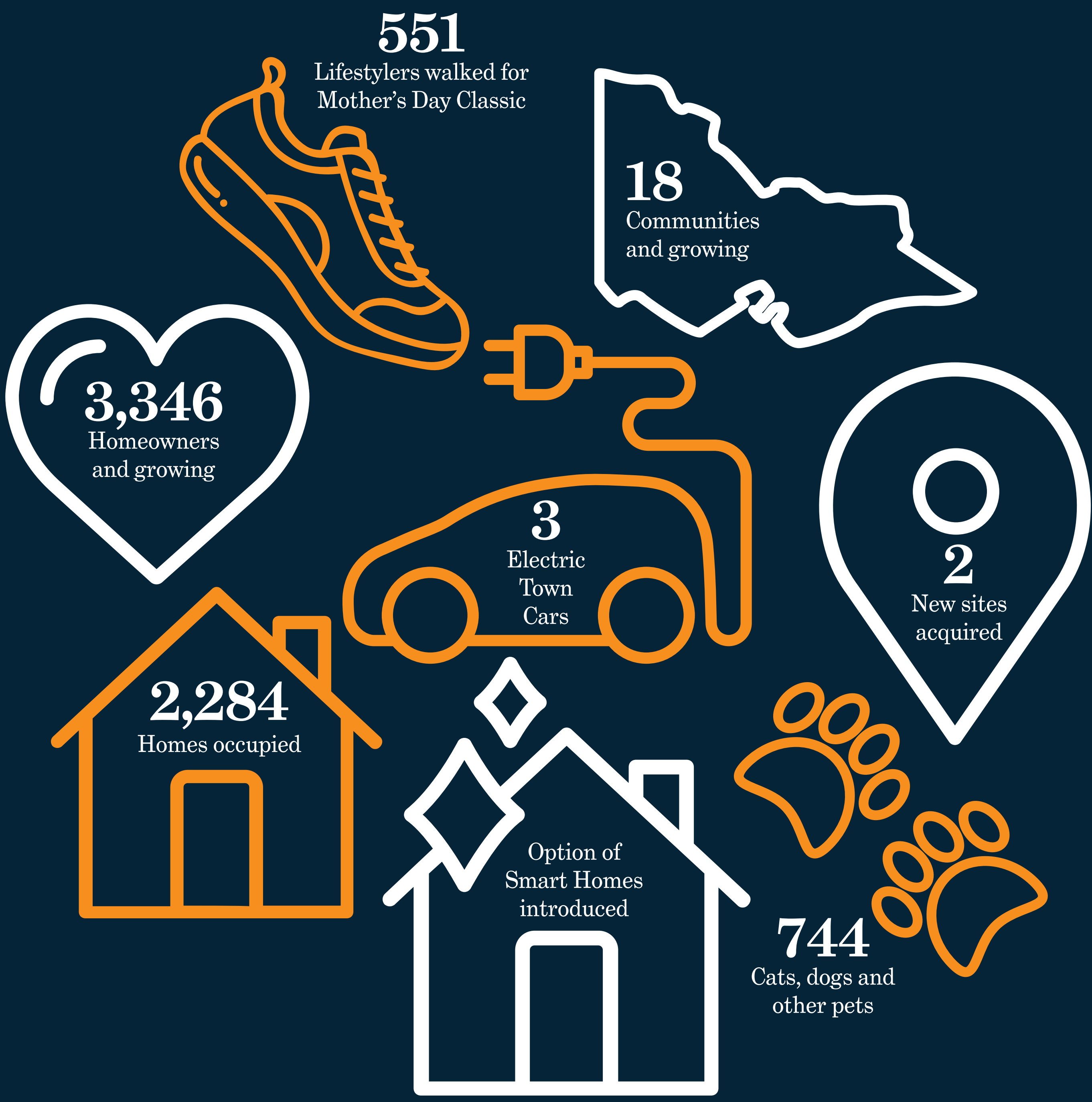
Lifestyle Communities Limited

ABN: 11 078 675 153

Annual Report

For the year ended 30 June 2019

2019 Highlights



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Corporate Information

Lifestyle Communities Limited	ABN 11 078 675 153
Registered Office	Level 1, 9-17 Raglan Street South Melbourne VIC 3205 Australia Telephone 61 3 9682 2249
Directors	Tim Poole – Non-executive Chairman 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 Secretaries	Mark Licciardo Kate Goland Darren Rowland
Principal Place of Business	Level 1, 9-17 Raglan 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
Solicitors	Thomson Geer Level 39, 525 Collins Street Melbourne VIC 3000 Australia
Auditors	Pitcher Partners Accountants Auditors & Advisors Level 13, 664 Collins Street Docklands VIC 3008 Australia

Chairman and Managing Director's Review

For the 2019 Financial Year

Dear fellow shareholders,

We are pleased to present to you the Lifestyle Communities Annual Report for the year ended 30 June 2019 and to set out the progress we have made towards meeting our objective of being the leading provider of good quality affordable accommodation for active retirees in Victoria.

The 2019 financial year has seen the addition of 337 new home settlements now providing 2,284 settled homes within our communities. We are delighted with the acquisition of two additional sites located at Plumpton and Tyabb as well as acquiring additional land to expand our development at Wollert. We were also very pleased to execute new funding agreements with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia to secure $225 million of senior debt facilities under a common terms deed. Our land acquisition plan remains focused in Victoria where we continue to build on our brand and referral network. We have the capacity to secure two new sites per year and we continue to investigate opportunities in Melbourne's key growth corridors.

