.

For details on the valuation of the options, including models and assumptions used, please refer to Note 25 of the Company's 2016 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	Total vested	Vested %	Total number exercised
Tim Poole	2010	2012	ESOP	125,000	$54,375	125,000	100%	125,000
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	100,000	100%	100,000
	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	66,667	100%	66,667
	2013	2016	ESLP	66,667	$14,400	66,667	100%	66,667
	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	66,667	100%	66,667
	2013	2016	ESLP	66,667	$14,400	66,667	100%	-
	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	33,334	100%	33,334
	2013	2017	ESLP	33,332	$7,333	-	-	-

9.3 Number of options and CRES held by Key Management Personnel

2016

Name	Balance at 1-Jul-15	Granted as remun-eration	Exercised	Balance at 30-Jun-16	Total vested 30-Jun-16	Total exercise-able 30-Jun-16	Total unexerci-sable 30-Jun-16
Directors							
Tim Poole	125,000	-	125,000(1)	-	-	-	-
Key Management Personnel							
Geoff Hollis	200,000	-	100,000(2)	100,000	-	-	100,000
Michael Imbesi	133,333	-	66,667(2)	66,666	-	-	66,666
Chris Paranthoiene	133,333	-	-	133,333	66,667	66,667	66,666
Sam Cohen	66,666	-	33,334(2)	33,332	-	-	33,332

(1) Exercised during the 2016 financial year, value per share at exercise date was $1.95.

(2) Exercised during the 2016 financial year, value per share at exercise date was $2.00.

2015

Name	Balance at 1-Jul-14	Granted as remun-eration	Exercised	Balance at 30-Jun-15	Total vested 30-Jun-15	Total exercise-able 30-Jun-15	Total unexerci-sable 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	-	-	-	-
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

For further details relating to options and CRES, please refer to Note 25 of the Company's 2016 financial statements.

9.4 Shareholdings of Key Management Personnel

2016

Name	Balance at 1-Jul-15	Off-market transfer	On-market transactions	Exercise of options	Balance at 30-Jun-16
Directors					
Bruce Carter	8,579,433	-	(1,500,000)	-	7,079,433
James Kelly	14,045,566	-	(1,000,000)	-	13,045,566
Tim Poole	1,080,460	19,147	-	125,000	1,224,607
Jim Craig	4,000,000	-	-	-	4,000,000
Philippa Kelly	65,000	-	-	-	65,000
Key Management Personnel					
Geoff Hollis	244,712	-	(144,712)	100,000	200,000
Michael Imbesi	170,667	-	-	66,667	237,334
Chris Paranthoiene	116,667	-	-	-	116,667
Sam Cohen	33,334	-	-	33,334	66,668

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 Paranthoiene(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.

10. Remuneration report voting at Annual General Meetings

Lifestyle Communities Limited received more than 98% of votes in support of its remuneration report for the 2015 financial year.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Tim Poole
Chair
18 August 2016

James Kelly
Managing Director
18 August 2016

PITCHER PARTNERS

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 2016, 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 year.

P A JOSE
Partner

18 August 2016

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 2016 financial year.

This Statement is current as at 18 August 2016 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 management of the Company's debt facilities;
- overseeing the Company's risk management strategy and approval of the risk management framework;
- selecting, appointing, and where necessary removing, the Managing Director;
- 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 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 senior management 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 Chair, 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 the Managing Director 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 the Managing Director and senior executives are set out in the Remuneration Report.

Company Secretary

The Company Secretary, Geoff Hollis, has a direct reporting line to the Chair of the Board to ensure that the Board and its committees function efficiently and effectively. The responsibilities of the Company Secretary include advising on governance matters such as Board and committee policies, supporting meetings by preparing agendas and minutes, and communicating with ASIC and the 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 supports 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 at all times;
- Objective 2: female representation within the senior management team; 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 2016 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 Chair 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 2016 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 manage.

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 9 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;
- information technology;
- financial and business management;
- sales and marketing; and
- legal, tax and regulatory.

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 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 6 and 7 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 transitioned from executive to non-executive Director on 1 July 2015. The Board assesses independence at least annually.

The Chair 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 shareholders. 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 Securities Trading Policy. Under the Company's Securities 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 outside of the following prohibited periods:

- from 1 January to the opening of trading on the second Business Day after the Company's half-yearly results are announced to the ASX;
- from 1 July to the opening of trading on the second Business Day after the Company's annual results for that year are announced to the ASX;
- from the opening of trading on the date that is two weeks prior to the AGM to the opening of trading on the first Business Day after the close of the AGM; and
- any additional period, as specified by the Board.

Trading within a prohibited period can only occur with the prior approval from the Chair.

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, Jim Craig and Bruce Carter (who replaced Tim Poole during the 2016 financial year), 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 6 and 7 of the Directors' Report.

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

Details of the number of Audit Committee meetings and attendance at those meetings are set out on page 9 of the Directors' Report.

The Audit Committee has adopted a formal Charter, which is 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 five 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;
- Securities 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.

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.

In the 2016 financial year the board has instructed the Chief Financial Officer to report on the Company's financial internal operations and controls; once completed in the 2017 financial year the plan is to then engage 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 Chair of the HR and Remuneration Committee is Jim Craig, and he is not the Chair of the Board.

Details of the number of HR and Remuneration Committee meetings and attendance at those meetings are set out on page 9 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 25 and 26 of the 2016 Annual Report and in notes 25 and 27 to the financial statements (set out on pages 69 and 70 of the 2016 Annual Report).

