2018

Annual Report

Lifestyle
COMMUNITIES

Our Communities

16 communities across Victoria

A business making a difference

Contents

Chair's Report

For the 2018 Financial Year

Dear fellow shareholders,

There have been many changes at Lifestyle Communities during a busy 2018 financial year. This included a transformation in the Company's Board as we welcomed three new Directors, The Hon. Nicola Roxon, Georgina Williams and, more recently, David Blight. Nicola, Georgie and David have broadened the skills and experience of the Board and have made an immediate and positive impact on Board discussions.

As part of the Board renewal, Bruce Carter and Jim Craig resigned from the Board during the year. As one of the three founders of the Company and a long-term Executive Director, Bruce's contribution to Lifestyle Communities has been significant. Jim joined the Board in 2012 and was a key architect in the Company's transformative capital raising in that year. Bruce and Jim were outstanding Directors of the Company and, on behalf of the Board, I thank them for their service and wish them well for the future.

The Company's senior management team also experienced some change during the 2018 financial year. This change is necessary as the Company prepares for further growth in the number of communities being developed and managed. I would like to make a special mention of Geoff Hollis, our former Chief Financial Officer and Company Secretary, who worked closely with the Board during his eight years with the Company. On behalf of the Board, I would like to thank Geoff for his contribution and wish him well for the next steps in his career.

The highlight of the 2018 financial year was the outstanding results delivered by our team. New home settlements of 321, underlying net profit after tax of $33.8 million and underlying return on capital employed of 19.5% are very good numbers. They reflect a clear and increasing need for our communities at the quality but affordable part of the market and a team that is executing our plans extremely well.

We often get asked about our ability to access new land. We are not a 'land banker' and the Victorian property market has been highly competitive in recent years, so shareholders are right to question whether we can continue to access land at a fair price. Notwithstanding the competitive market, Lifestyle Communities has been able to make three new land acquisitions during the last two financial years and buy additional land to extend the size of our Ocean Grove community. Given the quality of our communities, developers are increasingly prepared to sell us land from their development projects. And given we are playing a role in developing affordable housing, councils have been providing strong planning support. We monitor our land access risk intently and remain of the view that, in the medium to long term, we will be able to get access to good quality land opportunities at fair prices in Victoria.

The Board believes the 2019 financial year will be another successful year for Lifestyle Communities. We are planning on increasing the number of settlements over the record number achieved in 2018, three new communities are expected to be launched for sale and a range of new initiatives for our homeowners are planned at our communities.

Finally, on behalf of the Board, I would like to thank all our homeowners, our talented team and our shareholders for great support during the 2018 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
15 August 2018

Managing Director's Report

For the 2018 Financial Year

Dear fellow shareholders,

I am pleased to present to you the Lifestyle Communities Annual Report for the year ended 30 June 2018.

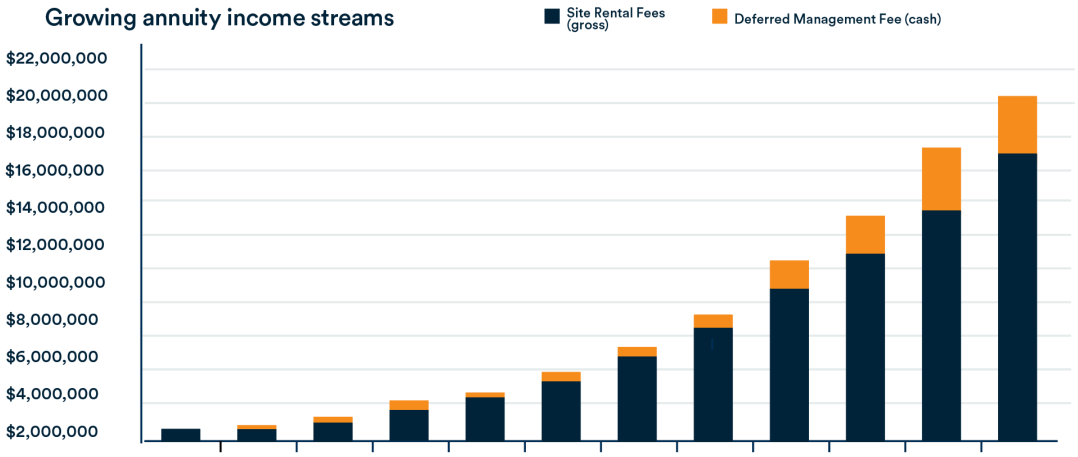
The 2018 financial year has seen the addition of 321 new home settlements now providing 1,947 settled homes within our communities providing annuity income streams. We are delighted with the acquisition of an additional site during the year located at Wollert North as well as acquiring additional land to expand our development at Ocean Grove. We also undertook an additional and final stage at Shepparton which will complete that project at 301 homes when sold out. Our ongoing acquisition plan remains focused in Victoria where we can continue to build on our brand equity and we continue to investigate further sites in Melbourne's key growth corridors. As our brand has become established and visible, 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 on finalising the developments at Shepparton and Geelong, maintaining the pace at Berwick Waters, Bittern and Ocean Grove, and launching new communities at Mount Duneed, Kaduna Park and Wollert North. We also remain focused on continuing to differentiate Lifestyle Communities against our competitors through delivering a high level of customer experience through all the various customer touchpoints. This has resulted in 54% of our new sales during FY2018 coming from referrals.

The key highlights for the 2018 financial year include:

- Achieving 321 new home settlements; we commence FY2019 with 369 new homes sold but not settled;
- Acquiring additional sites in Kaduna Park and Wollert North;
- Achieving 125 settlements at Berwick Waters during the year and being almost sold out within two and a half years;
- Achieving 116 sales at Bittern and welcoming our first homeowners in May 2018;
- Increasing the total number of home sites settled and under management to 1,947;
- Increasing the total portfolio to 2,995 home sites either under planning, development or management;
- Achieving 48 settlements at Lifestyle Shepparton leaving 54 homes to completely sell out our largest community (301 homes);
- Underlying net profit after tax attributable to shareholders increased by $8.8 million to $33.8 million (statutory net profit after tax was $52.7 million);
- Home site annuity rentals increased by $3.3 million to $17.0 million; and
- Deferred management fees realised (inclusive of selling and administration fees) remained steady at $4.3 million due to strong resale prices despite settlements reducing to 59 (2017: 73).

The Company now has thirteen 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.



Financial Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total number of homes settled (Cumulative)	100	138	202	305	412	546	695	906	1,146	1,348	1,626	1,947
Number of resales attracting a DMF	-	-	4	11	8	11	10	23	34	52	73	59

During the last year we have undertaken a complete assessment of the company's systems, processes and human resources with a strategy to build organisational ability while also maintaining the unique organisational culture that Lifestyle Communities has enjoyed as an organic growth business. This has involved the implementation of new systems and processes and also a restructure of a number of positions and roles to enable our ongoing growth and service delivery.

Finally I am pleased to announce the Lifestyle Communities foundation donated over $100,000 this year to cancer based charities. The foundation is funded through allocating $50 for every home that we have under management and is directed towards matching what communities raise in supporting cancer based charities.

Yours sincerely,

James Kelly

James Kelly
Managing Director
15 August 2018

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 2018 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 2018 was $52,681,734 (2017: $27,695,112).

Directors

The Directors of the Company during the financial year and until the date of this report are set out below.

Tim Poole, Non-Executive Chair (BCom)

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

Tim has more than 17 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.

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

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 20 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 Alcohol and Drug Foundation, including Chair of the Audit and Risk Committee.

The Honourable Nicola Roxon, Non-Executive Director (BA/LLB (Hons), GAICD)

The Honourable Nicola Roxon was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 1 September 2017. Ms Roxon was also recently appointed as a member of the HR & Remuneration Committee.

Ms Roxon holds a Bachelor of Arts and Bachelor of Laws with Honours from the University of Melbourne. Her current roles are Non-Executive Chair of Bupa Australia and New Zealand, Non-Executive Director of Dexus Funds Management Limited, and Chair of the Cancer Council Australia, the Accounting Professional and Ethical Standards Board and Chair and Adjunct Professor at the Sir Zelman Cowen Centre at Victoria University.

Ms Roxon has more than 20 years' experience with a background in the public sector and significant expertise in highly regulated consumer industries and the not-for-profit sector. Ms Roxon has deep industry knowledge of the health, government and professional services sector in positions including Federal Attorney General, Federal Minister for Health and Ageing, Member for Gellibrand and Industrial lawyer and advocate at Maurice Blackburn and the National Union of Workers.

Georgina Williams, Non-Executive Director (BCom, BA)

Georgina Williams was appointed to the Board of Lifestyle Communities Limited as a Non-Executive on 1 September 2017. Georgina was also recently appointed as a member of the Audit Committee.

Georgina holds a Bachelor of Commerce and Bachelor of Arts from the University of Melbourne. She has previously held the roles of Group Executive at AustralianSuper and Head of Brand and Marketing at Bank of Melbourne.

Georgina is a Non-Executive Director of Reece Limited and Sunsuper.

David Blight, Non-Executive Director (BAppSc)

David Blight was appointed to the Board of Lifestyle Communities Limited as a Non-Executive Director on 15 June 2018.

David has more than 30 years of experience in property investment, development and management. He is currently the Chief Executive Officer of ARA Australia, the Australian business of Singapore-based ARA Asset Management Limited. David's previous roles include Vice Chairman of ING Real Estate and Global Chairman and CEO of ING Real Estate Investment Management based in The Netherlands. He has also held senior executive positions with Armstrong Jones, Mirvac Group and APN Property Group.

David is currently a Non-Executive Director of the ASX listed Japara Healthcare Limited and Cromwell Property Group.

Bruce Carter, Non-Executive Director (BCom) – Resigned 21 August 2017

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 resigned as a Director of the Company with effect from 21 August 2017.

Jim Craig, Non-Executive Director (BEc, LLB (Hons) Adel, LLM Melb) – Resigned 14 February 2018

Jim was appointed a Director of Lifestyle Communities Limited on 31 December 2012 and resigned as a Director of the Company with effect from 14 February 2018.

Company Secretaries

Mark Licciardo, (B Bus(Acc), GradDip CSP, FGIA, GAICD)

Mark was appointed as Company Secretary on 26 March 2018.

Mark is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. He has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom Limited as well as several other public and private companies.

Kate Goland, (CPA, GIA (Cert))

Kate was appointed as Company Secretary on 26 March 2018.

Kate works with Mertons Corporate Services and is an experienced accounting and company secretarial professional. She has demonstrated expertise in supporting clients in meeting their corporate obligations and ASIC compliance requirements. She joined Mertons from BDO where she assisted clients within the company secretarial division. Kate is a current Company Secretary of various public and private companies. She has a strong understanding of corporate compliance matters.

Darren Rowland (B Bus (Acc), CA), Company Secretary

Darren was appointed as Company Secretary on 9 July 2018. Darren joined the Lifestyle Communities team in May 2018 and has held a number of senior finance and commercial roles; most recently as the Head of Finance and Commercial for the Toll Group's Operating Services division. Prior to joining Toll, Darren gained valuable experience in commercial and finance roles based in Dublin and London.

In addition to being a Chartered Accountant, Darren also holds a Bachelor of Business (Majoring in Accountancy) from Queensland University of Technology.

Geoff Hollis, Company Secretary (BCom, CA, AGIA) – Resigned 14 February 2018

Geoff was appointed as Company Secretary on 24 November 2011 and resigned with effect from 14 February 2018.

Lisa Pipito

Lisa was appointed as Company Secretary on 16 March 2018 and resigned with effect from 9 July 2018.

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	-
James Kelly	12,045,566	-
Philippa Kelly	65,000	-
The Honourable Nicola Roxon (appointed 1 September 2017)	-	-
Georgina Williams (appointed 1 September 2017)	2,000	-
David Blight (appointed 15 June 2018)	-	-

Dividends

A fully franked dividend of 2.0 cents per share was paid on 6 October 2017 (representing the 2017 final dividend). A fully franked dividend of 2.0 cents per share was paid on 6 April 2018 (representing the 2018 interim dividend).