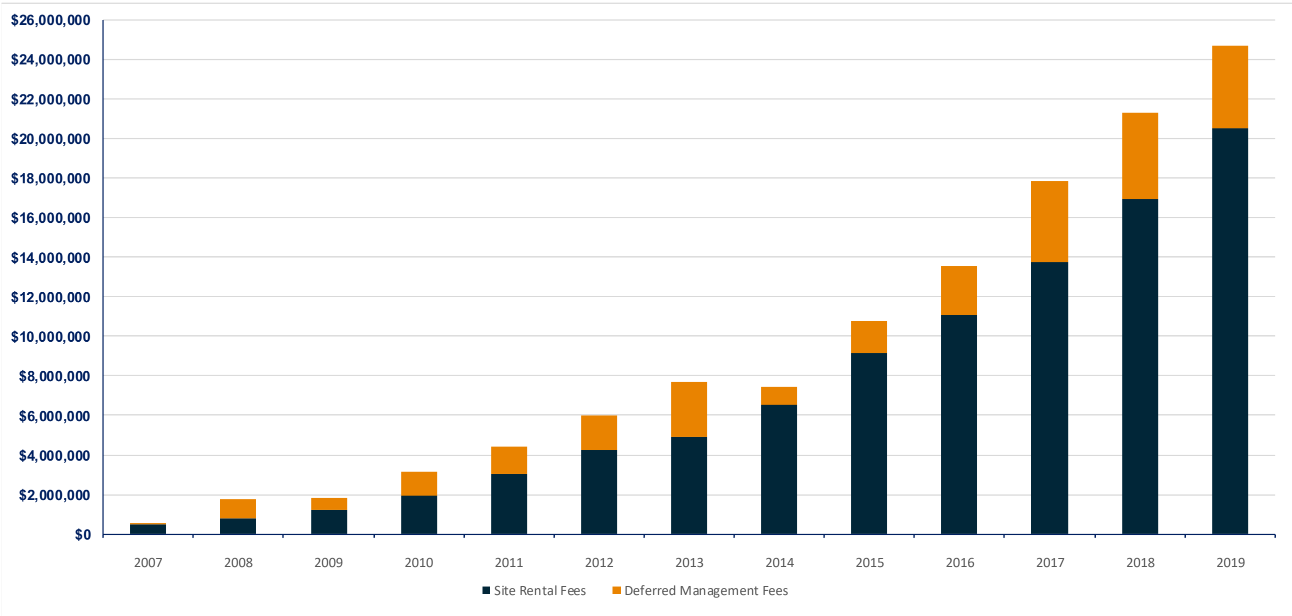
Our development activity is currently focused on closing out final settlements at Shepparton, Geelong, Berwick Waters and Bittern, maintaining the pace at Ocean Grove and Mount Duneed, and commencing construction at Kaduna Park, Wollert, Plumpton and Tyabb. We also remain focused on continuing to differentiate Lifestyle Communities by delivering a high level of customer experience through the many customer touchpoints. This has resulted in 54% of our new sales during FY19 coming from referrals.

The key highlights for the 2019 financial year include:

- Achieved 337 new home settlements. We commence FY20 with 239 new homes sold but not settled;
- Acquired additional sites in Plumpton and Tyabb;
- Acquired an additional parcel of land at Wollert extending the size of the community to 246 homes;
- Achieved 152 settlements at Bittern during the year;
- Increased the total number of home sites settled and under management to 2,284;
- Increased the total portfolio to 3,563 home sites either under planning, development or management;
- Underlying net profit after tax attributable to shareholders increased by $7.3 million (or 21.6%) to $41.1 million (statutory net profit after tax was $55.1 million);
- Home site annuity rentals increased by $3.6 million to $20.5 million; and
- Deferred management fees realised (inclusive of selling and administration fees) remained steady at $4.2 million due to strong resale prices despite settlements attracting a DMF reducing to 53 (2018: 59).

The Company has delivered fourteen 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 annuity flow for future dividends.

Growing annuity income streams



During FY19 we have continued to build the Company's capability and resources and improve systems and processes while maintaining the unique organisational culture that Lifestyle Communities has enjoyed as an organic growth business. This, coupled with an increase in the Company's senior debt facilities and a property market that is providing more opportunities, should allow new home settlements to increase materially in FY21 and beyond.

The Company's Board has remained stable during FY19. However, long serving Director and Chair, Tim Poole, will retire at the conclusion of the August 2019 Board meeting. Tim has overseen and made a significant contribution towards the growth of the company during his twelve years on the Board. As part of the board's succession plan, the Chair will pass to Philippa Kelly who has been a Non-Executive Director since September 2013. Philippa has a deep understanding of our business and was Chair of the Audit and Risk Committee.

We are pleased to announce the Lifestyle Communities foundation donated over $100,000 this year to cancer-based charities as well as winning an award for the largest team participating in the Mother's Day Classic with over 500 homeowners, employees and their families supporting this great cause. 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.

Finally, on behalf of the Board, we would like to thank all our homeowners, our talented team and our shareholders for great support during the 2019 financial year.

Yours sincerely,

James Kelly
Managing Director
14 August 2019

Tim Poole
Chair
14 August 2019

Engaging our Communities

Directors' Report

For the year ended 30 June 2019

The directors present their report together with the financial report of the consolidated entity consisting of Lifestyle Communities Limited and the entities it controlled (the Group), for the year ended 30 June 2019 and the auditor's report thereon.

Principal activities and significant changes in nature of 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 were no significant changes in the nature of the Group's principal activities during the financial year.

Results

The consolidated profit of the Group for the financial year after providing for income tax amounted to $ 55,063,201 (2018: $52,681,734).

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

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 is the Chair of the HR & Remuneration Committee and is a member of the Audit Committee. He holds a Bachelor of Commerce from the University of Melbourne and is formerly a Chartered Accountant.

Tim is an experienced Director of ASX listed and unlisted companies across the financial services, infrastructure, property 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 40 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 Non-executive Director of ASX listed, private and not-for-profit organisations. Philippa is a Deputy Chancellor of Deakin University, Chair of its Finance and Business Committee and a member of the Remuneration Committee. Philippa was previously a Non-executive Director of the Alcohol and Drug Foundation.

Philippa held senior executive operational roles within ASX listed and unlisted businesses for the past 20 years and most recently was Chief Operating Officer of the Juilliard Group, one of Melbourne's largest private property owners. She has specific expertise in property, listed investment and managed funds, finance and in repositioning and developing the strategic direction of businesses in a range of sectors.