Consolidated Statement of Profit or loss and other Comprehensive income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Development revenue			
Home settlement revenue		54,877,337	66,344,244
Cost of sales		(43,080,471)	(47,512,020)
Gross profit from home settlements		11,796,866	18,832,224
Management and other revenue			
Rental revenue		11,074,970	9,160,202
Utilities revenue		1,385,214	1,106,306
Deferred management fees	6	2,508,705	1,597,538
Sub-division revenue		95,455	213,636
Finance revenue		209,884	367,702
Total management and other revenue		15,274,228	12,445,384
Fair value adjustments	5	18,924,865	15,050,549
less expenses			
Development expenses		(4,175,959)	(3,690,032)
Management expenses	6	(5,799,856)	(4,413,552)
Utilities expenses		(1,657,542)	(1,013,653)
Corporate overheads		(4,871,622)	(3,959,019)
Sub-division expenses		(95,455)	(126,619)
Finance costs	6	(842,529)	(1,606,134)
Accelerated finance costs due to re-financing	6	-	(2,421,488)
Profit before income tax		28,552,996	29,097,660
Income tax expense	7	(7,937,280)	(7,222,757)
Net profit from continuing operations		20,615,716	21,874,903
Profit is attributable to:			
Members of the parent		19,268,682	16,652,690
Non-controlling interests		1,347,034	5,222,213
		20,615,716	21,874,903
Total comprehensive income for the year		20,615,716	21,874,903
Total comprehensive income is attributable to:			
Members of the parent		19,268,682	16,652,690
Non-controlling interests		1,347,034	5,222,213
		20,615,716	21,874,903

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

	Note	cents	cents
Basic earnings per share	23	18.586	16.505
Diluted earnings per share	23	18.474	16.106

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

Consolidated Statement of Financial Position
For the year ended 30 June 2016

	Note	2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	9	3,352,040	7,999,152
Trade and other receivables	10	819,425	19,767
Inventories	11	35,548,272	17,962,778
Other current assets	12	650,553	432,736
Other financial assets	14	-	5,000,000
Total current assets		40,370,290	31,414,433
Non-current assets			
Inventories	11	14,197,573	12,680,744
Property, plant and equipment	13	4,227,618	2,794,430
Investment properties	15	163,676,707	132,757,442
Total non-current assets		182,101,898	148,232,616
TOTAL ASSETS		222,472,188	179,647,049
LIABILITIES			
Current liabilities			
Bank overdraft	9	2,558,487	-
Trade and other payables	16	14,364,641	5,357,176
Current tax payable	7	360,801	1,807,369
Provisions	17	251,792	148,865
Total current liabilities		17,535,721	7,313,410
Non-current liabilities			
Interest-bearing loans and borrowings	18	46,000,000	36,601,219
Provisions	17	311,074	274,921
Deferred tax liabilities	7	27,320,528	21,689,826
Total non-current liabilities		73,631,602	58,565,966
TOTAL LIABILITIES		91,167,323	65,879,376
NET ASSETS		131,304,865	113,767,673
EQUITY			
Contributed equity	19	63,822,710	63,027,710
Reserves	20	1,561,850	1,493,481
Retained earnings	20	65,920,305	49,246,482
Members' interest in equity		131,304,865	113,767,673
Non-controlling interest	21	-	-
TOTAL EQUITY		131,304,865	113,767,673

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total equity
	$	$	$	$	$
Balance at 1 July 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
Profit for the year	-	-	19,268,682	1,347,034	20,615,716
Total comprehensive income for the year	-	-	19,268,682	1,347,034	20,615,716
Transactions with owners in their capacity as owners:					
Net distributions to non-controlling interests	-	-	-	(1,347,034)	(1,347,034)
Issue of shares - exercise of options	795,000	-	-	-	795,000
Employee share schemes		68,369			68,369
Dividends paid	-	-	(2,594,859)	-	(2,594,859)
	795,000	68,369	(2,594,859)	(1,347,034)	(3,078,524)
Balance as at 30 June 2016	63,822,710	1,561,850	65,920,305	-	131,304,865

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

Consolidated Cash Flow Statement
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		76,445,342	85,159,922
Payments to suppliers and employees		(84,947,737)	(63,098,583)
Income tax paid		(3,753,146)	(1,608,312)
Interest received		209,884	367,702
Interest paid		(2,150,799)	(2,363,458)
Loan notes break-fee paid		-	(2,051,125)
Net cash flows provided by / (used in) operating activities	22	(14,196,456)	16,406,146
Cash flows from investing activities			
Purchase of property, plant and equipment	13(a)	(1,043,609)	(614,098)
Proceeds from long-term deposit		5,000,000	1,000,000
Purchase of investment properties and capitalised costs		(1,155,105)	(7,007,594)
Net cash flows provided by / (used in) investing activities		2,801,286	(6,621,692)
Cash flows from financing activities			
Proceeds from exercise of options		795,000	2,033,751
Proceeds from external borrowings		23,110,819	54,579,335
Repayment of external borrowings		(13,712,038)	(54,117,427)
Distributions paid to non-controlling interests		(3,409,351)	(7,037,600)
Dividends paid	8(a)	(2,594,859)	-
Net cash flows provided by / (used in) financing activities		4,189,571	(4,541,941)
Net increase / (decrease) in cash held		(7,205,599)	5,242,513
Cash at the beginning of the financial year		7,999,152	2,756,639
Cash at the end of the financial year	9	793,553	7,999,152

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

This financial report is a general purpose financial report, that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

The financial report covers Lifestyle Communities Limited and controlled entities as a consolidated entity. Lifestyle Communities Limited is a company limited by shares, incorporated and domiciled in Australia. Lifestyle Communities Limited is a for-profit entity for the purpose of preparing the financial statements.

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

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.

Significant 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.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests.

Non-controlling interests in the results of subsidiaries are shown separately in the Consolidated Statement of Profit or loss and other 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, bank overdrafts 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) Home settlement revenue
Revenue from home settlements is recognised when there is persuasive evidence, usually in the form of settlement of the home, 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:

	2016	2015
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.

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 or cash generating unit exceeds its recoverable amount. The recoverable amount of an asset cash generating unit is defined as the higher of its fair value less costs of disposal and value in use.