Since the end of the financial year the Directors have resolved to pay a fully franked dividend of 2.5 cents per ordinary share (representing the 2018 final dividend).

Share options

There are no unissued ordinary shares of the Company under share option arrangements as at the date of this report.

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 against the Company

The Directors are not aware of any current or threatened Court proceedings of a material nature in which the Company is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the time the Director held office or was a member of the committee during the financial year and the number of meetings attended by each of the Directors are:

	Directors' meetings		Meetings of committees of directors' Audit		HR & Remuneration	
Director	Held	Attended	Held	Attended	Held	Attended
Tim Poole	11	11	1	1	3	3
James Kelly	11	11	-	-	-	-
Philippa Kelly	11	10	5	5	4	4
The Honourable Nicola Roxon (appointed 1 September 2017)	9	9	-	-	2	2
Georgina Williams (appointed 1 September 2017)	9	9	4	4	-	-
David Blight (appointed 15 June 2018)	1	1	-	-	-	-
Bruce Carter (resigned 21 August 2017)	2	2	1	1	-	-
Jim Craig (resigned 14 February 2018)	7	6	4	2	3	3

Corporate governance

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

Auditor independence declaration

A copy of the auditors independence declaration from the auditor of Lifestyle Communities Limited as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

The Company's auditor, Pitcher Partners, provided tax compliance ($15,000), general tax advice ($45,675) and other agreed upon procedures ($41,360) at a total cost of $102,035 (2017: $114,345). 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.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, selected amounts in the directors' report have been rounded to the nearest one million dollars, or in certain cases, to the nearest dollar (where indicated).

Operating and Financial Review

Overview

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the 2018 financial year. Profit after tax attributable to shareholders was $52.7 million (2017: $27.7 million). Underlying profit after tax attributable to shareholders was $33.8 million (2017: $25.0 million).

Financial and operating highlights

	Measure	FY2018	FY2017	Change	Change %
Key financial data					
Revenue	A$ millions	123.6	100.4	23.2	23
Earnings before interest and tax	A$ millions	75.8	41.5	34.3	83
Net profit before tax	A$ millions	75.5	40.3	35.2	87
Net profit after tax	A$ millions	52.9	27.7	25.2	91
Net profit attributable to shareholders	A$ millions	52.7	27.7	25.0	90
Underlying net profit attributable to shareholders	A$ millions	33.8	25.0	8.8	35
Operating cash flow	A$ millions	20.6	18.4	2.2	12
Community cash flow(1)	A$ millions	11.7	10.4	1.3	13
Gearing(2)	%	13.3	21.8	(8.5)	(39)
Underlying return on average capital employed(3)	%	19.5	18.7	0.8	4
Earnings per share	A$ cents	50.4	26.6	23.8	90
Underlying earnings per share	A$ cents	32.3	24.0	8.3	35
Dividend per share(4)	A$ cents	4.5	3.5	1.0	29
Key operational data					
Homes settled (gross)	No. of homes	321	278	43	15
Homes sold (gross)	No. of homes	293	406	(113)	(28)
Average realised sales price of new homes (GST incl)	A$'000	343	315	28	9
Total number of homes (gross)	No. of homes	1,947	1,626	321	20
Total number of homes (after NCI)(5)	No. of homes	1,746	1,425	321	23
Total number of homeowners	No. of people	2,859	2,418	441	18
Average age of homeowners	Years	72	72	-	-
Number of resales settled(6)	No. of homes	59	73	(14)	(19)
Average realised sales price of resales (GST incl) (7)	A$'000	356	340	16	5

(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
(3) Calculated as a ratio of underlying EBIT divided by average total assets less current liabilities
(4) For FY2018 includes interim dividend of 2.0 cents per share and final dividend of 2.5 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 28 resales settled in FY2018 (FY2017: 8 resales) that did not 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 2018 financial year.

The increase in net profit after tax attributable to shareholders to $52.7 million (2017: $27.7 million) can be mainly attributed to: increased new home settlements; increased contributions from net rental income and deferred management fees received; increased fair value adjustments from investment property revaluations; being partly offset by increased development expenses and corporate overheads.

Underlying profit of $33.8 million (2017: $25.0 million) excludes an $18.9 million (2017: $2.7 million) after tax impact of independent investment property revaluations across the portfolio. Refer to the analysis of income statement section on page 11 for further details.

New home settlements for the year were 321, up from 278 in the prior year; higher than the original guidance of 260-290 settlements and slightly higher than the updated forecast of 310-320 settlements. This was due to achieving the higher end of the expected new home settlement range at Shepparton, Lyndarum and Bittern and exceeding the top end of the range at Berwick Waters and Geelong.

The Company continued to develop its communities at Shepparton, Geelong and Berwick Waters. During the year construction was completed at Lyndarum and construction commenced at Bittern and Ocean Grove.

The Company made good progress operationally with improvements in several key metrics. The total number of homes settled increased to 1,947 homes due to 321 settlements during the year. Net community cash flows were $11.7 million (2017: $10.4 million). This was driven by increases in rental revenue, partly offset by increases in management expenses for new communities.

The Company had 2,859 people living in its communities as at the end of the 2018 financial year with an average age of 72 years (2017: 72).

Resales (sales of previously settled and occupied homes) during the year were 59 (2017: 73). Deferred management fee income received (inclusive of selling and administration fees) was $4.3 million (2017: $4.1 million). As at 30 June 2018 there were 17 resale homes available for sale across the communities.

Update on communities

Community	New homes				Resales						
	Settled FY2018	Settled FY2017	Net sales FY2018	Net sales FY2017	Settled FY2018	Settled FY2017	Net sales FY2018	Net sales FY2017	Homes sold not settled	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	15	12	14	14	-	228	228
Seasons	-	-	-	-	4	3	4	1	-	136	136
Warragul	-	-	-	-	14	16	10	15	-	182	182
Casey Fields	-	-	-	-	11	12	9	14	-	217	217
Shepparton	48	50	41	37	12	5	4	4	21	247	301
Chelsea Heights	-	-	-	-	9	12	6	11	-	186	186
Hastings	-	-	-	-	9	13	7	14	-	141	141
Lyndarum	40	68	1	69	1	-	1	-	-	154	154
Geelong	57	50	37	44	-	-	-	-	17	143	164
Officer	26	98	5	53	12	-	4	-	-	151	151
Berwick Waters	125	12	74	105	-	-	-	-	72	137	216
Bittern	25	-	116	74	-	-	-	-	163	25	209
Ocean Grove	-	-	70	24	-	-	-	-	96	-	221
Mount Duneed	-	-	-	-	-	-	-	-	-	-	191
Kaduna Park	-	-	-	-	-	-	-	-	-	-	165
Wollert North	-	-	-	-	-	-	-	-	-	-	133
Total	321	278	344	406	87	73	59	73	369	1,947	2,995

- Lifestyle Brookfield in Melton, Lifestyle Seasons in Tarneit, Lifestyle Warragul, Lifestyle Casey Fields in Cranbourne, Lifestyle Chelsea Heights, Lifestyle Hastings, Lifestyle Lyndarum and Lifestyle Officer are fully sold and settled.
- Lifestyle Shepparton had a solid year and achieved 41 net sales and 48 settlements.
- Lifestyle Geelong performed well during the year achieving 57 settlements. The community is now fully sold and has only 21 homes remaining to settle.
- Lifestyle Berwick Waters outperformed expectations and achieved 125 settlements during the year, which brings total settlements to 137 since the project was launched in April 2016.
- Lifestyle Bittern achieved 25 settlements in May and June. Demand for this community is strong with 116 net sales achieved during the year. The land at Bittern is expected to settle in the first quarter of the 2019 financial year.
- Lifestyle Ocean Grove has achieved 96 net sales since the project was launched in March 2017. Construction has commenced, and the Company currently expects first settlements in December this year. The land at Ocean Grove is expected to settle in the second quarter of the 2019 financial year.
- The land for the Lifestyle Community in Mount Duneed (Armstrong Creek) was acquired in March 2017 and is expected to settle in the first quarter of FY2019. Construction is planned to commence soon after, with planning approval having been received. This community was launched for sale in August 2018 and first settlements are expected in the first-half of FY2020.
- The land for the Lifestyle Community in Kaduna Park was acquired in August 2017 and, subject to receipt of planning approval, is due to settle in the third quarter of FY2019.
- The land for the Lifestyle Community in Wollert North was acquired in April 2018 and is due to settle in the fourth quarter of FY2019.

Analysis of income statement

Net profit after tax attributable to shareholders increased to $52.7 million (2017: $27.7 million). The table below shows the changes to net profit attributable to shareholders from 30 June 2017 to 30 June 2018.

	A$ millions	A$ millions
Net profit after tax attributable to shareholders for the year ended 30 June 2017		**27.7**
Changes in revenues		
Home settlement revenue	20.2	
Rental revenue	3.2	
Utilities revenue	0.5	
Deferred management fees	0.2	
Sub-division revenue	(0.9)	
Finance revenue	-	
Total changes in revenues		**23.2**
Changes in cost of sales		**(15.5)**
Changes in gains from fair value adjustments		**30.7**
Changes in expenses		
Development expenses (sales and marketing)	(0.8)	
Management rental expenses	(1.5)	
Management deferred management fee expenses	(0.4)	
Utilities expenses	(0.6)	
Corporate overheads	(2.0)	
Sub-division expenses	1.1	
Finance costs	-	
Loss on disposal of assets	-	**(3.3)**
Increase in income tax expense		**(9.9)**
Increase in profit after tax attributable to non-controlling interests		**(0.2)**
Net profit after tax attributable to shareholders for the year ended 30 June 2018		**52.7**

The key drivers of changes in profitability were:
Home settlement revenue and margin

- Revenue from home settlements increased to $100.1 million (2017: $79.9 million) due to an increase in settlements to 321 (2017: 278). This was higher than the original forecast range of 260-290 settlements and was due to achieving strong results at Shepparton, Lyndarum, Officer, Geelong, Berwick Waters and Bittern.
- Home settlement gross margin increased to 20.3% (2017: 19.5%). An increase in the average realised sales price to $343k (GST inclusive) in the 2018 financial year (2017: $315k) was offset by an increase in the average cost per home settled to $249k (2017: $232k). Changes in margin are mainly due to changes in product mix. 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 $17.0 million (2017: $13.8 million) due to an increase in homes under management and a rental increase of 3.5%.
- Community management rental expenses increased to $7.8 million (2016: $6.3 million) due to: an increase in operations at Shepparton, Lyndarum, Geelong, Officer and Berwick Waters, and commencement of management at Bittern.
- Deferred management fees received (inclusive of selling and administration fees) increased to $4.3 million (2017: $4.1 million). There were 59 resale settlements during the year compared to 73 in the prior year. The average realised sales price of resales increased to $356k (GST inclusive) (2017: $340k). The 59 resale settlements achieved an average price growth of 8.9% per annum from the acquisition date.
- Deferred management fee expenses increased to $1.7 million (2017: $1.2 million) due to an increase in sales and marketing resources to provide organisational capability for medium term growth.

Other expenses

- Development expenses (new home sales and marketing) increased to $5.8 million (2017: $5.0 million) due to: increased employee costs due to the increased sales and settlement activity; increased marketing support required to achieve sales and settlements; and launching Bittern and Ocean Grove.
- Corporate overheads increased to $7.7 million (2017: $5.8 million). The increase was mainly due to: $1.3 million of head office wages growth due to additional resources to provide organisational capability for medium term growth and $0.2 million of expenses associated with the Company's new employee incentive scheme.
- Finance costs decreased to $0.3 million (2017: $1.2 million). This is mainly due to lower debt levels during the year and the majority of interest costs being expensed to developments through cost of sales. The Company capitalises a proportion of finance costs to investment properties and inventories where appropriate and the balance of finance costs are expensed.

Fair value adjustments

- Total fair value adjustments have increased to $57.4 million (2017: $26.7 million). The increase of $30.7 million includes a $27 million uplift ($18.9 million on an after-tax basis) as a result of changes to investment property valuation assumptions by the independent valuers. The key drivers were: rental capitalisation rates reduced to 7.5% for all communities, down from 7.75% in prior valuations; and the valuers have updated their view in relation to the long-term resale prices and therefore the carrying value of deferred management fees.