Philippa has a background in law, investment banking and mergers and acquisitions.

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 is also 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.

Directors' Report

For the year ended 30 June 2019

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 is also 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 Independent Chair of HESTA and Non-Executive Director of Dexus Funds Management Limited. She was previously Chair of Bupa, Cancer Council Australia, the Accounting Professional and Ethical Standards Board and an 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 15 years in politics she held many relevant positions including Federal Attorney General and Federal Minister for Health and Ageing. She worked previously as an Industrial lawyer and advocate at Maurice Blackburn and the National Union of Workers.

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.

Company Secretaries

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

Mark is the founder and 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. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial matters.

He is also the former Chairman of the Governance Institute of Australia Victoria division, Academy of Design (LCI Melbourne) and Melbourne Fringe Festival and is a current non-executive director of a number of public and private companies. Mr Licciardo is currently a director of Frontier Digital Ventures Limited and Mobilicom Limited, ASX listed entities. He was recently a Director of iCar Asia Limited.

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 as Chief Financial Officer in May 2018 and has previously held a number of senior finance and commercial roles with Toll Holdings Limited predominantly in the resources and marine logistics industries. 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.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Report

For the year ended 30 June 2019

Directors' Interests

Director	Fully Paid Ordinary Shares	Options over Ordinary Shares
Tim Poole	1,224,607	-
James Kelly	12,077,001	-
Philippa Kelly	65,000	-
The Honourable Nicola Roxon	-	-
Georgina Williams	2,000	-
David Blight	-	-

Dividends

A fully franked dividend of 2.5 cents per share was paid on 5 October 2018 (representing the 2018 final dividend). A fully franked dividend of 2.5 cents per share was paid on 5 April 2019 (representing the 2019 interim dividend).

Since the end of the financial year the Directors have resolved to pay a fully franked dividend of 3.0 cents per ordinary share (representing the 2019 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 state of affairs

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

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments

Refer to the Operating and Financial Review for information on likely developments and the future prospects of the Company.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

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 directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

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' Report

For the year ended 30 June 2019

Meetings of Directors

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		Audit Committee		HR & Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Tim Poole	12	12	5	5	1	1
James Kelly	12	12	-	-	-	-
Philippa Kelly	12	12	5	5	1	1
The Honourable Nicola Roxon	12	12	-	-	1	1
Georgina Williams	12	12	5	5	-	-
David Blight	12	11	-	-	-	-

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 published on its website at LifestyleCommunities.com.au.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 has been received and can be found on page 25 of the consolidated financial report.

Non-audit services

The Company's auditor, Pitcher Partners, provided tax compliance ($24,615) and general tax advice ($225,190) at a total cost of $249,805 (2018: $102,035). 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.

Directors' Report

For the year ended 30 June 2019

Operating and Financial Review

The Company continued to develop and manage its portfolio of affordable lifestyle communities during the 2019 financial year. Profit after tax attributable to shareholders was $55.1 million (2018: $52.7 million). Underlying profit after tax attributable to shareholders was $41.1 million (2018: $33.8 million).

	Measure	FY19	FY18	Change	Change %
Revenue	A$ millions	146.8	123.6	23.2	18.8
Earnings before interest and tax	A$ millions	81.1	75.8	5.3	7.0
Net profit before tax	A$ millions	79.7	75.5	4.2	5.6
Net profit after tax	A$ millions	55.1	52.9	2.2	4.2
Underlying net profit after tax[1]	A$ millions	41.1	33.8	7.3	21.6
Operating cash flow	A$ millions	5.8	20.6	(14.8)	(71.8)
Community cash flow[2]	A$ millions	12.5	11.7	0.8	6.8
Gearing[3]	%	27.1	13.3	13.8	103.8
Underlying return on average capital employed[4]	%	19.1	19.8	(0.7)	(3.5)
Earnings per share	A$ cents	52.7	50.4	2.3	4.6
Underlying earnings per share	A$ cents	39.3	32.3	7.0	21.7
Total dividend per share	A$ cents	5.5	4.5	1.0	22.2

	Measure	FY19	FY18	Change	Change %
Homes settled (gross)	No. of homes	337	321	16	5
Homes sold (gross)	No. of homes	209	293	(84)	(29)
Average realised sales price new homes (GST incl)	A$'000	401	343	58	17
Total number of homes (gross)	No. of homes	2,284	1,947	337	17
Total number of homes (after NCI)[5]	No. of homes	2,083	1,746	337	19
Total number of homeowners	No. of people	3,346	2,859	487	17
Average age of homeowners	Years	73	72	1	1.4
Number of resales settled[6]	No. of homes	53	59	(6)	(10)
Average realised sales price resales (GST incl)[7]	A$'000	395	356	39	11

1. Underlying net profit FY19 $41.1 million (FY18 $33.8 million) excludes non-cash fair value increases driven by changes to the valuation assumptions used by independent valuers FY19 $14.0 million (FY18 $19.1 million)
2. Community cash flow comprises cash flows received from homeowner rentals and deferred management fees less community operating costs and the net surplus/deficit from providing utilities
3. Calculated as a ratio of net debt to net debt plus equity
4. Calculated as a ratio of underlying EBIT divided by a three year rolling average of total assets less current liabilities
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 18 resales settled in FY19 (FY18: 28 resales) that did not attract a deferred management fee as the outgoing homeowners sold their home 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 2019 financial year.