(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 wholly owned subsidiaries have implemented tax consolidation and have formed a income tax-consolidated group from 18 March 2011. This mean 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 is 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 wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations
The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled wholly within twelve months of reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations
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) Comparatives

Where necessary, 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 effective at 30 June 2016

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 obligation 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 JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

The estimates and assumptions based on future events have a significant inherent risk, and where future events are not anticipated there could be a material impact on the carrying amounts of the assets and liabilities in future periods, as discussed below.

(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 fair value of investment properties are derived from independent valuations and adjusted to reflect actual rental income.

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 25. 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.

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 18.

In the prior year the Group had a $27.6 million long-term loan facility that was subject to variable interest rates. In August 2016 this facility was re-financed with an $80 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):

	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	3,352,040	7,999,152
Other financial assets - term deposits	-	5,000,000
	3,352,040	12,999,152
Financial liabilities		
Bank overdraft	2,558,487	-
Secured loans - bank finance	46,000,000	36,601,219
	48,558,487	36,601,219
Net exposure	**(45,206,447)**	**(23,602,067)**

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)	
	2016	2015	2016	2015
	$	$	$	$
Consolidated				
+1% (100 basis points)	(316,445)	(165,214)	(316,445)	(165,214)
-1% (100 basis points)	316,445	165,214	316,445	165,214

When determining the parameters for a possible change in interest rate risk, management has taken into consideration the current economic environment at balance sheet date and historical movements.

A proportion of the impact on post tax profit is deferred due to the capitalisation of interest to inventory which is recognised when units are sold.

Market risk

At balance date, the Group has no financial instruments exposed to material market risks other than interest rate risk.

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 has been assessed as minimal as the financial assets have been assessed as having a high likelihood of being received.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a bank facility. The Group ensures that there is sufficient liquidity within the bank facility by maintaining internal credit requirements that are more conservative than the financier.

The Group's debt as at balance date is outlined at Note 18.

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:

	2016	2015
	$	$
6 months or less (1)	14,364,641	5,357,176
6-12 months	-	-
1-2 years	-	9,546,219
2-3 years	-	27,055,000
3-4 years (2)	46,000,000	-
	60,364,641	**41,958,395**

(1) This amount is represented by the following financial liabilities:
- $103,606 relates to share of net management income payable in respect of Lifestyle Cranbourne and Lifestyle Chelsea Heights.
- $14,261,035 relates to trade and other payables, refer to Note 16 for further detail.

(2) On 26 August 2015 the company re-financed its bank facilities with Westpac Banking Corporation securing an $80,000,000 facility with the first drawdown occurring on 25 September 2015. This facility is subject to internal credit management procedures whereby funds drawn are allocated between development debt (capitalised to inventory) and pre-development debt (expensed). Development debt includes funding for inventory and pre-development debt includes funding for undeveloped land. As at 30 June 2016 total debt was $46,000,000 with $33,607,940 allocated to development debt and $12,392,060 allocated to pre-development debt (as at 30 June 2015 total debt was $36,601,219 with $15,127,077 allocated to development debt and $21,474,142 allocated to pre-development debt).

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

30-Jun-16	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring Fair Value Measurements	**$**	**$**	**$**	**$**
Investment properties	-	-	163,676,707	163,676,707
Total assets measured at fair value	-	-	163,676,707	163,676,707

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

(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, deferred management fee annuity value, and management expense rates are derived from independent valuations. Some inputs relating to the rental annuity streams are adjusted to reflect appropriate data relating to the rental at those communities that weren't valued in the current year. The fair value of undeveloped land is based on inputs from independent 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, the deferred management fee annuity values, and the management expense rates.

(c) Significant unobservable inputs used in level 3 fair value measurements

(i) Investment properties

Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.
Rental annuity - the directors adjust the weekly rental rate to actuals for those communities not valued within the current year to reflect more actual rents due to annual rent increases.
Undeveloped land - the valuation for this component is taken from inputs within the independent valuations.

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 ($)	174.13 - 183.47	169.65 - 183.03
Anticipated % expenses (as a percentage of rental income)	28% - 41.5%	28% - 41.5%
Rental capitalisation rates (%)	8% - 8.5%	8% - 8.5%
Rental values per unit ($)	67,905 - 81,934	67,905 - 81,934
Deferred management fee discount rates (%)	13% - 14%	13% - 14%
Deferred management fee values per unit ($)	25,446 - 46,083	25,446 - 46,083
Valuation of undeveloped land (per hectare) ($'million)	0.17 - 1.58	0.17 - 1.58

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

(d) Reconciliation of recurring level 3 fair value movements
(i) Investment properties

	2016 $	2015 $
Opening balance	132,757,442	110,652,212
Additions (contracted land and capitalised costs)	11,994,400	7,054,681
Net unrealised gain from fair value adjustments	18,924,865	15,050,549
Closing balance	**163,676,707**	**132,757,442**

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 for those communities not valued in the current year. 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) 2016 $	Post Tax Profit Higher/(Lower) 2015 $	Equity Higher/(Lower) 2016 $	Equity Higher/(Lower) 2015 $
Rental expense rate				
+2%	(1,947,205)	(1,507,695)	(1,947,205)	(1,507,695)
-2%	1,947,205	1,507,695	1,947,205	1,507,695
Rental capitalisation rate				
+0.50%	(3,774,935)	(2,889,703)	(3,774,935)	(2,889,703)
-0.50%	4,272,198	3,251,345	4,272,198	3,251,345
Deferred management fee per unit				
+5%	1,441,886	1,185,176	1,441,886	1,185,176
-5%	(1,441,886)	(1,185,176)	(1,441,886)	(1,185,176)
Land prices (undeveloped land)				
+10%	2,084,286	1,619,259	2,084,286	1,619,259
-10%	(2,084,286)	(1,619,259)	(2,084,286)	(1,619,259)

NOTE 5: FAIR VALUE ADJUSTMENTS

	2016 $	2015 $
Net unrealised gain from fair value adjustments - investment properties (Note 15)	18,924,865	15,050,549

Fair value adjustment results from restating 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.