  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 2018 Financial Statements for further details.

Analysis of cash flow

A$ millions	FY2018	FY2017	Change
Cash flows related to operations	20.6	18.3	2.3
add Project capital expenditure (1)	26.8	15.2	11.6
Adjusted cash flows related to operations	47.4	33.5	13.9
Cash flows related to investing activities	(4.0)	(12.8)	8.8
Cash flows related to financing activities	(11.6)	(2.7)	(8.9)
Net movement in cash	5.0	2.8	
Cash at the beginning of the period	3.6	0.8	
Cash at the end of the period	8.6	3.6	

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

Cash flows related to operations increased to a surplus of $20.6 million (2017: surplus of $18.3 million). The increase is mainly attributable to a $27.0 million increase in receipts from customers. Payments to suppliers and employees increased by $23.9 million due to increased home construction activity. In relation to home construction 291 homes were constructed in the 2018 financial year compared to 269 in the prior year.

Cash flows related to investing activities included: $1.3 million relating to the deposit on land at Kaduna Park; $0.5 million for the deposit paid in respect of the land acquisition in Wollert North; and $1.5 million relating to purchases of property, plant and equipment.

Cash flows related to financing activities included: $7.0 million net repayment of bank borrowings; $1.1 million for the purchase of treasury shares related to the employee incentive scheme; $0.6 million proceeds from the repayment of employee loans for CRES; and $4.2 million for the payment of dividends.

Analysis of balance sheet

Net assets and total equity

A$ millions	FY2018	FY2017	Change	Change %
Assets				
Cash and cash equivalents	8.6	3.7	4.9	132
Trade and other receivables	0.2	1.3	(1.1)	(85)
Inventories	39.4	44.9	(5.5)	(12)
Property, plant and equipment	5.6	4.6	1.0	22
Investment properties	303.6	211.3	92.3	44
Other assets	0.8	0.3	0.5	167
Total Assets	358.2	266.1	92.1	35
Liabilities				
Trade and other payables	(59.8)	(26.8)	(33.0)	123
Interest-bearing loans and borrowings	(40.0)	(47.0)	7.0	(15)
Provisions	(0.8)	(0.7)	(0.1)	14
Current tax payable	(1.1)	(0.6)	(0.5)	83
Deferred tax liabilities	(51.9)	(35.5)	(16.4)	46
Total Liabilities	(153.6)	(110.6)	(43.0)	39
Net Assets	204.6	155.5	49.1	32
Equity				
Lifestyle Communities interest				
Contributed equity and reserves	65.6	65.0	0.6	1
Retained earnings	139.0	90.5	48.5	54
Total Equity	204.6	155.5	49.1	32

During the year the Company's net assets and total equity increased to $204.5 million (2017: $155.5 million) as a result of: profit during the period of $52.7 million; $0.6 million provided due to the repayment of CRES loans; partly offset by dividends paid of $4.2 million.

Inventories have decreased to $39.4 million (2017: $44.9 million). This reflects that home construction and inventory levels are adjusted to match home settlements. Civil and infrastructure activity has reduced as projects at Lyndarum, Geelong and Officer have completed their intensive civil and infrastructure phase.

Included within trade and other payables is a liability of $48.9 million. This reflects that new home settlements were higher during the year than new homes constructed.

Deferred tax liabilities have increased to $51.9 million (2017: $35.5 million) representing the tax on fair value adjustments being deferred. This liability will only be realised should an investment property be disposed of on an individual basis which the Company views as unlikely.

The Company has surplus franking credits (after allowing for the final dividend) of $13.3 million (2017: $7.9 million).

Debt, gearing and liquidity

As at 30 June 2018 the Company had net debt of $31.4 million (2017: $43.4 million).

A$ millions	
Net debt at 30 June 2017	43.4
Net decrease in bank borrowings	(7.0)
Increase in cash balances / overdraft	(5.0)
Net movement in 2018	**(12.0)**
Net debt at 30 June 2018	**31.4**

The gearing ratio (net debt to net debt plus equity) has decreased to 13.3% (2017: 21.8%) due to the timing of the settlements for land at Ocean Grove and Bittern.

As at 30 June 2018 the Company has a committed facility with Westpac of $120.0 million of which $40.0 million was drawn.

Outlook and risks

Outlook

The Company has been very satisfied with the rate of construction, sales and settlements across the communities currently under development during the 2018 financial year. The Company was particularly pleased with the level of sales achieved at Berwick Waters, Bittern and Ocean Grove. The Company enters the 2019 financial year with 369 sales waiting for settlement.

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 advises that settlements for the 2019 financial year are forecast to be in the range of 310 to 350. The Company also advises that underlying net profit after tax attributable to shareholders and total dividends are both expected to increase in the 2019 financial year compared to the 2018 financial year.

Key risks

The Company's key risk categories include:

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 comprehensive 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 16 sites and developing most of these during the past 15 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 it's debt facility was 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 remaining 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 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 Shareholders,

On behalf of the Board, we are pleased to present Lifestyle Communities' Remuneration Report for the 2018 financial year.

We introduced an employee incentive scheme for the 2017 financial year to align the interests of staff and senior management with the objectives of the business. In our judgement, the target that best unifies employees and benefits shareholders is an annual new home settlement target. For the 2018 financial year the target range was set at 260 to 290 new home settlements and our team achieved 321 new home settlements, resulting in a 35% increase in underlying net profit after tax and a 29% increase in dividends. Importantly, these financial results were achieved alongside an increase in our customer referral rate for new sales to 55%.

For the 2019 financial year the target range has been set at 310 to 350 new home settlements and we expect to announce the 2020 financial year employee share plan targets during the 2019 financial year.

The HR & Remuneration Committee reviews the operation of this scheme annually to ensure that shareholder value is being driven from the single new home settlement target and the quantum of shares issued to employees. For the 2019 financial year, the same level of shares will be available to senior executives and employees.

The Board believes that the business should continue to be scaled to continue the growth in annual new home settlements over time. To this end, we are continuing to invest in senior management, head office resources and various management systems to meet this objective for the benefit of all shareholders.

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

Yours sincerely

Tim Poole
Chair
15 August 2018

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 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	
	Chair – HR & Remuneration Committee	
	Member – Audit Committee	
Philippa Kelly	Non-Executive Director	18 September 2013
	Chair – Audit Committee	
	Member - HR & Remuneration Committee	
The Honourable Nicola Roxon	Non-Executive Director	1 September 2017
	Member – HR & Remuneration Committee	
Georgina Williams	Non-Executive Director	1 September 2017
	Member – Audit Committee	
David Blight	Non-Executive Director	15 June 2018
Bruce Carter (resigned 21 August 2017)	Non-Executive Director	Founder
	Member – Audit Committee	
Jim Craig (resigned 14 February 2017)	Non-Executive Director	31 December 2012
	Member – Audit Committee	
	Chair – HR & Remuneration Committee	
Executive director		
James Kelly	Managing Director	Founder
Other executives		
Darren Rowland	Chief Financial Officer and Company Secretary	21 May 2018
Chris Paranthoiene	Head of Acquisitions and Development	13 March 2007
Sam Cohen	Head of Operations	3 October 2011
Yvonne Slater	Head of Development Delivery	8 January 2018
Michael Imbesi (resigned 25 August 2017)	Construction Manager	21 March 2005
Geoff Hollis (resigned 16 March 2018)	Chief Financial Officer and Company Secretary	15 February 2010

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 set to enable the Company to attract and retain Directors of high calibre, whilst incurring a cost that is reasonable having regard to the size and complexity of the Company.

The aggregate amount of fees paid 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 2018 financial year are set out in section 8.

4.2 Review of non-executive Directors' fees

The HR & Remuneration Committee annually reviews the level of fees paid to Non-Executive Directors. Fees payable to the Chair are currently set at $125,000 per annum. Fees paid to the other Non-Executive Directors are $80,000 per annum plus 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
- performance linked remuneration (using equity 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

The total remuneration for the Managing Director (inclusive of superannuation) is $530,000 and includes a $20,000 car allowance as compensation for the high level of travel required between the Company's communities. The Managing Director does not participate in any short term 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.

5.3 Equity incentive scheme

Pursuant to the equity incentive scheme (EIS), fully paid ordinary shares in the Company, acquired on-market, will be issued to eligible employees on reaching new home settlement targets as follows:

	FY2019	FY2018
Settlement targets	310 to 350	260 to 290

Should settlement targets be achieved, ordinary shares will be issued as follows:

- Key management personnel and other 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 eligible employees (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.

In relation to the 2018 financial year, 321 new home settlements were achieved meaning the high point of the target was exceeded.

To be eligible to fully participate in the incentive scheme, employees 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. Employees commencing employment with the Company after 1 July of the target year are entitled to a pro-rata incentive. Shares allocated to key management personnel and other senior management have the following service (or escrow) conditions: 25% of shares have no service requirements; 25% have a one-year service requirement; and the remaining 50% have a two-year service requirement. The allocation relating to all other employees will not have a service requirement and will be allocated provided they are employed by the Company at the date of allocation.

For accounting purposes, shares will be measured based on the valuation (share price) at grant date and then expensed recognising any service period. For the shares allocated to key management personnel and other senior management, 25% of the expense will be recognised in the target year, 25% in the year following the target year and the remaining 50% in the second year following the target year. All other shares will be recognised and expensed over a period incorporating the target year and any further time to allotment following the target year.

The operation of the equity incentive scheme is conducted through an Employee Share Trust administered by an independent third party, Smartequity Pty Ltd.

5.4 Short-term incentives

The equity incentive scheme provides an element of short-term incentive to key management personnel and other senior management as 25% of shares allocated have no service requirements.

5.5 Long-term incentives

The equity incentive scheme provides a long-term incentive to key management personnel and other senior management as 25% of shares allocated have a one-year service requirement and 50% of shares allocated have a two-year service requirement. The use of ordinary shares also provides strong long term alignment between employees and shareholders.

Refer to section 9 for details of shares issued pursuant to the EIS held by key management personnel.

6. Relationship between remuneration and performance

The Company's current remuneration framework, outlined in sections 4 and 5, was historically based primarily on providing fixed remuneration. The new equity incentive scheme provides a basis for additional performance linked remuneration in addition to fixed remuneration.

When the EIS was introduced, there was significant debate and consideration by the Board and HR & Remuneration Committee as to the appropriate performance conditions for the scheme. Ultimately, new home settlements was chosen as the only performance condition as new home settlements is the main driver of earnings growth and the creation of shareholder value. It is also a simple measure, it is easy to measure and it is one that all employees can play a role in achieving.

The role each group of the Company's employees plays in delivering new home settlements is described in the following table:

Department	Total staff	Impact on settlements
Acquisitions	1	Supported by the Managing Director, the acquisitions executive is incentivised by the ability to influence the future settlement pipeline.
Marketing	3	Although the marketing team have long-term strategies for growing enquiries they have a short-term ability to directly impact enquiries leading to sales and settlements.
Development and delivery	10	The development team is responsible for ensuring efficiency within the construction programme to meet settlements based on sales demand. Whilst also having a direct impact on short-term settlements they are increasingly responsible for driving customer referral as they are highly customer focused.
Sales	22	The sales team directly influence conversion of enquiries to sales and then move those sales though to settlement. The sales team is also a key part of increasing customer referral.
Operations	36	The operations team is responsible for the seamless experience of our homeowners at move-in date and work closely with the sales and construction teams. By providing a high level of customer service the operations team promote referral and therefore future sales and settlements.
Customer Contact	3	The customer contact team was established in January 2017 and had an immediate and ongoing impact. The conversion of new enquiries to appointment with sales consultants as well as conversion of older leads has improved greatly leading to higher sales and settlements.
Finance	5	The finance team ensure sufficient funding is in place for future acquisitions and for delivering the construction programme.