Directors' Report

For the year ended 30 June 2019

Update on communities

Community	New homes				Resales						
	Settled FY19	Settled FY18	Net sales FY19	Net sales FY18	Settled FY19	Settled FY18	Net sales FY19	Net sales FY18	Homes sold not settled	Total homes settled	Total homes in portfolio
Brookfield	-	-	-	-	11	15	10	14	-	228	228
Seasons	-	-	-	-	3	4	1	4	-	136	136
Warragul	-	-	-	-	9	14	10	10	-	182	182
Casey Fields	-	-	-	-	11	11	9	9	-	217	217
Shepparton	25	48	20	41	2	12	6	4	16	272	300
Chelsea Heights	-	-	-	-	9	9	10	6	-	186	186
Hastings	-	-	-	-	5	9	6	7	-	141	141
Lyndarum	-	40	-	1	7	1	2	1	-	154	154
Geelong	20	57	4	37	5	-	5	-	1	163	164
Officer	-	26	-	5	7	12	5	4	-	151	151
Berwick Waters	72	125	3	74	2	-	1	-	3	209	216
Bittern	152	25	17	116	-	-	1	-	26	177	209
Ocean Grove	68	-	59	70	-	-	-	-	87	68	220
Mount Duneed	-	-	41	-	-	-	-	-	41	-	191
Kaduna Park	-	-	47	-	-	-	-	-	47	-	172
Wollert	-	-	18	-	-	-	-	-	18	-	246
Plumpton	-	-	-	-	-	-	-	-	-	-	265
Tyabb	-	-	-	-	-	-	-	-	-	-	185
Total	337	321	209	344	71	87	66	59	239	2,284	3,563

An update on each of the communities as at 30 June 2019 is as follows:

- 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 completed construction during FY19. There are 11 homes remaining for sale and 28 homes remaining to settle.
- Lifestyle Geelong is now fully sold and has one home left to settle.
- Lifestyle Berwick Waters has seven homes remaining for settlement. Of these, four homes have been retained as display homes to assist with marketing at Kaduna Park.
- Lifestyle Bittern is fully sold and achieved 152 settlements in FY19. There are 32 homes remaining to settle and six of these have been retained to assist with marketing for Tyabb.
- Lifestyle Ocean Grove has achieved 155 sales and 68 settlements to date. The clubhouse at Ocean Grove was officially opened during May 2019.
- The land for the Lifestyle Community in Mount Duneed (Armstrong Creek) settled in September 2018. This community was launched for sale in August 2018 and first settlements are expected to commence in December 2019.
- The land for the Lifestyle Community in Kaduna Park was settled in May 2019. Whilst some preliminary site works have started, commencement of construction at Kaduna Park remains subject to receipt of a planning permit which is expected to be received in the first quarter of FY20.
- The initial parcel of land for the Lifestyle Community in Wollert was acquired in April 2018 with an additional adjacent site acquired in October 2018 which extended the size of the community to 246 homes. The second parcel of land settled in June 2019 with the first parcel due to settle in August 2019. Commencement of construction remains subject to receiving a planning permit which is expected to be received during FY20.
- The land for the Lifestyle Community in Plumpton was acquired in December 2018 and is due to settle in September 2019. Commencement of construction remains subject to receiving a planning permit which is expected to be received in the second half of FY20.
- The contracts for the acquisition of land for the Lifestyle Community in Tyabb were executed in March 2019. The contracts are conditional on obtaining a planning permit. Settlement is expected to occur at the end of 2020 with construction anticipated to commence soon after.

Directors' Report

For the year ended 30 June 2019

Outlook

The Company has a focused strategy to service the niche of providing good quality affordable housing to the over 50's market and is currently funded and resourced to acquire up to two new sites per year 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.

Due to a highly competitive property market in Victoria during the last 12 to 18 months, the Company enters FY20 with one less project than planned. The Company has also experienced some delays in receiving planning permits for new communities at Kaduna Park and Wollert. New home settlements for FY20 are forecast to be in the range of 270 to 310 and established home settlements attracting a deferred management fee are forecast to be 60 to 80. The expected increase in established home sales and site rental annuities means the Company is confident that total dividends will increase in FY20 compared to the 2019 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 18 sites and developing most of these during the past 16 years.

Sales and settlements – the Company is exposed to the rate of sales of new and existing homes, the sales price of new homes (and to a lesser extent the sales price 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 is a critical determiner in the site selection process and the acquisition case.

Community Development – the Company is exposed to various risks inherent in developing greenfield projects. Effective management of the construction programme is important to ensure; high quality product is delivered; cash flow is managed efficiently and returns are maximised. The Company mitigates this risk by implementing a robust project governance framework, using a panel of trusted suppliers, and 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 its debt facility was cancelled in a short period of time. The Company mitigates these risks by: maintaining a Statement of Financial Position with a reasonably low level of gearing; ensuring it complies with all debt covenants and reporting obligations; ensuring sufficient remaining term for debt facilities; in the most recent debt refinancing introducing different maturity dates 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 and safety. A well-managed community will: provide a safe living environment for homeowners; 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 Compliance and Governance – the Company seeks to avoid reputational and compliance incidents by implementing a strong operating and control environment and seeking professional advice in relation to the management of its legal compliance and tax affairs. The Company's operations, business, and financial model are specifically impacted by how the provisions of the Residential Tenancies Act 1997 (Vic), the Social Security Act 1991 (Commonwealth) and a number of other legislative schemes are currently interpreted and administered by the relevant regulatory authorities. Changes to the current administrative practice or specific legislative amendments, could have an adverse impact on the operating and financial performance of the Company. Further, some aspects of the taxation treatment of our relatively new asset class are being formally considered by the tax authorities for the first time. It is possible that any view formed by the tax authorities or the Courts that is inconsistent with the Company's current treatment may adversely impact the Company's operating and financial performance. The Company takes an active role in engaging with, and providing submissions to, the relevant regulatory bodies through its membership and participation in the Victorian Caravan Parks Association and the Residential Land Lease Alliance.

Putting the extra in the ordinary

Remuneration Report (audited)

For the year ended 30 June 2019

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.

Remuneration Report (audited)

For the year ended 30 June 2019

3. Details of Key Management Personnel

Non-Executive Directors	Position	Commencement date
Tim Poole	Chair of the Board Non-Executive Director Chair – HR & Remuneration Committee Member – Audit Committee	22 November 2007
Philippa Kelly	Non-Executive Director Chair – Audit Committee Member - HR & Remuneration Committee	18 September 2013
The Honourable Nicola Roxon	Non-Executive Director Member - HR & Remuneration Committee	1 September 2017
Georgina Williams	Non-Executive Director Member – Audit Committee	1 September 2017
David Blight	Non-Executive Director	15 June 2018
Executive Director	**Position**	**Commencement date**
James Kelly	Managing Director	Founder
Other executives	**Position**	**Commencement date**
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
Richard Parker	Head of Sales	11 January 2016

Remuneration Report (audited)

For the year ended 30 June 2019

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 is 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 to Non-Executive Directors 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 2019 financial year are set out in section 8.