	2016 $	2015 $

NOTE 6: PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific revenues and expenses:

Revenues

	2016 $	2015 $
(i) Deferred management fee		
Deferred management fees received	2,044,930	1,336,088
Selling and administration fees	463,775	261,450
	2,508,705	1,597,538

Expenses

	2016 $	2015 $
(i) Finance costs expensed		
Accelerated finance costs due to re-financing		
Loan notes break-fee	-	2,051,125
Accelerated amortisation of capitalised costs of loan note finance (a)	-	370,363
	-	2,421,488
Other finance costs		
Loan notes	-	789,909
Bank loans	708,196	621,002
Amortisation of capitalised costs of loan note finance	-	135,212
Amortisation of loan facility fees	134,334	60,011
	842,529	1,606,134
Total finance costs	842,529	4,027,622

(ii) Finance costs capitalised
Finance costs expensed excludes the following interest capitalised as part of inventory:

	2016 $	2015 $
Loan notes	-	647,445
Bank loans	1,247,543	594,205
	1,247,543	1,241,650

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.

	2016 $	2015 $
(iii) Management expenses		
Management expenses attributable to communities	4,289,729	3,303,000
Deferred management fee sales and marketing expenses	348,690	217,083
Management surplus applicable to joint venture partners	1,161,437	893,469
	5,799,856	4,413,552
(iv) Plant and equipment		
Depreciation (Note 13)	339,995	246,417
Write-off of plant and equipment (Note 13)	-	1,694
	339,995	248,111
(v) Employee benefits expense		
Wages and salaries	4,036,162	3,670,014
Defined contribution superannuation expense	340,825	304,989
Share option expense	68,369	81,982
Movement in employee provisions	139,080	(139,894)
	4,584,436	3,917,091

	2016	2015
	$	$
NOTE 7: INCOME TAX		
(a) Components of tax expense		
Current tax	2,431,998	2,852,871
Deferred income tax	5,630,702	4,903,827
Over provision in prior years	(125,420)	(533,941)
	7,937,280	7,222,757
(b) Deferred income tax expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	(26,770)	628,001
Increase in deferred tax liabilities	5,657,472	4,275,826
	5,630,702	4,903,827
(c) Reconciliation between tax expense recognised in the income statement and tax expense		
Accounting profit before tax	28,552,996	29,097,660
At the statutory income tax rate of 30% (2015:30%)	8,565,899	8,729,298
Add / (less):		
Share based payments	20,511	24,595
Non-controlling interests accounting and tax adjustments	(517,737)	(1,566,923)
Other	(131,392)	35,787
Income tax expense	7,937,280	7,222,757
(d) Current tax		
Current tax relates to the following:		
Opening balance	1,807,369	1,096,751
Income tax	2,431,998	2,852,871
Tax payments	(3,753,146)	(1,608,312)
Over provision	(125,420)	(533,941)
Current tax liabilities	360,801	1,807,369
(e) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Borrowing costs	70,298	38,599
Finance arranger costs	-	71,206
Capital raising costs	107,075	178,478
Capital losses	465,831	481,872
Tax losses	889,425	950,067
Provision for employee entitlements	168,860	127,136
Accruals & business expenses	172,639	-
	1,874,128	1,847,358
Deferred tax liabilities		
The balance comprises:		
Interest capitalised	1,249,347	1,269,334
Investment property fair value adjustments	27,945,309	22,267,850
	29,194,656	23,537,184
Net deferred tax liability	27,320,528	21,689,826

	2016	2015
	$	$

NOTE 8: DIVIDENDS

(a) Dividends

	2016 $	2015 $
Dividends paid $0.025 per share (2015: $nil per share) fully franked	2,594,859	-

(b) Dividends declared after balance date and not recognised

	2016 $	2015 $
Since balance date the directors have recommended a dividend of 1.5 cents per share fully franked at 30%	1,563,177	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:	6,340,221	5,968,951

NOTE 9: CASH & CASH EQUIVALENTS

	2016 $	2015 $
CURRENT ASSETS		
Cash at bank and on hand	3,145,540	7,792,652
Short-term deposits	206,500	206,500
	3,352,040	7,999,152
CURRENT LIABILITIES		
Bank overdraft	2,558,487	-
NET CASH	793,553	7,999,152

NOTE 10: TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
CURRENT		
Other receivables	819,425	19,767

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

	2016 $	2015 $
CURRENT		
Completed units	19,333,323	10,336,368
Civils & infrastructure	16,214,949	7,626,410
	35,548,272	17,962,778
NON-CURRENT		
Completed units	1,625,640	603,427
Civils & infrastructure	12,571,933	12,077,317
	14,197,573	12,680,744
TOTAL INVENTORIES	49,745,845	30,643,522

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2016 totalled $43,080,471 for the Group (2015: $47,512,020). The expense has been included in the cost of sales line item.

NOTE 12: OTHER CURRENT ASSETS

	2016 $	2015 $
Security deposits	189,067	197,028
Other assets	252,306	177,267
Prepayments	209,180	58,441
	650,553	432,736

Fair value and credit risk

Due to the short term nature of other current assets, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of other current assets.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

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

Year end 30 June 2016	*Buildings* $	*Plant and equipment* $	*Computer equipment* $	*Motor vehicles* $	*Total* $
At 1 July 2015 net of accumulated depreciation	1,263,814	1,125,844	98,389	306,383	2,794,430
Additions	38,502	739,723	124,402	140,982	1,043,609
Transfer (i)	729,573	-	-	-	729,573
Depreciation charge for the year	(46,347)	(168,238)	(58,511)	(66,899)	(339,995)
At 30 June 2016 net of accumulated depreciation	1,985,542	1,697,329	164,280	380,467	4,227,618
At 30 June 2016					
Cost	2,184,023	2,589,508	506,412	718,959	5,998,902
Accumulated depreciation	(198,481)	(892,179)	(342,132)	(338,493)	(1,771,285)
Net carrying amount	1,985,542	1,697,329	164,280	380,467	4,227,618
Year end 30 June 2015					
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 2014 net of accumulated depreciation	1,263,814	1,125,844	98,389	306,383	2,794,430
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	1,263,814	1,125,844	98,389	306,383	2,794,430

(i) Community manager's residences at Geelong, Wollert and Officer were reclassified from Inventory to Buildings in the current year.