The Board and HR & Remuneration Committee considered a range of factors in setting the target settlement range for the 2018 financial year. Prior to the commencement of the financial year, the Company had provided guidance that the expected new home settlement range for the 2018 financial year was 260 to 290 so this was a logical starting point. The Company's budget for new home settlements was also within this range, with the top end of the range higher than budget. Analyst forecasts for new home settlements were also within this range with the analyst average approximately equivalent to the midpoint of the range.

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

Performance measure	FY2018	FY2017	FY2016	FY2015	FY2014
Underlying net profit after tax attributable to members ($million)	**$33.8**	$25.0	$19.3	$16.7	$12.3
Net profit (change from prior year) (%)	**35.2%**	29.5%	15.6%	35.8%	76.4%
Dividends declared & paid (fully franked) (cents)	**4.5**	3.5	2.5	1.5	-
Underlying diluted earnings per share (cents)	**32.3**	26.5	18.5	16.1	12.0
Closing share price (30 June)	**$5.85**	$4.05	$2.91	$2.44	$1.60
Share price increase / (decrease)	**44.4%**	39.2%	19.3%	52.5%	105.1%
STI paid to KMP	**$10,000**	$10,000	$10,000	$ -	$ -
New home settlements	**321**	278	202	240	210

7. Executive service agreements

7.1 Executive Directors

The HR & Remuneration Committee refreshed the Managing Director's executive service agreement during 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

The employment agreements for the senior management team were refreshed during the 2018 financial year. 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 three months written notice. The Company may terminate the contracts at any time without notice if serious misconduct has occurred.

8. Remuneration details

8.1 Compensation of directors and key management personnel for the year ended 30 June 2018

30 June 2018	Short term				Post-employment		Share based payment	Total performance related %		Total
	Salary & fees $	Cash bonus $	Non-monetary $	Other $	Super $	Retirement benefits $	EIS $	Cash bonus %	Shares %	$
Directors										
Tim Poole	112,325	-	-	-	10,670	-	-	-	-	122,995
James Kelly	530,464	-	-	-	-	-	-	-	-	530,464
Philippa Kelly	76,153	-	-	-	7,234	-	-	-	-	83,387
David Blight (appointed 15 June 2018)	-	-	-	-	-	-	-	-	-	-
Nicola Roxon (appointed 1 September 2017)	60,929				5,788			-	-	66,717
Georgina Williams (appointed 1 September 2017)	60,929				5,788			-	-	66,717
Bruce Carter (resigned 21 August 2017)	9,337	-	-	-	887	-	-	-	-	10,224
Jim Craig (resigned 14 February 2018)(1)	48,125	-	-	-	-	-	-	-	-	48,125
	898,262	**-**	**-**	**-**	**30,367**	**-**	**-**	**-**	**-**	**928,629**
Key management personnel										
Darren Rowland (appointed 21 May 2018)	29,094	-	-	-	2,764	-	3,256	-	9.3	35,114
Chris Paranthoiene	292,191	9,050	-	-	27,133	-	25,900	2.6	7.3	354,274
Sam Cohen	196,434	-	-	-	16,185	-	25,900	-	10.9	238,519
Yvonne Slater (appointed 8 January 2018)	101,777	-	-	-	8,760		3,256	-	2.9	113,793
Michael Imbesi (resigned 25 August 2017) (2)	44,818	-	-	31,212	5,791	-	-	-	-	81,821
Geoff Hollis (resigned 16 March 2018) (2)	170,380	-	-	30,447	19,079	-	9,189	-	4.0	229,095
	834,694	**9,050**	**-**	**61,659**	**79,712**	**-**	**67,501**	**0.9**	**6.4**	**1,052,616**
Total	**1,732,956**	**9,050**	**-**	**61,659**	**110,079**	**-**	**67,501**	**0.5**	**3.4**	**1,981,245**

(1) Fees were paid to Bellwether Holdings Pty Ltd, an entity controlled by Jim Craig.
(2) Other payments made to Michael Imbesi and Geoff Hollis relate to leave payouts upon resignation.

8.2 Compensation of directors and key management personnel for the year ended 30 June 2017

30 June 2017	Short term				Post-employment		Share based payment	Share based payment	Total performance related %		Total
	Salary & fees $	Cash bonus $	Non-monetary $	Other $	Super $	Retirement benefits $	EIS $	ESLP $	Cash bonus %	Shares %	$
Directors											
Tim Poole	91,324	-	-	-	8,676	-	-	-	-	-	100,000
James Kelly	408,958	-	-	-	35,000	-	-	-	-	-	443,958
Bruce Carter	47,945	-	-	-	4,555	-	-	-	-	-	52,500
Jim Craig(1)	57,500	-	-	-	-	-	-	-	-	-	57,500
Philippa Kelly	52,511	-	-	-	4,989	-	-	-	-	-	57,500
	658,238	**-**	**-**	**-**	**53,219**	**-**	**-**	**-**	**-**	**-**	**711,458**
Key management personnel											
Michael Imbesi(2)	175,114	-	-	-	14,261	-	-	4,434	-	2.3	193,809
Chris Paranthoiene	198,326	9,132	-	-	18,284	-	12,950	4,434	3.8	7.2	243,126
Geoff Hollis	222,356	-	-	-	21,124	-	12,950	6,651	-	7.5	263,081
Sam Cohen	180,822	-	-	-	14,803	-	12,950	2,217	-	7.2	210,792
	776,618	**9,132**	**-**	**-**	**68,471**	**-**	**38,850**	**17,736**	**1.0**	**6.2**	**910,808**
Total	**1,434,856**	**9,132**	**-**	**-**	**121,690**	**-**	**38,850**	**17,736**	**0.5**	**3.4**	**1,622,266**

(1) Fees were paid to Bellwether Holdings Pty Ltd, an entity controlled by Jim Craig.
(2) Michael Imbesi did not receive share based payments pursuant to the equity incentive scheme (EIS) as he tendered a letter of resignation on 3 August 2017.

9. Options held by Key Management Personnel

9.1 Share based payments issued to key management personnel as remuneration

Shares (pursuant to the equity incentive scheme) expensed to key management personnel as remuneration

Name	Financial Year of grant	Financial year of vesting	Plan	Number	Value at grant date	Total vested	Vested %
Darren Rowland	2018	2019	EIS	625	$3,256	-	-
	2018	2019	EIS	625	$3,256	-	-
	2018	2020	EIS	1,250	$6,513	-	-
Chris Paranthoiene	2017	2018	EIS	5,000	$12,950	5,000	100%
	2017	2018	EIS	5,000	$12,950	5,000	100%
	2017	2019	EIS	10,000	$25,900	-	-
	2018	2019	EIS	5,000	$12,950	-	-
	2018	2019	EIS	5,000	$12,950	-	-
	2018	2020	EIS	10,000	$25,900	-	-
Sam Cohen	2017	2018	EIS	5,000	$12,950	5,000	100%
	2017	2018	EIS	5,000	$12,950	5,000	100%
	2017	2019	EIS	10,000	$25,900	-	-
	2018	2019	EIS	5,000	$12,950	-	-
	2018	2019	EIS	5,000	$12,950	-	-
	2018	2020	EIS	10,000	$25,900	-	-
Yvonne Slater	2018	2019	EIS	625	$3,256	-	-
	2018	2019	EIS	625	$3,256	-	-
	2018	2020	EIS	1,250	$6,513	-	-
Geoff Hollis	2017	2018	EIS	5,000	$12,950	5,000	100%
	2017	2018	EIS	5,000	$12,950	5,000	100%

Note: all shares that vest in 2019 will be issued on 28 September 2018.

For further details relating to the EIS, please refer to Note 24 of the Company's 2018 Financial Statements.

Lifestyle COMMUNITIES

9.2 Shareholdings of Directors and key management personnel

2018

Name	Balance at 1-Jul-17	Off-market transfer	On-market transactions	Exercise of options	Balance at 30-Jun-18
Directors					
Tim Poole	1,224,607	-	-	-	1,224,607
James Kelly	12,045,566	-	-	-	12,045,566
Philippa Kelly	65,000	-	-	-	65,000
David Blight (appointed 15 June 2018)	-	-	-	-	-
Nicola Roxon (appointed 1 September 2017)	-	-	-	-	-
Georgina Williams (appointed 1 September 2017)	-	-	2,000	-	2,000
Bruce Carter (resigned 21 August 2017)	5,079,433	-	-	-	5,079,433(1)
Jim Craig (resigned 14 February 2018)	3,000,000	-	-	-	3,000,000(1)
Key Management Personnel					
Darren Rowland (appointed 21 May 2018)	-	-	-	-	-
Chris Paranthoiene	225,000	-	(27,659)	-	197,341
Sam Cohen	100,000	-	(15,000)	-	85,000
Yvonne Slater (appointed 8 January 2018)	-	-	195	-	195
Michael Imbesi (resigned 27 August 2017)	204,000	-	-	-	204,000(1)
Geoff Hollis (resigned 16 March 2018)	190,000	-	(50,000)	-	140,000(1)

(1) Balance correct as at resignation date

2017

Name	Balance at 1-Jul-16	Off-market transfer	On-market transactions	Exercise of options	Balance at 30-Jun-17
Directors					
Tim Poole	1,224,607	-	-	-	1,224,607
James Kelly	13,045,566	-	(1,000,000)	-	12,045,566
Philippa Kelly	65,000	-	-	-	65,000
Bruce Carter	7,079,433	-	(2,000,000)	-	5,079,433
Jim Craig	4,000,000	-	(1,000,000)	-	3,000,000
Key Management Personnel					
Geoff Hollis	200,000	-	(110,000)	100,000	190,000
Michael Imbesi	237,334	-	(100,000)	66,666	204,000
Chris Paranthoiene	116,667	-	(25,000)	133,333	225,000
Sam Cohen	66,668	-	-	33,332	100,000

10. Remuneration report voting at Annual General Meetings

Lifestyle Communities Limited received more than 99% of votes in support of its remuneration report at the 2017 Annual General Meeting.

Directors' Report

Signed in accordance with a resolution of the directors.

On behalf of the Board

Tim Poole
Chair

James Kelly
Managing Director

Melbourne, 15 August 2018

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 2018, 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 APES 110 *Code of Ethics for Professional Accountants*.

P A JOSE
Partner

Date 15 August 2018

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 2018 financial year.

This Statement is current as at 15 August 2018 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 Board is responsible for the overall corporate governance of the Company. 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 expenditure;
- 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 management and the Board.

Director appointment, election and re-election

The Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and the best standards of governance. 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 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

Each Company Secretary 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.

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.

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.

The Company has an on-going evaluation process for senior management. The HR & Remuneration Committee and Managing Director set 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 Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider Directors attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Directors' Report. The Board has an extensive range of knowledge and skills with relevant experience as detailed in the Annual 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 assesses independence at least annually. The Board considers Tim Poole, Philippa Kelly, The Honourable Nicola Roxon, Georgina Williams and David Blight as Independent Non-Executive Directors, being the majority of members of the Board. Details of their qualifications, experience and length of service are set out in the Directors' Report.

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.

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 has a Code of Conduct which 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 currently consists of the following members; Philippa Kelly, Tim Poole and Georgina Williams, who are considered Independent, Non-Executive Directors. All three Committee members have and maintain very good financial literacy. Further information on their skills, qualifications and experience are set out in the Directors' Report.

The Chair of the Audit Committee is Philippa Kelly who is not the Chair of the Board.

Details of the number of Audit Committee meetings and attendance at those meetings are also set out in 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.

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 uses its website, annual report, market disclosures and media announcements to communicate with its shareholders, as well as encourages participation at general meetings.

The Company endeavours to keep the website up-to-date and accurate to provide information about the Company's performance and governance to investors. The Company values transparency in all areas of operations 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.

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 and Joint Company Secretary, Darren Rowland, 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. The Company shall review this position periodically.

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 in 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.

During the 2018 financial year the Company continued process improvements in relation to the following areas: accounts payable and purchase order systemisation; new payroll and HR management systems; fixed assets reporting; and monthly reporting processes. These improvements are anticipated to be continuously reviewed and improved during the 2019 financial 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 & Remuneration Committee that currently consist of the following members, Tim Poole, Philippa Kelly and The Honourable Nicola Roxon, who are considered Independent, Non-Executive Directors. The Chair of the HR & Remuneration Committee is Tim Poole who is also the Chair of the Board.