4.2 Review of Non-Executive Director's 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 (including superannuation). 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 $579,592 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.

Remuneration Report (audited)

For the year ended 30 June 2019

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:

Settlement Targets	FY20	FY19
Low	270	310
Medium	290	330
High	310	350

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.
- Senior management personnel will receive: 2,000 shares if the low point of the target is reached; 3,000 shares if the mid-point is reached; and 4,000 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 2019 financial year, 337 new home settlements were achieved meaning the mid-point of the target was achieved.

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 and remain employed up until the shares are allocated. Shares are allocated in September following the end of the target year and after the completion of the independent audit. 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 will be issued in September following completion of the audit;
- 25% have a one-year service and ongoing performance requirements; and
- 50% have two-year service and ongoing performance requirements.

Shares allocated to senior management personnel have the following service (or escrow) conditions:

- 50% of shares will be issued in September following completion of the audit; and
- 50% have a one-year service and ongoing performance requirements.

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, the fair value has been determined at the grant date for employees employed prior to 1 July and at commencement date of employees that joined the Company during the year. The expense will be recognised over the vesting periods noted above.

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 and are awarded within three months after the end of the financial year.

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.

Remuneration Report (audited)

For the year ended 30 June 2019

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 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, the new home settlements metric was chosen as the only performance condition as new home settlements are 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 HR & Remuneration Committee has discussed whether a second performance condition should be introduced in the future. The decision was made to retain one condition for FY20, however, this matter will be further considered during the year.

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	8	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	11	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	23	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	35	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	6	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 2019 financial year. Prior to the commencement of the financial year, the Company had provided guidance that the expected new home settlement range for the 2019 financial year was 310 to 350. 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.

Remuneration Report (audited)

For the year ended 30 June 2019

The following table shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial years.

Performance measure	FY19	FY18	FY17	FY16	FY15
Underlying net profit after tax attributable to members ($million)	41.10	33.80	25.00	19.30	16.70
Underlying Net profit (change from prior year) (%)	21.6%	35.2%	29.5%	15.6%	35.8%
Performance measure	**FY19**	**FY18**	**FY17**	**FY16**	**FY15**
Dividends declared & paid (fully franked) (cents)	5.5	4.5	3.5	2.5	1.5
Underlying diluted earnings per share (cents)	52.7	32.30	26.50	18.50	16.10
Closing share price (30 June)	6.63	5.85	4.05	2.91	2.44
Share price increase / (decrease)	13.3%	44.4%	39.2%	19.3%	52.5%
New home settlements	337	321	278	202	240

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. The agreement is an ongoing contract which is reviewed annually.

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 2019 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.

Remuneration Report (audited)

For the year ended 30 June 2019

8. Remuneration details

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

	Short term				Post-employment		Share based payment	Total performance related %		
2019	Salary & fees $	Bonus $	Non-monetary $	Other $	Super $	Retirement benefits $	EIS $	Cash bonus %	Shares %	Total $
Directors										
Tim Poole	114,155	-	-	-	10,845	-	-	-	-	125,000
James Kelly	575,000	-	-	-	4,592	-	-	-	-	579,592
Philippa Kelly	77,626	-	-	-	7,374	-	-	-	-	85,000
David Blight	73,059	-	-	-	6,941	-	-	-	-	80,000
Nicola Roxon	73,059	-	-	-	6,941	-	-	-	-	80,000
Georgina Williams	73,059	-	-	-	6,941	-	-	-	-	80,000
	985,958	-	-	-	43,634	-	-	-	-	1,029,592
Key management personnel										
Darren Rowland	325,000	-	-	-	25,490	-	53,761	-	13.3	404,251
Chris Paranthoiene	325,000	-	-	-	25,371	-	69,180	-	16.5	419,551
Sam Cohen	194,550	-	-	-	16,107	-	69,180	-	24.7	279,837
Yvonne Slater	220,913	-	-	-	19,087	-	53,761	-	18.3	293,761
Richard Parker	203,082	-	-	-	16,858	-	69,180	-	23.9	289,120
	1,268,545	-	-	-	102,913	-	315,062	-	18.7	1,686,520
Total	2,254,503	-	-	-	146,547	-	315,062	-	11.6	2,716,112

Remuneration Report (audited)

For the year ended 30 June 2019

	Short term				Post-employment		Share based payment	Total performance related %		
2018	Salary $ fees $	Cash bonus $	Non-monetary $	Other $	Super $	Retirement benefits $	EIS $	Cash bonus %	Shares %	Total $
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)	48,125	-	-	-	-	-	-	-	-	48,125
	898,262	-	-	-	30,367	-	-	-	-	928,629
Key management personnel										
Darren Rowland (appointed 21 May 2018)	29,094	-	-	-	2,764	-	12,866	-	28.7	44,724
Chris Paranthoiene	292,191	9,050	-	-	27,133	-	43,167	2.6	11.6	371,541
Sam Cohen	196,434	-	-	-	16,185	-	43,167	-	16.9	255,786
Yvonne Slater (appointed 8 January 2018)	101,777	-	-	-	8,760	-	12,866	-	10.4	123,403
Michael Imbesi (resigned 25 August 2017)	44,818	-	-	31,212	5,791	-	-	-	-	81,821
Geoff Hollis (resigned 16 March 2018)	170,380	-	-	30,447	19,079	-	9,189	-	0.0	229,095
	834,694	9,050	-	61,659	79,712	-	121,255	0.9	0.1	1,106,370
Total	1,732,956	9,050	-	61,659	110,079	-	121,255	0.5	0.1	2,034,999

Remuneration Report (audited)