NOTE 14: OTHER FINANCIAL ASSETS

CURRENT

Term deposits	-	5,000,000

	2016	2015
	$	$

NOTE 15: INVESTMENT PROPERTIES

	2016	2015
Investment properties at fair value	163,676,707	132,757,442
(a) Reconciliation of carrying amounts at the beginning and end of the period		
Opening balance as at 1 July	132,757,442	110,652,212
Additions	11,994,400	7,054,681
Net gain from fair value adjustments	18,924,865	15,050,549
Closing balance as at 30 June	163,676,707	132,757,442

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 at some communities. The fair value of the land is based on independent 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 18.

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

	2016	2015
(b) Carrying amount of investment properties if the cost method had been applied	66,728,187	54,733,787

NOTE 16: TRADE AND OTHER PAYABLES

	2016	2015
CURRENT		
Trade payables (a)	1,005,733	2,750,778
Customer deposits (b)	878,575	638,050
GST payable	391,673	23,843
Other payables and accruals (c)	1,153,911	615,769
Contracted land (d)	10,934,750	-
Trust distributions payable (e)	-	1,328,736
	14,364,641	5,357,176

(a) Trade payables
Trade payables are non-interest bearing and are normally settled on 7 to 30 day terms. Due to the short term nature of trade payables, their carrying amount is assumed to approximate their fair value.

(b) Customer deposits
These represent deposits received from customers that are recognised as revenue upon home settlement.

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

(d) Contracted land
Includes $10,305,000 payable on the settlement of land at Berwick Waters (scheduled to settle in the first-half of the 2017 financial year) and $629,750 accrued stamp duty due upon settlement of the land.

(e) 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.

	2016	2015
	$	$
NOTE 17: PROVISIONS		
CURRENT		
Employee provisions	251,792	148,865
NON-CURRENT		
Employee provisions	311,074	274,921

NOTE 18: INTEREST-BEARING LOANS AND BORROWINGS

	2016	2015
NON-CURRENT		
Secured loans - bank finance	46,000,000	36,601,219

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

(a) Secured loans - bank finance maturity
As at reporting date the company has drawn $48,558,487 comprising a facility a loan of $46,000,000 and a bank overdraft of $2,558,487 of the $80,000,000 facility with Westpac Banking Corporation. The facility has an expiry of greater than one year, expiring on 26 August 2020.

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

(c) Terms and conditions
(i) *Bank overdraft*
As at reporting date the company has a bank overdraft of $2,558,487. The Company has a $5,000,000 overdraft sub-limit as part of the $80,000,000 facility with Westpac Banking Corporation.

(i) *Non-current secured loans - bank finance*
As at reporting date the company has drawn $46,000,000 in addition to the bank overdraft of $2,558,487. The $80,000,000 facility agreement was signed on 26 August 2015. This facility re-financed the $27,000,000 fully-drawn Westpac facility and $8,577,183 of Westpac development facilities relating to Shepparton, Wollert and Geelong. The facility has an expiry of greater than one year, expiring on 26 August 2020.

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.

(d) Assets pledged as security
The new $80,000,000 facility held with Westpac Banking Corporation is secured by the following:
- General Security Deeds between Westpac Banking Corporation and Lifestyle Communities Limited, Lifestyle Investments 1 Pty Ltd, Lifestyle Developments 1 Pty Ltd, Lifestyle Management 1 Pty Ltd, Brookfield Village Development Pty Ltd, Brookfield Village Management Pty Ltd, Lifestyle Investments 2 Pty Ltd, Lifestyle Developments 2 Pty Ltd, Lifestyle Management 2 Pty Ltd and Lifestyle Communities Investments Cranbourne Pty Ltd.

Mortgage by Lifestyle Investments 1 Pty Ltd over Melton, Tarneit and Warragul properties.
Mortgage by Lifestyle Investments 2 Pty Ltd over the Shepparton, Hasting, Wollert, Geelong and Officer properties.

(e) 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.

	2016	2015
	$	$
NOTE 19: CONTRIBUTED EQUITY		
104,211,800 Ordinary shares (2015: 102,961,799 Ordinary shares)	63,822,710	63,027,710
453,331 Convertible repurchase-able employee shares (CRES) (2015: 533,332 CRES)	-	-
	63,822,710	63,027,710

(i) Reconciliation of Ordinary shares

	Number	$
2015		
Opening balance	99,970,131	60,993,959
Movement	2,991,668	2,033,751
Balance as at 30 June 2015	102,961,799	63,027,710
2016		
Opening balance	102,961,799	63,027,710
Issue of shares - exercise of options	1,050,000	795,000
Issue of shares - conversion of CRES to ordinary shares	200,001	-
Balance as at 30 June 2016	104,211,800	63,822,710

(ii) Reconciliation of CRES

	Number	$
2015		
Opening balance	800,000	-
Movement	(266,668)	-
Balance as at 30 June 2015	533,332	-
2016		
Opening balance	533,332	-
Conversion to ordinary shares	(200,001)	-
Issue of CRES shares	120,000	-
Balance as at 30 June 2016	453,331	-

(a) Ordinary shares
Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) 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 and 23 May 2016, the first tranche and part of the second tranche of CRES (466,669 CRES) were converted to ordinary shares. The conversion of 466,669 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. 66,667 CRES shares are available to convert to ordinary shares and the balance of 266,664 can be converted to ordinary shares on 22 May 2017. For further information relating to the value prescribed to the CRES refer to Note 25.