Details of the number of HR & Remuneration Committee meetings and attendance at those meetings are set out in the Directors' Report.

The HR & Remuneration Committee has adopted a formal Charter which is available on the Company's website. The Charter sets out the HR & Remuneration Committee's responsibilities including oversight and approval of the human resources and remuneration policies and practices of the Company. The HR & 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 section of the Annual Report.

Financial Statements

Consolidated Statement of Profit or loss and other Comprehensive income

For the year ended 30 June 2018

	Note	2018	2017
		$	**$**
Development revenue			
Home settlement revenue		**100,114,866**	79,941,727
Cost of sales		**(79,815,755)**	(64,360,083)
Gross profit from home settlements		**20,299,111**	15,581,644
Management and other revenue			
Rental revenue		**16,963,810**	13,751,895
Deferred management fees	6	**4,346,907**	4,112,152
Utilities revenue		**2,121,865**	1,662,257
Sub-division revenue		**50,087**	925,000
Finance revenue		**11,544**	17,122
Total management and other revenue		**23,494,213**	20,468,426
Fair value adjustments	5	**57,396,731**	26,664,208
less expenses			
Development expenses (sales and marketing)		**(5,835,906)**	(5,039,082)
Management rental expenses	6	**(7,752,814)**	(6,263,887)
Management deferred management fee expenses	6	**(1,677,119)**	(1,231,412)
Utilities expenses		**(2,266,073)**	(1,663,379)
Corporate overheads		**(7,771,760)**	(5,774,937)
Sub-division expenses		**(99,126)**	(1,194,475)
Loss on disposal of assets		**-**	(31,898)
Finance costs	6	**(307,315)**	(1,181,811)
Profit before income tax		**75,479,942**	40,333,397
Income tax expense	7	**(22,577,027)**	(12,636,296)
Net profit from continuing operations		**52,902,915**	27,697,101
Profit is attributable to:			
Members of the parent		**52,681,734**	27,695,112
Non-controlling interests		**221,181**	1,989
		52,902,915	27,697,101
Total comprehensive income for the year		**52,902,915**	27,697,101
Total comprehensive income is attributable to:			
Members of the parent		**52,681,734**	27,695,112
Non-controlling interests		**221,181**	1,989
		52,902,915	27,697,101
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
		cents	cents
Basic earnings per share	22	**50.391**	26.555
Diluted earnings per share	22	**50.391**	26.505

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

Consolidated Statement of Financial Position

For the year ended 30 June 2018

	Note	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**8,585,136**	3,653,118
Trade and other receivables	10	**227,152**	1,324,805
Inventories	11	**33,232,275**	34,368,842
Other current assets	12	**815,510**	320,888
Total current assets		**42,860,073**	39,667,653
Non-current assets			
Inventories	11	**6,206,662**	10,564,461
Property, plant and equipment	13	**5,576,406**	4,590,889
Investment properties	14	**303,572,686**	211,294,274
Total non-current assets		**315,355,754**	226,449,624
TOTAL ASSETS		**358,215,827**	266,117,277
LIABILITIES			
Current liabilities			
Bank overdraft	9	**-**	12,364
Trade and other payables	15	**59,808,214**	26,844,367
Current tax payable	7	**1,132,103**	574,467
Provisions	16	**667,254**	316,016
Total current liabilities		**61,607,571**	27,747,214
Non-current liabilities			
Interest-bearing loans and borrowings	17	**40,000,000**	47,000,000
Provisions	16	**165,774**	374,094
Deferred tax liabilities	7	**51,888,520**	35,471,964
Total non-current liabilities		**92,054,294**	82,846,058
TOTAL LIABILITIES		**153,661,865**	110,593,272
NET ASSETS		**204,553,962**	155,524,005
EQUITY			
Contributed equity	18	**63,808,144**	63,204,070
Reserves	19	**1,727,770**	1,801,816
Retained earnings	19	**139,018,048**	90,518,119
Members' interest in equity		**204,553,962**	155,524,005
Non-controlling interest	20	**-**	-
TOTAL EQUITY		**204,553,962**	155,524,005

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Contributed equity	Reserves	Retained earnings	Non-controlling interest	Total equity
	$	$	$	$	$
Balance at 1 July 2016	63,822,710	1,561,850	65,920,305	-	131,304,865
Profit for the year	-	-	27,695,112	1,989	27,697,101
Total comprehensive income for the year	-	-	27,695,112	1,989	27,697,101
Transactions with owners in their capacity as owners:					
Net distributions to non-controlling interests	-	-	-	(1,989)	(1,989)
Treasury shares purchased	(715,000)	-	-	-	(715,000)
Employee share scheme expense	-	239,966	30,058	-	270,024
Repayment of employee share scheme loans	96,360	-	-	-	96,360
Dividends paid	-	-	(3,127,356)	-	(3,127,356)
	(618,640)	239,966	(3,097,298)	(1,989)	(3,477,961)
Balance as at 30 June 2017	**63,204,070**	**1,801,816**	**90,518,119**	**-**	**155,524,005**
Profit for the year	**-**	**-**	**52,681,734**	**221,181**	**52,902,915**
Total comprehensive income for the year	**-**	**-**	**52,681,734**	**221,181**	**52,902,915**
Transactions with owners in their capacity as owners:					
Net distributions to non-controlling interests	**-**	**-**	**-**	**(221,181)**	**(221,181)**
Treasury shares purchased	**(534,091)**	**-**	**-**	**-**	**(534,091)**
Issue of shares - exercise of options	**533,725**	**(533,725)**	**-**	**-**	**-**
Repayment of employee share scheme loans	**604,440**	**-**	**-**	**-**	**604,440**
Employee share scheme expense	**-**	**459,679**	**-**	**-**	**459,679**
Dividends paid	**-**	**-**	**(4,181,805)**	**-**	**(4,181,805)**
	604,074	**(74,046)**	**(4,181,805)**	**(221,181)**	**(3,872,958)**
Balance as at 30 June 2018	**63,808,144**	**1,727,770**	**139,018,048**	**-**	**204,553,962**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers		**134,791,374**	107,772,898
Payments to suppliers and employees		**(107,247,348)**	(83,352,078)
Income tax paid		**(5,067,510)**	(4,271,195)
Interest received		**11,544**	17,122
Interest paid		**(1,936,684)**	(1,807,002)
Net cash flows provided by operating activities	21	**20,551,376**	18,359,745
Cash flows from investing activities			
Purchase of property, plant and equipment	13(a)	**(1,530,213)**	(768,823)
Purchase of investment properties		**(2,430,000)**	(11,997,725)
Net cash flows used in investing activities		**(3,960,213)**	(12,766,548)
Cash flows from financing activities			
Proceeds from exercise of options / CRES shares		**604,440**	96,360
Purchase of treasury shares		**(1,069,416)**	(715,000)
Proceeds from external borrowings		**2,000,000**	19,500,000
Repayment of external borrowings		**(9,000,000)**	(18,500,000)
Dividends paid	8(a)	**(4,181,805)**	(3,127,356)
Net cash flows used in financing activities		**(11,646,781)**	(2,745,996)
Net increase in cash held		**4,944,382**	2,847,201
Cash at the beginning of the financial year		**3,640,754**	793,553
Cash at the end of the financial year	9	**8,585,136**	3,640,754

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the 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 financial report complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention
The financial report has been prepared under the historical cost convention, as modified by revaluation to fair value for certain classes of assets as described in the accounting policies.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Inventories are classified as either current or non-current assets pursuant to the timing of their anticipated sale.

(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:

(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 recorded as revenue in the respective month.

(iv) Utilities revenue
Utilities revenue is billed to homeowners monthly and recorded as revenue in the respective month.

(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.
Due to the Company's Smart Buy Guarantee, no deferred management fee is payable if the home is sold within the first 12 months.

(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).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

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

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

	2018	2017
Buildings	40 years	40 years
Plant and equipment	4 to 25 years	4 to 25 years
Computer equipment	2 to 3 years	2 to 3 years
Motor vehicles	4 to 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.

(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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 an income tax-consolidated group from 18 March 2011. This means that: each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity; and the parent entity assumes the current tax liabilities and deferred tax assets arising in respect of tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries. The tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group, arising under the joint and several liability provisions of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 incentive scheme (EIS). Refer to Note 24 for further information.

For the EIS, the Company provides a contribution to an Employee Share Trust for the estimated number of shares relating to the relevant financial year. The Employee Share Trust purchases shares on-market and issues the relevant shares to participating employees within three months of the end of the financial year. As the shares have not vested the contribution is recognised as treasury shares within contributed equity. 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 Company previously operated an employee share loan scheme (ESLP). For the ESLP, convertible repurchase-able employee shares (CRES) were issued to employees. For accounting purposes CRES were treated like options until the time of vesting. At the time of vesting an interest-free limited recourse loan was made to the participant with the value reflected as equity. The CRES were 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 was measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The number of employee share loans expected to vest was 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. There are no further plans to issue CRES pursuant to the ESLP.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(p) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the Consolidated Financial Statements and in the Directors' Report have been rounded to the nearest dollar.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Accounting standards issued but not yet effective at 30 June 2018

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 (applicable for annual reporting periods commencing on or after 1 January 2018)

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 Company has assessed the revenue recognition requirements in AASB 15 and has determined there will be no material impact to the timing and amount of revenue recorded in the Financial Statements.

(ii) AASB 9: Financial Instruments (applicable for annual reporting periods commencing on or after 1 January 2018)

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 Company has assessed the changes to AASB 9 and has determined that they will not materially impact the measurement of financial instruments recorded in the Financial Statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The Company has assessed the recognition requirements in AASB 16 and has determined there will be no material impact to the timing and amount of expenses recorded in the Financial Statements.

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 and Directors' valuations and are 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 of the EIS is measured based on the share price at grant date and the fair value of the ESLP is determined using the Black-Scholes model. Refer to Note 24 for further detail. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

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.

The Board reviews and agrees policies for managing each of these risks as summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in Note 17.

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):

	2018	2017
	$	$
Financial assets		
Cash and cash equivalents	**8,585,136**	3,653,118
Financial liabilities		
Bank overdraft	-	12,364
Secured loans - bank finance	**40,000,000**	47,000,000
	40,000,000	47,012,364
Net exposure	**(31,414,864)**	(43,359,246)

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)	
	2018	2017	2018	2017
	$	$	$	$
Consolidated				
+1% (100 basis points)	**(219,904)**	(303,515)	**(219,904)**	(303,515)
-1% (100 basis points)	**219,904**	303,515	**219,904**	303,515

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.

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

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

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

Credit risk
There are no significant concentrations of credit risk within the Group.

Credit risk arises from the financial assets for the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date has been assessed as minimal as the financial assets have been assessed as having a high likelihood of being received.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a bank facility. The Group ensures that there is sufficient liquidity within the bank facility by maintaining internal credit requirements that are more conservative than the financier.
The Group's debt as at balance date is outlined at Note 17.

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:

	2018	2017
	$	$
6 months or less [1]	**42,519,214**	7,588,567
6-12 months [2]	**17,289,000**	19,255,800
1-2 years	**-**	-
2-3 years [3]	**40,000,000**	-
3-4 years	**-**	47,000,000
4-5 years	**-**	-
	99,808,214	73,844,367

[1] This amount is represented by the following financial liabilities:

- $2,177,715 relates to customer deposits which typically convert to settlement within six months or less (2017: $1,022,250).
- $154,008 relates to deferred revenue which will be bought to account within six month or less (2017: $1,265,795).
- $8,598,585 relates to trade and other payables, refer to Note 15 for further detail (2017: $5,300,522).
- $31,588,906 relates to amounts payable on three parcels of land for contracts entered into prior to the reporting date (including stamp duty) expected to settle within six months of the reporting date.

[2] This amount relates to amounts payable on two parcels of land for contracts entered into prior to the reporting date (including stamp duty), expected to settle between six to twelve months after the reporting date.