For the year ended 30 June 2019

9. Shares held by Key Management Personnel

9.1 Share based payments issued to key management personnel as remuneration

The number of ordinary shares in Lifestyle Communities Limited awarded or vested person (pursuant to the equity incentive scheme) to each key management of the Group during the financial year is as follows:

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	625	100
	2018	2019	EIS	625	3,256	625	100
	2018	2020	EIS	1,250	6,513	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2021	EIS	7,500	43,575	-	-
Chris Paranthoiene	2017	2019	EIS	10,000	25,900	10,000	100
	2018	2019	EIS	5,000	12,950	5,000	100
	2018	2019	EIS	5,000	12,950	5,000	100
	2018	2020	EIS	10,000	25,900	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2021	EIS	3,750	43,575	-	-
Sam Cohen	2017	2019	EIS	10,000	25,900	10,000	100
	2018	2019	EIS	5,000	12,950	5,000	100
	2018	2020	EIS	10,000	12,950	5,000	100
	2019	2020	EIS	5,000	25,900	-	-
	2019	2020	EIS	5,000	21,787	-	-
	2019	2020	EIS	10,000	21,787	-	-
	2019	2021	EIS	625	43,575	-	-
Yvonne Slater	2018	2019	EIS	625	3,256	625	100
	2018	2019	EIS	625	3,256	625	100
	2018	2020	EIS	1,250	6,513	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2021	EIS	7,500	43,575	-	-
Richard Parker	2017	2019	EIS	10,000	25,900	10,000	100
	2018	2019	EIS	5,000	12,950	5,000	100
	2018	2019	EIS	5,000	12,950	5,000	100
	2018	2020	EIS	10,000	25,900	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2020	EIS	3,750	21,787	-	-
	2019	2021	EIS	7,500	43,575	-	-

For further details relating to the EIS, please refer to Note 5.3 of the Company's 2019 Financial Statements.

Remuneration Report (audited)

For the year ended 30 June 2019

9.2 Shareholdings of Directors and key management personnel

30 June 2019	Balance at beginning of year	On-market transactions	Balance at end of year
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	**-**	**-**	**-**
Nicola Roxon	**-**	**-**	**-**
Georgina Williams	**2,000**	**-**	**2,000**
Key management personnel			
Darren Rowland	**-**	**1,250**	**1,250**
Chris Paranthoiene	**197,341**	**(16,000)**	**181,341**
Sam Cohen	**85,000**	**20,000**	**105,000**
Yvonne Slater	**195**	**1,250**	**1,445**
Richard Parker	**10,000**	**16,500**	**26,500**

30 June 2018	Balance at beginning of year	On-Market transactions	Balance at end of year
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 2018)	-	-	-
Georgina Williams (appointed 1 September 2018)	-	2,000	2,000
Bruce Carter (resigned 21 August 2017)	5,079,433	-	5,079,433
Jim Craig (resigned 14 February 2018)	3,000,000	-	3,000,000
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
Geoff Hollis (resigned 16 March 2018)	190,000	(50,000)	140,000

10. Remuneration report voting at Annual General Meetings

Lifestyle Communities Limited received more than 95.78% of votes in support of its remuneration report at the 2018 Annual General Meeting.

Remuneration report ends.

Directors' Report
For the year ended 30 June 2019

Signed in accordance with a resolution of the Board of Directors:

Tim Poole	James Kelly
Chair	Managing Director

Dated 14 August 2019

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 2019, 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*.

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

N R BULL
Partner

Date 14 August 2019

PITCHER PARTNERS
Melbourne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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Development revenue			
Home settlement revenue		**119,270,205**	100,114,866
Cost of sales		**(89,716,228)**	(79,815,755)
Gross profit from home settlements		**29,553,977**	20,299,111
Management and other revenue			
Rental revenue		**20,539,317**	16,963,810
Deferred management fees	2.1(a)	**4,192,677**	4,346,907
Utilities revenue		**2,818,577**	2,121,865
Sub-division revenue		**-**	50,087
Finance revenue		**20,273**	11,544
Total management and other revenue		**27,570,844**	23,494,213
Fair value adjustments	2.2	**55,732,362**	57,396,731
Less expenses			
Development expenses (sales and marketing)		**(6,212,127)**	(5,835,906)
Management rental expenses	2.1(d)	**(9,169,649)**	(7,752,814)
Management deferred management fee expenses	2.1(e)	**(2,614,718)**	(1,677,119)
Utilities expenses		**(3,270,966)**	(2,266,073)
Corporate overheads		**(9,843,826)**	(7,771,760)
Other expenses		**(673,238)**	(99,126)
Finance costs	2.1(b)	**(1,421,634)**	(307,315)
Profit before income tax		**79,651,025**	75,479,942
Income tax expense	2.4	**(24,587,824)**	(22,577,027)
Profit from continuing operations		**55,063,201**	52,902,915
Profit attributable to:			
Members of the parent entity		**55,063,201**	52,681,734
Non-controlling interests		**-**	221,181
Total comprehensive income for the half year		**55,063,201**	52,902,915
Total comprehensive income attributable to:			
Members of the parent entity		**55,063,201**	52,681,734
Non-controlling interests		**-**	221,181
		55,063,201	52,902,915
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share (cents)		**52.7**	50.4
Diluted earnings per share (cents)		**52.7**	50.4