120,000 CRES shares with a conversion price of $2.696 each, exercisable in three tranches upon completion of a continuous two, three and four years of service. Vesting dates 22 July 2017, 22 July 2018 and 22 July 2019; the expiry date is 22 July 2020.

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.

(c) 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.

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 FY2016 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 1.0 cent per share ($1,040,118) and declare a final fully franked dividend of 1.5 cents per share ($1,563,177).

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.

NOTE 20: RETAINED EARNINGS AND RESERVES

(a) Movements in retained earnings were as follows:

	2016 $	2015 $
Balance 1 July	49,246,482	32,593,792
Net profit	19,268,682	16,652,690
Dividends paid	(2,594,859)	-
	65,920,305	49,246,482

(b) Reserves

	Option reserve $
2015	
At 1 July 2014	1,411,499
Option expense	81,982
At 30 June 2015	1,493,481
2016	
At 1 July 2015	1,493,481
Option expense	68,369
At 30 June 2016	1,561,850

The option reserve is used to record the fair value of options issued to employees and directors as part of their remuneration as well as the fair value of options issued for services (refer Note 25 for further details).

NOTE 21: NON-CONTROLLING INTERESTS

	2016 $	2015 $
Interest in:		
Retained earnings	-	-

Details of subsidiaries with non-controlling interests

(a) The Group has a 50% interest (2015: 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. The entity is registered and operates in Australia.

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

(i) Summarised financial information for subsidiary:

	2016 $	2015 $
Current assets	477,523	639,334
Non-current assets	-	78,702
Total assets	477,523	718,036
Current liabilities	477,523	718,036
Non-current liabilities	-	-
Total liabilities	477,523	718,036
Net assets	-	-

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.

	2016 $	2015 $
Revenues	653,320	12,119,580
Expenses	(464,541)	(8,685,748)
Net profit after tax from continuing operations	188,779	3,433,832
Profit allocated to non-controlling interest	94,389	1,716,916

	2016	2015
	$	$

NOTE 21: NON-CONTROLLING INTERESTS (continued)

Details of subsidiaries with non-controlling interests (continued)

(ii) Summarised financial information for subsidiaries' cash flows:

	2016 $	2015 $
Cash flows from operating activities	454,315	8,974,585
Cash flows from investing activities	(4,169)	(4,049)
Cash flows from financing activities	(383,341)	(9,407,311)
Net cash flows	66,805	(436,775)

(iii) Summarised financial information for subsidiaries' trust distributions:

	2016 $	2015 $
Trust distributions	188,779	3,433,832

(iv) Summarised financial information for subsidiaries' contingent liabilities:

	2016 $	2015 $
Bank guarantees	100,000	100,000

Bank guarantees are funded by the subsidiaries and are secured by term deposits.

(b) The Group has a 50% interest (2015: 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. The entity is registered and operates in Australia.

Lifestyle Chelsea Heights Unit Trust commenced its operations in 22 December 2011.

(i) Summarised financial information for subsidiary:

	2016 $	2015 $
Current assets	111,630	4,761,294
Non-current assets	-	188,320
Total assets	111,630	4,949,614
Current liabilities	111,630	4,949,614
Non-current liabilities	-	-
Total liabilities	111,630	4,949,614
Net assets	-	-

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.

	2016 $	2015 $
Revenues	8,342,057	20,392,291
Expenses	(5,836,768)	(13,381,696)
Net profit after tax from continuing operations	2,505,289	7,010,595
Profit allocated to non-controlling interest	1,252,645	3,505,298

(ii) Summarised financial information for subsidiaries' cash flows:

	2016 $	2015 $
Cash flows from operating activities	3,898,397	7,389,488
Cash flows from investing activities	(31,220)	(48,617)
Cash flows from financing activities	(5,269,303)	(5,947,272)
Net cash flows	(1,402,126)	1,393,599

(iii) Summarised financial information for subsidiaries' trust distributions:

	2016 $	2015 $
Trust distributions	2,505,289	7,010,595

(iv) Summarised financial information for subsidiaries' capital commitments:

	2016 $	2015 $
Contracted development costs	-	418,436

(v) Summarised financial information for subsidiaries' contingent liabilities:

	2016 $	2015 $
Bank guarantees	106,182	106,182

Bank guarantees are funded by the subsidiaries and are secured by term deposits.

	2016 $	2015 $
NOTE 22: CASH FLOW STATEMENT RECONCILIATION		
a) Reconciliation of net cash flows from operating activities to operating profit		
Operating profit after income tax	20,615,716	21,874,903
Adjustment for non-cash items:		
Depreciation	339,995	246,417
Amortisation	134,334	565,586
Write-off of plant and equipment	-	1,694
Share option expense	68,369	81,982
Fair value adjustment	(18,924,865)	(15,050,549)
Add back/(subtract) changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(102,771)	78,447
(Increase)/decrease in inventories	(20,051,895)	1,064,892
Increase/(decrease) in trade and other payables	(598,551)	2,068,223
Increase/(decrease) in provisions	139,080	(139,894)
Increase/(decrease) in current tax	(1,446,568)	710,618
Increase in deferred tax	5,630,701	4,903,827
Net cash flow from operating activities	(14,196,456)	16,406,146

NOTE 23: EARNINGS PER SHARE

The following reflects the income and weighted average number of shares used in the basic and diluted earnings per share computations:

	2016	2015
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net profit	19,268,682	16,652,690
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	103,673,650	100,894,035
Effect of dilution:		
Share options	629,841	2,498,837
Weighted average number of ordinary shares adjusted for dilution	104,303,491	103,392,872

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.

NOTE 24: 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 2016	% Equity interest 2015	Carrying value of parent entity's interest 2016	Carrying value of parent entity's interest 2015
				$	$
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
				8,751,809	8,751,809

(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.