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

(3) On 29 November 2017 the company executed an agreement with Westpac to add a $40,000,000 tranche to the existing $80,000,000 facility. 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 2018 total debt was $40,000,000 with $35,506,181 allocated to development debt and $4,493,819 allocated to pre-development debt (as at 30 June 2017 total debt was $47,000,000 with $18,717,722 allocated to development debt and $28,282,278 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; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

30-Jun-18 **Recurring Fair Value Measurements**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Investment properties	-	-	**303,572,686**	**303,572,686**
Total assets measured at fair value	-	-	**303,572,686**	**303,572,686**

30-Jun-17 **Recurring Fair Value Measurements**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Investment properties	-	-	211,294,274	211,294,274
Total assets measured at fair value	-	-	211,294,274	211,294,274

(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 discount rates, deferred management fee annuity value, and management expense rates are derived from independent valuations. Rental capitalisation rates are derived from a combination of independent and Directors' 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 some of the major inputs obtained from the independent valuations such as discount rates, the deferred management fee annuity values, and the management expense rates.

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

Rental capitalisation rates - rates were taken directly from the valuations for the eleven communities independently valued in the current year. In relation to the remaining communities (independently valued in the prior year) the Directors have adjusted the rental capitalisation rates to reflect those adopted by the independent valuers.
Deferred management fee annuity - the valuation for this component is taken directly from independent valuations.
Rental annuity - weekly rental rates were taken directly from the valuations for the eleven communities independently valued in the current year. In relation to the remaining communities (independently valued in the prior year) the Directors have adjusted the rate adopted in the prior year by inflation to reflect 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 ($)	190.02 - 195.57	190.02 - 195.57
Anticipated % expenses (as a percentage of rental income)	27.7% - 45.0%	27.7% - 45.0%
Rental capitalisation rates (%)	7.50%	7.50%
Rental values per unit ($)	72,647 - 98,333	72,647 - 98,333
Deferred management fee discount rates (%)	13.00% - 14.00%	13.00% - 14.00%
Deferred management fee values per unit ($)	31,224 - 88,172	31,224 - 88,172
Valuation of undeveloped land (per hectare) ($'million)	0.19 - 2.20	0.19 - 2.20

(d) Reconciliation of recurring level 3 fair value movements

(i) Investment properties

	2018 $	2017 $
Opening balance	**211,294,274**	163,676,707
Additions (contracted land and capitalised costs)	**32,052,107**	19,818,775
Net unrealised gain from fair value adjustments	**60,226,305**	27,798,792
Closing balance	**303,572,686**	211,294,274

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 for communities valued in the current year. For those communities valued in the prior year the Directors utilise inputs from current independent valuations to assess whether rental capitalisation rates and weekly rental income should be adjusted. These adjustments are assessed at each period end. The directors assess the value attributed to undeveloped land annually. Land contracted in any period is recognised at cost until the first valuation is obtained.

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

(i) Investment properties
The impact of changes to the inputs that affect the valuation of investment properties is assessed below:

Rental income
Rental is contractually fixed to increase by the greater of CPI or 3.5% annually. Therefore it is unlikely that there will be any material sensitivities in relation to rental income.

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Management expense as a percentage of rental income				
+2%	**(3,415,472)**	(2,582,472)	**(3,415,472)**	(2,582,472)
-2%	**3,336,621**	2,582,472	**3,336,621**	2,582,472
Rental capitalisation rate				
+0.50%	**(7,008,103)**	(5,147,094)	**(7,008,103)**	(5,147,094)
-0.50%	**7,924,779**	5,857,038	**7,924,779**	5,857,038
Deferred management fee per unit				
+5%	**3,464,013**	2,031,444	**3,464,013**	2,031,444
-5%	**(3,464,013)**	(2,031,444)	**(3,464,013)**	(2,031,444)
Land prices (undeveloped land)				
+10%	**4,059,691**	2,782,406	**4,059,691**	2,782,406
-10%	**(4,059,691)**	(2,782,406)	**(4,059,691)**	(2,782,406)

NOTE 5: FAIR VALUE ADJUSTMENTS

	2018	**2017**
	$	**$**
Net unrealised gain from fair value adjustments - investment properties (Note 14) (a)	**60,226,305**	27,798,792
Other fair value adjustments (b)	**(2,829,574)**	(1,134,584)
	57,396,731	26,664,208

(a) 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.

(b) Other fair value adjustments relate to transactions incurred that are not directly relating to investment properties but are fair value in nature.

NOTE 6: PROFIT FROM CONTINUING OPERATIONS

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

	2018 $	2017 $
Revenues		
(i) Deferred management fee		
Deferred management fees received	**3,522,666**	3,471,230
Selling and administration fees	**824,241**	640,922
	4,346,907	4,112,152
Expenses		
(i) Finance costs expensed		
Bank loans	**200,396**	893,213
Other	**24,313**	213,543
Amortisation of loan facility fees	**82,606**	75,055
	307,315	1,181,811
(ii) Finance costs capitalised		
Finance costs expensed excludes the following interest capitalised as part of inventory:		
Bank loans	**1,781,199**	1,107,820

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.

	2018 $	2017 $
(iii) Management rental expenses		
Management expenses attributable to communities	**6,713,934**	5,209,778
Surplus applicable to joint venture partners	**1,038,880**	1,054,109
	7,752,814	6,263,887
(iv) Management deferred management fee expenses		
Deferred management fee sales and marketing expenses	**1,094,589**	577,429
Surplus applicable to joint venture partners	**582,530**	653,983
	1,677,119	1,231,412
(v) Plant and equipment		
Depreciation (Note 13)	**544,696**	438,473
Write-off of plant and equipment (Note 13)	**-**	31,899
	544,696	470,372
(vi) Employee benefits expense		
Wages and salaries	**7,901,690**	5,072,679
Defined contribution superannuation expense	**545,159**	428,504
Share based payments expense	**459,679**	270,024
Movement in employee provisions	**142,918**	127,244
	9,049,446	5,898,451

NOTE 7: INCOME TAX

	2018 $	2017 $
(a) Components of tax expense		
Current tax	**5,552,614**	4,484,861
Deferred income tax	**16,951,880**	8,151,436
Under provision in prior years	**72,533**	-
	22,577,027	12,636,296
(b) Deferred income tax expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	**(332,676)**	(69,772)
Increase in deferred tax liabilities	**17,284,556**	8,221,207
	16,951,880	8,151,436
(c) Reconciliation between tax expense recognised in the Statement of Profit or Loss and tax expense calculated per the statutory income tax expense		
Accounting profit before tax	**75,479,942**	40,333,397
At the statutory income tax rate of 30% (2017:30%)	**22,643,983**	12,100,019
Add / (less):		
Share based payments	**139,027**	81,007
Non-controlling interests	**(133,263)**	(6,943)
Tax loss adjustments	**(160,257)**	240,000
Under provision in prior years	**72,533**	-
Other	**15,004**	222,213
Income tax expense	**22,577,027**	12,636,296
(d) Current tax		
Current tax relates to the following:		
Opening balance	**574,467**	360,801
Income tax payable	**5,552,614**	4,484,861
Tax payments	**(5,067,511)**	(4,271,195)
Under provision in prior years	**72,533**	-
Current tax liabilities	**1,132,103**	574,467
(e) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Capital raising costs	**18,354**	35,702
Inventory	**-**	41,794
Tax losses	**921,103**	961,849
Provision for employee entitlements	**249,908**	207,033
Accruals & business expenses	**1,247,328**	697,522
Credited to equity - purchase of treasury shares	**375,207**	-
	2,811,900	1,943,900
Deferred tax liabilities		
The balance comprises:		
Interest capitalised	**497,581**	1,003,416
Receivables	**-**	277,500
Investment property fair value adjustments	**54,202,839**	36,134,948
	54,700,420	37,415,864
Net deferred tax liability	**51,888,520**	35,471,964
(e) Deferred tax assets not brought to account		
Capital tax losses	**240,000**	240,000

NOTE 8: DIVIDENDS

(a) Dividends

	2018 $	2017 $
Dividends paid $0.04 per share (2017: $0.030 per share) fully franked	**4,181,805**	3,127,356

(b) Dividends declared after balance date and not recognised

Since balance date the directors have approved a dividend of 2.5 cents per share fully franked at 30% (2017: 2.0 cents per share)	**2,613,628**	2,090,903
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:	**13,301,326**	7,927,602

NOTE 9: CASH & CASH EQUIVALENTS

CURRENT ASSETS		
Cash at bank and on hand	**8,585,136**	3,653,118
	8,585,136	3,653,118
CURRENT LIABILITIES		
Bank overdraft	-	12,364
NET CASH	**8,585,136**	3,640,754

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT		
Other receivables	**227,152**	399,805
Land proceeds receivable (a)	-	925,000
	227,152	1,324,805

(a) Land proceeds receivable relates to an unconditional contract that was signed prior to balance date and was expected to settle within six months or less. The land being sold was surplus land at Casey Fields that was unable to be incorporated within the current community.

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

	2018 $	2017 $
CURRENT		
Housing	**19,421,030**	21,263,729
Civils & infrastructure	**13,811,245**	13,105,113
	33,232,275	34,368,842
NON-CURRENT		
Housing	**41,926**	46,243
Civils & infrastructure	**6,164,736**	10,518,218
	6,206,662	10,564,461
TOTAL INVENTORIES	**39,438,937**	44,933,303

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2018 totaled $79,815,755 for the Group (2017: $64,360,083). The expense has been included in the cost of sales line item.

NOTE 12: OTHER CURRENT ASSETS

Security deposits	**401,836**	160,456
Other assets	**343,634**	159,273
Prepayments	**70,040**	1,159
	815,510	320,888

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 2018	*Buildings*	*Plant and equipment*	*Computer equipment*	*Motor vehicles*	*Total*
	$	$	$	$	$
At 1 July 2017 net of accumulated depreciation	**1,971,628**	**1,739,388**	**310,368**	**569,505**	**4,590,889**
Additions	**505,213**	**652,313**	**137,461**	**235,226**	**1,530,213**
Depreciation charge for the year	**(55,915)**	**(306,394)**	**(106,369)**	**(76,018)**	**(544,696)**
At 30 June 2018 net of accumulated depreciation	**2,420,926**	**2,085,307**	**341,460**	**728,713**	**5,576,406**
At 30 June 2018					
Cost	**2,738,362**	**3,114,495**	**600,010**	**1,106,417**	**7,559,284**
Accumulated depreciation	**(317,436)**	**(1,029,188)**	**(258,550)**	**(377,704)**	**(1,982,878)**
Net carrying amount	**2,420,926**	**2,085,307**	**341,460**	**728,713**	**5,576,406**
Year end 30 June 2017					
At 1 July 2016 net of accumulated depreciation	1,985,542	1,697,329	164,280	380,467	4,227,618
Additions	49,126	366,308	208,083	145,306	768,823
Write-off	-	(30,853)	(1,046)	-	(31,899)
Transfers / change in depreciation rate (i)	(8,198)	(45,628)	9,125	109,521	64,820
Depreciation charge for the year	(54,842)	(247,768)	(70,074)	(65,789)	(438,473)
At 30 June 2017 net of accumulated depreciation	1,971,628	1,739,388	310,368	569,505	4,590,889
At 30 June 2017					
Cost	2,233,149	2,462,180	462,549	871,191	6,029,069
Accumulated depreciation	(261,521)	(722,792)	(152,181)	(301,686)	(1,438,180)
Net carrying amount	1,971,628	1,739,388	310,368	569,505	4,590,889

(i) During the year ended 30 June 2017, the fixed asset register was streamlined for depreciation type / rate consistency across all asset sub-categories.