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	4.3	**4,981,887**	8,585,136
Trade and other receivables	2.6	**605,316**	227,152
Inventories	3.3	**34,776,702**	33,232,275
Other current assets	2.7	**1,824,549**	815,510
Total current assets		**42,188,454**	42,860,073
Non-current assets			
Inventories	3.3	**13,881,826**	6,206,662
Property, plant and equipment	3.4	**7,642,027**	5,576,406
Investment properties	3.1	**399,750,455**	303,572,686
Total non-current assets		**421,274,308**	315,355,754
TOTAL ASSETS		**463,462,762**	358,215,827
LIABILITIES			
Current liabilities			
Trade and other payables	2.8	**37,405,769**	59,808,214
Current tax liabilities	2.4	**973,934**	1,132,103
Provisions	5.2	**888,517**	667,254
Total current liabilities		**39,268,220**	61,607,571
Non-current liabilities			
Interest-bearing loans and borrowings	4.4	**100,000,000**	40,000,000
Provisions	5.2	**132,100**	165,774
Deferred tax liabilities	2.4	**69,370,783**	51,888,520
Total non-current liabilities		**169,502,883**	92,054,294
TOTAL LIABILITIES		**208,771,103**	153,661,865
NET ASSETS		**254,691,659**	204,553,962
EQUITY			
Contributed equity	4.5	**63,641,422**	63,808,144
Reserves	4.6	**2,196,251**	1,727,770
Retained earnings	4.6	**188,853,986**	139,018,048
Total equity attributable to equity holders of the Company		**254,691,659**	204,553,962
Non-controlling interest		**-**	-
TOTAL EQUITY		**254,691,659**	204,553,962

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

2019	Note	Contributed equity $	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2018		**63,808,144**	**1,727,770**	**139,018,048**	**-**	**204,553,962**
Profit for the year		**-**	**-**	**55,063,201**	**-**	**55,063,201**
Total comprehensive income for the year		**-**	**-**	**55,063,201**	**-**	**55,063,201**
Transactions with owners in their capacity as owners						
Treasury shares purchased	4.5	**(547,889)**	**-**	**-**	**-**	**(547,889)**
Vesting of treasury shares	4.5	**381,167**	**(419,799)**	**-**	**-**	**(38,632)**
Employee share scheme expense	5.3	**-**	**888,280**	**-**	**-**	**888,280**
Dividends paid or provided for	4.7	**-**	**-**	**(5,227,263)**	**-**	**(5,227,263)**
Balance at 30 June 2019		**63,641,422**	**2,196,251**	**188,853,986**	**-**	**254,691,659**

2018	Note	Contributed equity $	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 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	6.2	-	-	-	(221,181)	(221,181)
Treasury shares purchased	4.5	(534,091)	-	-	-	(534,091)
Issue of shares - exercise of options	4.5	533,725	(533,725)	-	-	-
Repayment of employee share scheme loans	4.5	604,440	-	-	-	604,440
Employee share scheme expense	5.3	-	459,679	-	-	459,679
Dividends paid	4.7	-	-	(4,181,805)	-	(4,181,805)
Balance 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 Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers		146,374,079	134,791,374
Payments to suppliers and employees		(130,279,294)	(107,247,348)
Income tax paid		(7,029,004)	(5,067,510)
Interest received		123,044	11,544
Interest paid		(3,405,465)	(1,936,684)
Net cash provided by operating activities	2.5	5,783,360	20,551,376
Cash flow from investing activities			
Purchase of property, plant and equipment		(2,760,947)	(1,530,213)
Purchase of investment properties		(60,615,700)	(2,430,000)
Net cash used in investing activities		(63,376,647)	(3,960,213)
Cash flow from financing activities			
Proceeds from CRES shares		-	604,440
Purchase of treasury shares		(782,699)	(1,069,416)
Proceeds from external borrowings		60,000,000	2,000,000
Repayment of external borrowings		-	(9,000,000)
Dividends paid		(5,227,263)	(4,181,805)
Net cash provided by/ (used in) financing activities		53,990,038	(11,646,781)
Net increase/(decrease) in cash and cash equivalents held		(3,603,249)	4,944,382
Cash and cash equivalents at the beginning of the financial year		8,585,136	3,640,754
Cash and cash equivalents at end of financial year	4.3	4,981,887	8,585,136

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

Notes to the Financial Statements

For the year ended 30 June 2019

1 How we have prepared this report

1.1 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.

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.

1.2 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.

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

1.3 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.

(a) Significant accounting judgments

(i) 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.

Notes to the Financial Statements

For the year ended 30 June 2019

(ii) 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.

(b) Significant accounting estimates and assumptions

(i) 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.

(ii) 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. Refer to Note 5.3 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.

2 How we have performed this year

2.1 Profit from continuing operations

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

Revenues

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 homeowners 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 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 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.

The Company offers a *Smart Buy Guarantee* whereby no deferred management fee is payable by homeowners that moveout for whatever reason in the first 12 months. 4.4% of homeowners that settled in FY19 used the *Smart Buy Guarantee* (and therefore didn't pay a deferred management fee) compared with 6.9% in FY18.

(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.

Notes to the Financial Statements

For the year ended 30 June 2019

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

(a) Deferred management fee

	2019 $	2018 $
Deferred management fees received	**3,431,238**	3,522,666
Selling and administration fees	**761,439**	824,241
Total	**4,192,677**	4,346,907

Expenses

(b) Finance costs expensed

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.

	2019 $	2018 $
Interest on secured loans	**1,168,068**	200,396
Other interest expense	**650**	24,313
Amortisation of loan facility fees	**252,916**	82,606
Total	**1,421,634**	307,315

(c) Finance costs capitalised

Finance costs expensed excludes interest capitalised as part of inventory:

	2019 $	2018 $
Interest on secured loans	**2,237,397**	1,781,199

Interest on development debt has been capitalised at the prevailing facility interest rate and is expensed through cost of sales as a pro-rata amount per home settled.

(d) Management rental expenses

	2019 $	2018 $
Management expenses attributable to communities	**8,449,073**	6,713,934
Surplus application to joint venture partners	**720,576**	1,038,880
Total	**9,169,649**	7,752,814

Notes to the Financial Statements

For the year ended 30 June 2019

(e) Management deferred management fee expenses

	2019 $	2018 $
Deferred management fee sales and marketing expenses	**1,894,209**	1,094,589
Surplus application to joint venture partners	**720,509**	582,530
Total	**2,614,718**	1,677,119

(f) Depreciation, amortisation and impairment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the Directors have determined that there was no adjustment required to the Group's property, plant and equipment useful lives. Full details of the Company's depreciation accounting policy can be found at note 3.4.