	2016	2015
	$	$

NOTE 25: SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	2016	2015
Expense arising from equity-settled shared-based payment transactions	68,369	81,982

(b) Types of share-based payment plans

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 920,000 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:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
		A$		A$
Outstanding at the beginning of the year	1,583,332	0.797	4,575,000	0.797
CRES issued during the year	120,000	2.696	-	-
Options exercised during the year	(1,050,000)	0.757	(2,725,000)	0.746
CRES exercised during the year	(200,001)	0.876	(266,668)	0.876
Outstanding at the end of the year	453,331	1.358	1,583,332	0.797
Exercisable at the end of the year	66,667	0.876	1,050,000	0.757

The outstanding balance as at 30 June 2016 is represented by:
- 66,667 CRES shares with a conversion price of $0.876 each, vested and exercisable in one tranche up until the expiry date of 22 May 2018 (issued pursuant to the Employee Share Loan Plan).
- 266,664 CRES shares with a conversion price of $0.876 each, exercisable in one tranche upon completion of a continuous four years of service. Vesting date 22 May 2017; the expiry date is 22 May 2018 (issued pursuant to the Employee Share Loan Plan).
- 120,000 CRES shares with a conversion price of $2.696 each, exercisable in three tranches upon completion of a continuous two, three and four years of service. Vesting dates 22 July 2017, 22 July 2018 and 22 July 2019; the expiry date is 22 July 2020 (issued pursuant to the Employee Share Loan Plan).

NOTE 25: 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 2016 is 2.5 years (2015: 2.4).

(f) Range of exercise price

The range of exercise prices for options and CRES outstanding at the end of the year was $0.876 to $2.696 (2015: $0.65 to $0.876).

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

The weighted average fair value of CRES granted during the year was $0.608. There were no options or CRES granted in 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	ESLP (CRES) FY2016
Dividend yield (%)	0%	3%	5%	3%
Expected volatility (%) (4 year historical monthly)	67%	41%	43%	28%
Risk-free interest rate (%)	5.28%	2.81%	2.73%	2.20%
Vesting period at issue (years)	2	2, 3, 4	-	2, 3, 4
Time to expiry at issue (years)	5	5	5	5
Option/CRES exercise price ($)	$0.650	$0.876	$0.800	$2.696
Weighted average share price at measurement date ($)	$0.700	$0.700	$0.700	$2.451

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

NOTE 26: 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.

NOTE 27: KEY MANAGEMENT PERSONNEL

	2016 $	2015 $
Compensation of Key Management Personnel		
Short-term employee benefits	1,344,078	1,351,552
Post-employment benefits	101,831	106,648
Share-based payments	43,582	81,982
	1,489,491	1,540,183

There were no changes to employees defined as key management personnel during the 2016 financial year.

NOTE 28: COMMITMENTS AND CONTINGENCIES

(a) Commitments

Operating lease commitments receivable – Group as lessor
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 83 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:

	2016 $	2015 $
Within one year	12,581,362	10,362,827
After one year but not more than five years	50,325,446	41,451,307
After more than five years	1,030,380,327	853,428,936
Total minimum lease payments	1,093,287,134	905,243,070

Minimum lease payments were determined by measuring the current years rentals and measuring this over the standard 90 year lease agreement.

Operating lease commitments payable - Group as lessee
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:

	2016 $	2015 $
Within one year	162,464	144,228
After one year but not more than five years	135,386	264,418
Total minimum lease payments	297,850	408,646
Contracted construction commitments		
Payable not later than one year	5,080,611	4,699,458

(b) Contingencies

	2016 $	2015 $
Bank guarantees	206,182	206,182

Bank guarantees are funded by the joint venture entities and are secured by term deposits.

	2016	2015
	$	$
NOTE 29: AUDITORS REMUNERATION		
The auditor of Lifestyle Communities Limited is Pitcher Partners.		
Amounts received or due and receivable for current auditors:		
An audit or review of the financial report of the entity and any other entity in the consolidated group.	115,984	142,500
Other services in relation to the entity and any other entity in the consolidated group - tax compliance, general tax advice, human resources advice, IT consulting and other agreed upon procedures.	50,773	42,790
	166,757	185,290

NOTE 30: PARENT ENTITY DISCLOSURES

Required disclosures relating to Lifestyle Communities Limited as a parent entity:

	2016	2015
Current assets	96,179,594	35,471,178
Total assets	113,856,573	51,839,312
Current liabilities	3,752,740	2,329,597
Total liabilities	50,219,113	2,759,818
Net assets	63,637,460	49,079,494
Equity:		
Contributed equity	63,465,695	62,670,695
Reserves:		
Option reserve	1,561,850	1,493,481
Accumulated losses	(1,390,085)	(15,084,682)
Total equity	63,637,460	49,079,494
Net profit	16,289,454	(2,608,900)
Total comprehensive income	16,289,454	(2,608,900)

Subsequent to year end Lifestyle Developments 2 Pty Ltd, a subsidiary of Lifestyle Communities Limited, declared a dividend of $15,000,000. This ensures that there are sufficient retained earnings within Lifestyle Communities Limited to declare its dividend.