NOTE 14: INVESTMENT PROPERTIES

	2018 $	2017 $
Investment properties at fair value	**303,572,686**	211,294,274

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

	2018 $	2017 $
Opening balance as at 1 July	**211,294,274**	163,676,707
Additions	**32,052,107**	19,818,775
Net gain from fair value adjustments	**60,226,305**	27,798,792
Closing balance as at 30 June	**303,572,686**	211,294,274

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, including discount rates, deferred management fee annuity value, and management expense rates are derived from independent valuations. Rental capitalisation rates are derived from a combination of independent and Directors' valuations, rates were taken directly from independent valuations for the eleven communities independently valued in the current year. In the remaining communities (independently valued in the prior year) the directors have adjusted the rental capitalisation rates to reflect those adopted by the independent valuers. Weekly rental rates were taken directly from the valuations for the eleven communities independently valued in the current year. In relation to the remaining communities (independently valued in the prior year) the Directors have adjusted the rate adopted in the prior year by inflation to reflect annual rent increases. The fair value of the 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.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with Australian Accounting Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

All rental income and deferred management fee income disclosed in the Statement of Profit or Loss 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 17.

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

	2018 $	2017 $
(b) Carrying amount of investment properties if the cost method had been applied	**117,836,765**	86,546,962

NOTE 15: TRADE AND OTHER PAYABLES

	2018 $	2017 $
CURRENT		
Trade payables (a)	**1,839,570**	1,459,544
Customer deposits (b)	**2,177,715**	1,022,250
GST payable	**481,421**	885,932
Other payables and accruals (c)	**6,277,594**	2,955,046
Contracted land (d)	**48,877,906**	19,255,800
Deferred revenue (e)	**154,008**	1,265,795
	59,808,214	26,844,367

(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.

Also included in other payables is a provision for GST payable following the GST Business Systems Review performed during the period, by the Australian Taxation Office. For further details see Note 27 (b).

(d) Contracted land
Includes amounts payable on five parcels of land for contracts entered into prior to the reporting date (including stamp duty). All contracts are expected to settle in the 2019 financial year.

(e) Deferred revenue
These represent cash received upon the payment of rental and home settlement invoices that relates to a future financial period and will be recognised as income within the next financial year.

NOTE 16: PROVISIONS

	2018 $	2017 $
CURRENT		
Employee provisions	**667,254**	316,016
NON-CURRENT		
Employee provisions	**165,774**	374,094

NOTE 17: INTEREST-BEARING LOANS AND BORROWINGS

	2018 $	2017 $
NON-CURRENT		
Secured loans - bank finance	**40,000,000**	47,000,000

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 $40,000,000 of a $120,000,000 facility it has with Westpac Banking Corporation (2017: $47,000,000). See note (c)(ii) below for further details of the borrowing facility.

(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 $Nil (2017: $12,364). The Company has a $5,000,000 overdraft sub-limit as part of the $120,000,000 facility with Westpac Banking Corporation.

(ii*) Non-current secured loans - bank finance*
On 29 November 2017 the company executed an agreement with Westpac Banking Corporation to add a $40,000,000 tranche to the existing $80,000,000. The $40,000,000 tranche has the same covenants and other requirements as the original $80,000,000 facility. The $120,000,000 facility has an expiry of greater than one year, with the original $80,000,000 expiring on 26 August 2020 and the $40,000,000 expiring on 29 November 2020.
As at reporting date the company has drawn $40,000,000 of the $120,000,000 facility.

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 $120,000,000 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, Hastings, Wollert, Geelong, Officer, and Berwick Waters 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 Business Finance Agreements with Westpac.

NOTE 18: CONTRIBUTED EQUITY

	2018 $	2017 $
104,545,131 Ordinary shares (2017: 104,545,131 Ordinary shares)	**64,523,510**	63,919,070
237,231 Treasury shares (2017: 174,086)	**(715,366)**	(715,000)
	63,808,144	63,204,070

(i) Reconciliation of Ordinary shares	**2018**		**2017**	
	Number	**$**	**Number**	**$**
Opening balance	**104,545,131**	**63,919,070**	104,211,800	63,822,710
Repayment of CRES loan	**-**	**604,440**	-	96,360
Issue of shares - conversion of CRES to ordinary shares	**-**	**-**	333,331	-
Closing balance	**104,545,131**	**64,523,510**	104,545,131	63,919,070

(ii) Reconciliation of Treasury shares	**2018**		**2017**	
	Number	**$**	**Number**	**$**
Opening balance	**174,086**	**(715,000)**	-	-
Purchase of treasury shares	**180,325**	**(534,091)**	174,086	(715,000)
Vesting of employee shares	**(117,180)**	**533,725**	-	-
Closing balance	**237,231**	**(715,366)**	174,086	(715,000)

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

(b) Treasury shares
Treasury shares represent shares purchased by an Employee Share Trust that have not been issued to employees at balance date pursuant to the Equity Incentive Scheme.

(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 FY2018 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 2.0 cent per share ($2,090,903) and declare a final fully franked dividend of 2.5 cents per share ($2,613,628).

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 19: RETAINED EARNINGS AND RESERVES

	2018 $	2017 $
(a) Movements in retained earnings were as follows:		
Balance 1 July	**90,518,119**	65,920,305
Net profit	**52,681,734**	27,695,112
Transfer from reserves	**-**	30,058
Dividends paid	**(4,181,805)**	(3,127,356)
	139,018,048	90,518,119

(b) Reserves	Share based payments reserve	
	$	$
	2018	2017
Opening balance	**1,801,816**	1,561,850
Option expense (CRES)	**-**	23,010
Other share based payments expense (EIS)	**459,679**	247,014
Vesting of employee shares	**(533,725)**	-
Reversal to retained earnings due to vested/cancelled options (CRES)	**-**	(30,058)
Closing balance	**1,727,770**	1,801,816

The option reserve is used to record the fair value of options / CRES issued to employees as part of their remuneration as well as expenses pursuant to the Equity Incentive Scheme. Refer Note 24 for further details.

NOTE 20: NON-CONTROLLING INTERESTS

Details of subsidiaries with non-controlling interests

(a) The Group has a 50% interest (2017: 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.

	2018 $	2017 $
(i) Summarised financial information for subsidiary:		
Current assets	**444,709**	446,051
Non-current assets	**-**	-
Total assets	**444,709**	446,051
Current liabilities	**444,709**	446,051
Non-current liabilities	**-**	-
Total liabilities	**444,709**	446,051
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.

	2018 $	2017 $
Revenues	**36**	4,455
Expenses	**444,673**	(3,221)
Net profit after tax from continuing operations	**444,709**	1,234
Profit allocated to non-controlling interest	**222,355**	617

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

	2018 $	2017 $
Cash flows from operating activities	-	(30,238)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	(300,838)
Net cash flows	-	(331,076)

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

	2018 $	2017 $
Trust distributions	**444,709**	1,234

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

	2018 $	2017 $
Bank guarantees	-	-

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

(b) The Group has a 50% interest 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:

	2018 $	2017 $
Current assets	**8,330**	8,330
Non-current assets	-	-
Total assets	**8,330**	8,330
Current liabilities	**8,330**	8,330
Non-current liabilities	-	-
Total liabilities	**8,330**	8,330
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.

	2018 $	2017 $
Revenues	**9**	4,306
Expenses	**(2,357)**	(1,562)
Net profit after tax from continuing operations	**(2,348)**	2,744
Profit/(loss) allocated to non-controlling interest	**(1,174)**	1,372

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

	2018 $	2017 $
Cash flows from operating activities	**-**	(21,496)
Cash flows from investing activities	**-**	(85,232)
Cash flows from financing activities	**-**	-
Net cash flows	**-**	(106,728)

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

	2018 $	2017 $
Trust distributions	**(2,348)**	2,744

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

	2018 $	2017 $
Bank guarantees	-	-

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

NOTE 21: CASH FLOW STATEMENT RECONCILIATION

a) Reconciliation of net cash flows from operating activities to operating profit

	2018 $	2017 $
Operating profit after income tax	**52,902,915**	27,697,101
Adjustment for non-cash items:		
Depreciation	**544,696**	373,653
Amortisation	**82,606**	75,055
Write-off of plant and equipment	**-**	31,899
Share option expense	**459,679**	270,024
Fair value adjustment	**(57,396,731)**	(26,664,208)
Add back/(subtract) changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**520,425**	(914,098)
(Increase)/decrease in inventories	**5,494,366**	7,445,552
Increase/(decrease) in trade and other payables	**290,985**	1,552,419
Increase/(decrease) in provisions	**142,918**	127,244
Increase/(decrease) in current tax	**557,636**	213,667
Increase in deferred tax	**16,951,881**	8,151,438
Net cash flow from operating activities	**20,551,376**	18,359,745

NOTE 22: EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	2018	2017
For basic and diluted earnings per share:		
Net profit	**52,681,734**	27,695,112

(b) Weighted average number of shares

	2018	2017
Weighted average number of ordinary shares for basic earnings per share	**104,545,131**	104,292,165
Effect of dilution:		
Share options	**-**	198,250
Weighted average number of ordinary shares adjusted for dilution	**104,545,131**	104,490,415

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 23: 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 2018	% Equity interest 2017	Carrying value of parent entity's interest 2018	Carrying value of parent entity's interest 2017
				$	$
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.

NOTE 24: SHARE-BASED PAYMENTS

	2018 $	2017 $
(a) Recognised share-based payment expenses		
The expense recognised for employee services received during the year is shown in the table below:		
Expenses arising pursuant to the EIS	**459,679**	247,014
Expenses arising pursuant to the ESLP	-	23,010
Total	**459,679**	270,024

(b) Types of share-based payment plans

Equity Incentive Scheme, 'EIS'

The purpose of the EIS is to offer all employees (excluding Directors) the ability to obtain shares in the Company and 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. Under this scheme, employees are offered ordinary shares in the Company by way of share units issued by the share plan trustee in the Employee Share Trust.

There are two concurrent schemes, one for the senior management team and another for all other employees. Shares are offered in September each year based on the business successfully meeting pre-determined home settlement targets in the prior financial year. The first shares pursuant to this scheme were issued in September 2017. Senior management shares have service conditions whereby 100% of shares in respect of the 2017 financial year will be issued in September 2017 however 25% will be subject to a service condition until September 2018 and then a further 50% will be subject to a service condition until September 2019 when all shares will vest to the employees. The other scheme has no service requirements. An expense of $459,679 (2017: $247,014) has been recorded in the 2018 financial year to reflect the number of shares that vested during the 2018 financial year.

The design of the scheme was approved by the board of directors in the 2016 financial year and was formally adopted by the board of directors in the 2017 financial year. The scheme will not result in new shares in the Company being issued. The Company will make a cash contribution to the share plan trustee who will arrange the purchase of the required amount of shares on-market. The Employee Share Trust has an independent share plan trustee and is not considered to be controlled by the Company.

Employee Share Loan Plan, 'ESLP'

The purpose of the ESLP was 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 last of the outstanding CRES were exercised in the year ended 30 June 2017 and loans amounting to $604,440 were settled in the year. As at the reporting date, no CRES were outstanding and all loans had been repaid. The Directors do not intend to issue any further CRES under the ESLP.

(c) Shares granted pursuant to the EIS

The following table outlines shares granted pursuant to the EIS:

	Senior management		Other staff		Total	
	Number of shares 2018 '000	Number of shares 2017 '000	**Number of shares 2018 '000**	Number of shares 2017 '000	**Number of shares 2018 '000**	Number of shares 2017 '000
Outstanding at the beginning of the year	**60,000**	-	**15,436**	-	**75,436**	-
Granted during the year	**90,000**	80,000	**89,575**	77,180	**179,575**	157,180
Vested during the year	**(20,000)**	(20,000)	**(15,436)**	(61,744)	**(35,436)**	(81,744)
Outstanding at the reporting date	**130,000**	60,000	**89,575**	15,436	**219,575**	75,436

(d) Average share price at measurement date under the EIS

The following table illustrates the number (No.) and weighted average share price at measurement date (WASP) of, and movements in, EIS shares during the year:

	2018 No.	2018 WASP A$	2017 No.	2017 WASP A$
Outstanding at the beginning of the year	75,436	2.87	-	-
Granted during the year	179,575	3.36	157,180	2.87
Vested during the year	(35,436)	2.87	(81,744)	2.87
Outstanding at the reporting date	219,575	3.13	75,436	2.87

(e) 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:

	2018 No.	2018 WAEP A$	2017 No.	2017 WAEP A$
Outstanding at the beginning of the year	-	-	453,331	1.358
CRES issued during the year	-	-	-	-
Options exercised during the year	-	-	-	-
CRES exercised during the year	-	-	(333,331)	0.876
CRES cancelled during the year	-	-	(120,000)	2.696
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

NOTE 25: 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 26: KEY MANAGEMENT PERSONNEL

	2018	2017
	$	$
Compensation of Key Management Personnel		
Short-term employee benefits	**1,803,665**	1,443,988
Post-employment benefits	**110,079**	121,690
Share-based payments	**67,501**	56,586
	1,981,245	1,622,264

There were no changes to roles defined as key management personnel during the 2018 financial year.