NOTE 31: SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

NOTE 32: 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 2016 (and prior year). Lifestyle Investments 2 Pty Ltd is ineligible for relief pursuant to the Class Order for the year ended 30 June 2016 (and prior year) 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 2016 (including prior year comparatives) is set out as follows:

	2016 $	2015 $
(a) Consolidated Statement of Comprehensive Income of the closed group		
Development revenue		
Home settlement revenue	45,247,665	30,633,341
Cost of sales	(36,671,617)	(24,743,715)
Gross profit from home settlements	8,576,048	5,889,626
Management and other revenue		
Rental revenue	1,627,355	820,983
Management fee income	760,098	1,681,370
Trust distributions	1,252,644	3,505,297
Finance revenue	134,178	245,499
Total management and other revenue	3,774,275	6,253,149
Fair value adjustments	14,350,213	11,559,738
less Expenses		
Development expenses	(3,994,273)	(3,093,531)
Management expenses	(1,627,355)	(820,983)
Corporate overheads	(4,850,339)	(3,932,304)
Finance costs	(612,831)	-
Profit before income tax	15,615,738	15,855,695
Income tax expense	(4,606,034)	(4,856,269)
Net profit from continuing operations	11,009,704	10,999,426
Profit is attributable to:		
Members of the parent	11,009,704	10,999,426
Non-controlling interests	-	-
	11,009,704	10,999,426

NOTE 32: DEED OF CROSS GUARANTEE (continued)

(b) Summary of movements in consolidated retained earnings of the closed group

	2016 $	2015 $
Balance 1 July	8,879,500	(2,119,926)
Dividends paid	(2,594,859)	-
Net profit	11,009,704	10,999,426
	17,294,345	8,879,500

(c) Consolidated Statement of Financial Position of the closed group

	2016 $	2015 $
ASSETS		
Current assets		
Cash and cash equivalents	2,886,063	5,743,116
Trade and other receivables	1,781	563,625
Inventories	34,982,475	15,364,768
Other financial assets	-	3,000,000
Other current assets	611,225	366,353
Total current assets	38,481,544	25,037,862
Non-current assets		
Inventories	15,085,060	13,626,244
Property, plant and equipment	1,481,389	686,175
Other financial assets	8,893,334	8,893,334
Investment properties	84,567,276	58,127,313
Total non-current assets	110,027,059	81,333,066
TOTAL ASSETS	148,508,603	106,370,928
LIABILITIES		
Current liabilities		
Bank overdraft	2,558,487	-
Trade and other payables	6,979,478	15,970,473
Current tax payable	360,801	1,807,369
Provisions	251,792	148,865
Total current liabilities	10,150,558	17,926,707
Non-current liabilities		
Trade and other payables	155,300	155,300
Interest-bearing loans and borrowings	46,000,000	9,546,219
Provisions	311,073	274,921
Deferred tax liabilities	9,213,767	5,067,090
Total non-current liabilities	55,680,140	15,043,530
TOTAL LIABILITIES	65,830,698	32,970,237
NET ASSETS	82,677,905	73,400,691
EQUITY		
Contributed equity	63,822,710	63,027,710
Reserves	1,561,850	1,493,481
Retained earnings	17,293,345	8,879,500
TOTAL EQUITY	82,677,905	73,400,691

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 43 to 74 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 2016 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 32 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 32.

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 2016.

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

Tim Poole
Chairman

James Kelly
Managing Director

Melbourne, 18 August 2016

LIFESTYLE COMMUNITIES LIMITED

AND CONTROLLED ENTITIES
ABN 11 078 675 153

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 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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 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 2016 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 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

Peter Jose

P A JOSE
Partner

18 August 2016

Pitcher Partners

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 17 August 2016.

(a) Distribution of equity securities

(i) Ordinary share capital
104,211,800 fully paid ordinary shares are held by 1,674 individual shareholders

(ii) Convertible repurchase-able employee shares (CRES)
453,331 CRES shares are held by five individual shareholders

(b) Substantial shareholders

Fully paid ordinary shareholders	Number	Percentage	Current at (last notification date)
James Kelly	13,045,566	12.52%	17 August 2016
Cooper Investors Pty Ltd	9,459,205	9.08%	5 May 2015
Bruce Carter	7,079,433	6.79%	17 August 2016
Perlov family	6,686,637	6.42%	17 August 2016
Commonwealth Bank of Australia	6,092,157	5.85%	8 May 2015
Westpac Banking Corporation	5,750,938	5.52%	9 February 2016
Australian Foundation Investment Company Limited	5,442,211	5.22%	27 April 2016
National Australia Bank	5,390,550	5.17%	17 September 2015
	58,946,697	**56.56%**	

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.

(c) Twenty largest holders of quoted equity securities

Rank	Name	Units	% of Units
1.	MASONKELLY PTY LTD	10,116,265	9.71
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,188,043	8.82
3.	NATIONAL NOMINEES LIMITED	7,828,465	7.51
4.	DAKEN INVESTMENTS PTY LTD	6,649,539	6.38
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,943,042	5.70
6.	B S CARTER INVESTMENTS PTY LTD <B S CARTER FAMILY A/C>	5,492,910	5.27
7.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,470,436	5.25
8.	CITICORP NOMINEES PTY LIMITED	5,134,394	4.93
9.	BNP PARIBAS NOMS PTY LTD <DRP>	4,755,941	4.56
10.	EQUITAS NOMINEES PTY LIMITED <PB-600687 A/C>	4,000,000	3.84
11.	MIRRABOOKA INVESTMENTS LIMITED	3,615,728	3.47
12.	PJ COOPER INVESTMENTS PTY LTD <COOPER INVESTMENT A/C>	2,857,142	2.74
13.	AMCIL LIMITED	2,621,024	2.52
14.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA>	2,219,573	2.13
15.	KELLY SUPERANNUATION FUND PTY LTD	2,116,801	2.03
16.	ARMADA INVESTMENTS PTY LTD	1,908,229	1.83
17.	BS CARTER SUPERANNUATION PL <CARTER SUPERFUND PENSION A/C>	1,386,523	1.33
18.	GMH SERVICES PTY LTD <GMH FAMILY A/C>	1,165,000	1.12
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,067,072	1.02
20.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,023,602	0.98
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**84,559,729**	**81.14**

(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	608	242,986	0.23
1,001 - 5,000	610	1,637,548	1.57
5,001 - 10,000	188	1,460,210	1.40
10,001 - 100,000	217	5,909,671	5.67
100,001 - 1,000,000	31	10,401,656	9.98
1,000,001 - 100,000,000	20	84,559,729	81.14
Rounding			**0.01**
Total	**1,674**	**104,211,800**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $3.40 per unit	148	215	8,165

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 Chair 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 39, 525 Collins 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