NOTE 27: 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 81 and 90 years and are transferable. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at balance date were as follows:

Within one year	**19,640,361**	15,665,465
After one year but not more than five years	**78,561,444**	62,661,862
After more than five years	**1,597,919,783**	1,278,233,029
Total minimum lease payments	**1,696,121,588**	1,356,560,356

Minimum lease payments were determined by measuring the current year's 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. The company has exercised an option to extend the original term by a further three years.

Future minimum rentals payable under non-cancellable operating leases as at balance date were as follows:

Within one year	**166,441**	166,441
After one year but not more than five years	**305,142**	-
Total minimum lease payments	**471,583**	166,441
Contracted construction commitments		
Payable not later than one year	**14,975,592**	4,290,530

(b) Contingencies

The Australian Taxation Office finalised the GST Business Systems Review during the period and notified the Company that it has identified risks which it would like to examine further under audit. The audit will cover the period from 1 June 2014 through 28 May 2018. The risks as advised by the ATO are:

1. The Company is not entitled to input tax credits on land acquisitions; and
2. The Company may not be entitled to all the input tax credits on its community infrastructure expenditure.

The Company's position remains that it is entitled to a proportion of the input tax credits associated with its land acquisitions and a full claim for input tax credits on its community infrastructure expenditure. The Company has come to this view after taking independent advice from relevant subject matter experts. Nevertheless, noting the ATO's current view that the Company is not entitled to input tax credits on land acquisition, the Company has increased the size of its provision as at 30 June 2018 for GST claimed on Land Acquisitions in the relevant period; the provision is included in accruals and other payables (see Note 15(c)).

NOTE 28: AUDITORS REMUNERATION

The auditor of Lifestyle Communities Limited is Pitcher Partners.

	2018 $	2017 $
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.	**111,500**	113,000
Other services in relation to the entity and any other entity in the consolidated group - tax compliance, general tax advice, GST advice and other agreed upon procedures.	**102,035**	114,345
	213,535	227,345

NOTE 29: PARENT ENTITY DISCLOSURES

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

	2018 $	2017 $
Current assets	**97,487,482**	99,201,418
Total assets	**107,144,764**	118,797,183
Current liabilities	**220,056**	1,585,496
Total liabilities	**39,850,505**	49,114,890
Net assets	**67,294,259**	69,682,293
Equity:		
Contributed equity	**63,451,129**	62,847,055
Reserves:		
Option reserve	**1,727,770**	1,801,816
Accumulated profits / (losses)	**2,115,360**	5,033,422
Total equity	**67,294,259**	69,682,293
Net profit/(loss)	**1,263,744**	9,520,807
Total comprehensive income	**1,263,744**	9,520,807

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

NOTE 30: 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 31: DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 17 December 2016, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument 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

NOTE 31: DEED OF CROSS GUARANTEE (continued)

The Deed was executed on 19 June 2015. Lifestyle Developments 2 Pty Ltd obtained relief pursuant to the Instrument for the year ended 30 June 2018 (and prior year). Lifestyle Investments 2 Pty Ltd also obtained relief pursuant to the Instrument for the year ended 30 June 2018 (and was ineligible for relief in the 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 2018 (including prior year comparatives) is set out as follows:

	2018	2017
	$	$
(a) Consolidated Statement of Comprehensive Income of the closed group		
Development revenue		
Home settlement revenue	**100,113,741**	79,726,920
Cost of sales	**(80,261,807)**	(64,160,895)
Gross profit from home settlements	**19,851,934**	15,566,025
Management and other revenue		
Rental revenue	**361,544**	3,889,191
Deferred management fees	**29,952**	490,961
Trust distributions	**221,181**	1,372
Finance revenue	**9,661**	8,081
Total management and other revenue	**622,338**	4,389,605
Fair value adjustments	**47,892,145**	23,161,070
less Expenses		
Development expenses (sales and marketing)	**(5,832,117)**	(4,951,534)
Management rental expenses	**(3,802)**	(3,889,191)
Corporate overheads	**(7,797,042)**	(5,770,625)
Finance costs	**(295,780)**	(1,154,756)
Loss on disposal of assets	**-**	(4,848)
Profit before income tax	**54,437,676**	27,345,746
Income tax expense	**(15,619,308)**	(6,868,673)
Net profit from continuing operations	**38,818,368**	20,477,073
Profit is attributable to:		
Members of the parent	**38,818,368**	20,477,073
Non-controlling interests	**-**	-
	38,818,368	20,477,073

NOTE 31: DEED OF CROSS GUARANTEE (continued)

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

	2018 $	2017 $
Balance 1 July	**34,644,062**	17,294,345
Dividends paid	**(4,181,805)**	(3,127,356)
Net profit	**38,818,368**	20,477,073
	69,280,625	34,644,062

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

	2018 $	2017 $
ASSETS		
Current assets		
Cash and cash equivalents	**8,524,642**	3,617,285
Trade and other receivables	**61,382,554**	115,841
Inventories	**33,240,605**	34,817,532
Other current assets	**921,381**	441,679
Total current assets	**104,069,182**	38,992,337
Non-current assets		
Inventories	**6,206,662**	10,564,461
Property, plant and equipment	**2,343,970**	1,736,532
Other financial assets	**8,893,334**	8,893,334
Investment properties	**211,833,386**	129,070,031
Total non-current assets	**229,277,352**	150,264,358
TOTAL ASSETS	**333,346,534**	189,256,695
LIABILITIES		
Current liabilities		
Bank overdraft	**-**	12,364
Trade and other payables	**119,657,266**	25,110,022
Current tax payable	**1,132,103**	574,467
Provisions	**667,254**	316,016
Total current liabilities	**121,456,623**	26,012,869
Non-current liabilities		
Trade and other payables	**-**	155,300
Interest-bearing loans and borrowings	**40,000,000**	47,000,000
Provisions	**165,774**	374,094
Deferred tax liabilities	**36,907,599**	16,064,484
Total non-current liabilities	**77,073,373**	63,593,878
TOTAL LIABILITIES	**198,529,996**	89,606,747
NET ASSETS	**134,816,539**	99,649,948
EQUITY		
Contributed equity	**63,808,144**	63,204,070
Reserves	**1,727,770**	1,801,816
Retained earnings	**69,280,625**	34,644,062
TOTAL EQUITY	**134,816,539**	99,649,948

Directors' Declaration

The directors declare that the:

1. In the directors' opinion, the Financial Statements and notes thereto, as set out on pages 38 to 76, are in accordance with the Corporations Act 2001, including:

(a) complying with Australian 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) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and its performance for the year ended on that date.

2. 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 31 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 31.

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 2018.

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

Tim Poole
Chairman

James Kelly
Managing Director

Melbourne, 15 August 2018

PITCHER PARTNERS

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 Audit of the Financial Report

Opinion

We have audited the financial report of Lifestyle Communities Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of investment properties - $303.6m *Refer to Note 14*	
This is the largest asset on the balance sheet, representing 84.7% of total assets. Our audit effort has increased in this area as the Group's investment property portfolio has grown in recent years. In particular, there is significant focus in ensuring the underlying investments are valued appropriately. The valuation of the investment properties held at fair value is based on key inputs and assumptions noted in the valuation. Judgement is applied to a number of the key inputs including: • management fee expense percentages; • capitalisation rates; and • the value of deferred management fees. The Group engages external independent valuers to undertake valuations of each investment property at least every 2 years. It is due to the size of the balance and use of key input and assumption judgements that this is a key area of audit focus.	Our procedures included amongst others: • Evaluating the external property valuations obtained by management and performing an assessment as to the appropriateness of key inputs and assumptions used in the valuation; • Challenging the key inputs and assumptions provided by management to the external valuers; • Comparing movements between key inputs and assumptions in valuations from prior periods to ensure they were in line with our knowledge and expectation of the specific property and the overall applicable market conditions; • Reviewing the properties which were not subject to an external valuation, and comparing the inputs to those used in the prior period and indicators from current external valuations.

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

LIFESTYLE COMMUNITIES LIMITED
AND CONTROLLED ENTITIES
ABN 11 078 675 153

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 26 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Lifestyle Communities Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Peter Jose

Pitcher Partners

P A JOSE
Partner

PITCHER PARTNERS
Melbourne

15 August 2018

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 6 August 2018.

(a) Distribution of equity securities

(i) Ordinary share capital

104,545,131 fully paid ordinary shares are held by 2,426 individual shareholders

(b) Substantial shareholders

Fully paid ordinary shareholders	Number	Percentage	Current at (last notification date)
James Kelly	12,045,566	11.52%	15 August 2017
Cooper Investors Pty Ltd	7,896,352	7.55%	9 February 2017
Washington H. Soul Pattinson and Company Limited (WHSP)	6,363,178	6.09%	5 June 2018
Pengana Capital Group Limited	6,363,178	6.09%	5 June 2018
AustralianSuper	5,727,700	5.48%	28 September 2016
Australian Foundation Investment Company Limited	5,470,436	5.22%	27 April 2016
Perlov family	5,386,637	5.15%	16 September 2016
BT Investment Management Limited	5,299,706	5.07%	14 March 2018

Voting rights

All ordinary shares carry one vote per share without restriction.

(c) Twenty largest holders of quoted equity securities

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,458,960	12.87
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	10,781,292	10.31
3	MASONKELLY PTY LTD	9,116,265	8.72
4	NATIONAL NOMINEES LIMITED	7,657,898	7.32
5	BNP PARIBAS NOMS PTY LTD <DRP>	7,256,044	6.94
6	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,470,436	5.23
7	DAKEN INVESTMENTS PTY LTD	5,149,539	4.93
8	CITICORP NOMINEES PTY LIMITED	5,061,875	4.84
9	MIRRABOOKA INVESTMENTS LIMITED	2,690,133	2.57
10	TRACEY RYAN INVESTMENTS PTY LTD <RYAN INVESTMENT A/C>	2,320,000	2.22
11	KELLY SUPERANNUATION FUND PTY LTD	2,116,801	2.02
12	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA>	1,784,389	1.71
13	AMCIL LIMITED	1,714,048	1.64
14	ARMADA INVESTMENTS PTY LTD	1,608,229	1.54
15	B S CARTER INVESTMENTS PTY LTD <B S CARTER FAMILY A/C>	1,579,433	1.51
16	EQUITAS NOMINEES PTY LIMITED <PB-600687 A/C>	1,500,000	1.43
17	AUST EXECUTOR TRUSTEES LTD <GFFD>	1,244,355	1.19
18	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	926,000	0.89
19	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	825,585	0.79
20	AUSTRALIAN SHAREHOLDER NOMINEES PTY LTD	768,435	0.74
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		**83,029,717**	**79.42**

(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	958	404,313	0.39
1,001 - 5,000	886	2,362,970	2.26
5,001 - 10,000	269	2,046,954	1.96
10,001 - 100,000	260	7,568,579	7.24
100,001 Over	53	92,162,315	88.16
Rounding			**0.01**
Total	**2,426**	**104,545,131**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $6.00 per unit	84	192	3,561

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 Philippa Kelly – Non-Executive Director The Honourable Nicola Roxon - Non-Executive Director Georgina Williams - Non-Executive Director David Blight – Non-Executive Director
Company secretary	Mark Licciardo Kate Goland Darren Rowland
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 13, 664 Collins Street Docklands VIC 3008 Australia