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	2019 $	2018 $
Depreciation	3.4	**703,698**	544,696

2.2 Fair Value Adjustments

	2019 $	2018 $
Fair value adjustments - Investment Properties	**55,732,362**	60,226,305
Other fair value adjustments	**-**	(2,829,574)
Total	**55,732,362**	57,396,731

(a) Fair value adjustments - investment properties

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

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

Notes to the Financial Statements

For the year ended 30 June 2019

2.3 Earning 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

	2019 $	2018 $
Net profit	**55,063,201**	52,681,734

(b) Weighted average number of shares

	2019 $	2018 $
Weighted average number of ordinary shares for basic earnings per share	**104,545,131**	104,545,131

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.

2.4 Income Tax Expense

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.

(a) The major components of tax expense (income) comprise:

	2019 $	2018 $
Current tax	**6,870,836**	5,552,614
Deferred income tax	**17,482,263**	16,951,880
Under/(over) provision in respect of prior years	**-**	72,533
Deferred tax movement- booked through equity (contribution to the employee share trust)	**234,725**	-
Total	**24,587,824**	22,577,027

Notes to the Financial Statements

For the year ended 30 June 2019

(b) Deferred income tax expense included in income tax expense comprises

	2019 $	2018 $
Decrease / (increase) in deferred tax assets	**423,741**	(332,676)
Increase in deferred tax liabilities	**17,058,522**	17,284,556
Total	**17,482,263**	16,951,880

(c) Reconciliation of income tax to accounting profit:

	2019 $	2018 $
Accounting profit before tax	**79,651,025**	75,479,942
Tax	**30.00%**	30.00%
	23,895,308	22,643,983
Add / (less):		
Tax effect of:		
- Share options expensed during year	**266,484**	139,027
- Non-controlling interests	-	(133,263)
- Tax loss adjustments	-	(160,257)
- Under provision for income tax in prior year	-	72,533
- Other	**426,032**	15,004
Income tax expense	**24,587,824**	22,577,027

(d) Current tax

Current tax relates to the following:

	2019 $	2018 $
Opening balance	**1,132,103**	574,467
Income tax payable	**6,870,836**	5,552,614
Tax payments	**(7,029,005)**	(5,067,511)
Under provision in prior year	-	72,533
Current tax liabilities	**973,934**	1,132,103

Notes to the Financial Statements

For the year ended 30 June 2019

(e) Deferred tax

Deferred tax assets	2019 $	2018 $
Capital raising costs	12,236	18,354
Tax losses	274,344	921,103
Provision for employee entitlements	306,185	249,908
Accruals and business expenses	1,455,141	1,247,328
Credited to equity - purchase of treasury shares	340,253	375,207
Deferred tax assets	2,388,159	2,811,900
Deferred tax liabilities		
Interest capitalised	836,394	497,581
Investment property fair value adjustments	70,922,548	54,202,839
Deferred tax liabilities	71,758,942	54,700,420
Net deferred tax liability	69,370,783	51,888,520

(f) Deferred tax assets not brought to account

Capital tax losses	324,241	240,000

2.5 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

	2019 $	2018 $
Operating profit after income tax	55,063,201	52,902,915
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
-Depreciation	703,698	544,696
-Amortisation	252,916	82,606
-Share based payments	888,280	459,679
-Fair value adjustment	(55,732,362)	(57,396,731)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(378,164)	520,425
- (Increase) in other assets	(1,009,039)	-
- (Increase)/decrease in inventories	(9,219,592)	5,494,366
- Increase/(decrease) in trade and other payables	(2,297,261)	290,985
- Increase in provisions	187,589	142,918
- Increase/(decrease) in current tax	(158,169)	557,636
- Increase in deferred tax	17,482,263	16,951,881
Net cash flow from operating activities	5,783,360	20,551,376

Notes to the Financial Statements

For the year ended 30 June 2019

2.6 Trade and other receivables

	2019 $	2018 $
Other receivables	**605,316**	227,152

(a) Fair value and credit risk

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

2.7 Other current assets

	2019 $	2018 $
Security deposits	**787,271**	401,836
Other assets	**958,750**	343,634
Prepayments	**78,528**	70,040
Total	**1,824,549**	815,510

(a) 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.

2.8 Trade and other payables

	Note	2019 $	2018 $
Trade payables	(a)	**1,486,479**	1,839,570
Customer deposits	(b)	**637,900**	2,177,715
GST payable	(c)	**402,911**	481,421
Other payables and accruals	(c)	**5,428,500**	6,277,594
Contracted land	(e)	**29,323,325**	48,877,906
Deferred revenue	(f)	**126,654**	154,008
Total		**37,405,769**	59,808,214

(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) 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,

Notes to the Financial Statements

For the year ended 30 June 2019

activities, which are disclosed as operating cash flows.

(d) 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 and professional fees related to the GST audit currently being conducted by the Australian Taxation Office. For further details see Note 7.3.

(e) Contracted land

Includes amounts payable on two parcels of land for contracts entered prior to the reporting date (including stamp duty). All contracts are expected to settle in the 2020 financial year.

(f) 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.

2.9 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.

3 Our business assets

3.1 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.

	2019 $	2018 $
Investment properties at fair value	**399,750,455**	303,572,686

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

	2019 $	2018 $
Opening balance	**303,572,686**	211,294,274
Additions (contracted land and capitalised costs)	**40,445,407**	32,052,107
Net unrealised gain from fair value adjustments	**55,732,362**	60,226,305
Closing balance	**399,750,455**	303,572,686

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 independent valuations. Rates were taken directly from independent valuations for the six 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 six 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.

Notes to the Financial Statements

For the year ended 30 June 2019

3.1 Investment properties (continued)

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 an independently assessed discount rate.

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 4.4.

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

(b) Carrying amount of investment properties if the cost method had been applied

	2019 $	2018 $
Investment properties at cost	**158,084,175**	117,836,765

3.2 Fair value measurements

(a) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2019				
Recurring Fair Value Measurements				
Investment properties	-	-	399,750,445	399,750,445
Total assets measured at fair value	-	-	399,750,445	399,750,445
30 June 2018				
Recurring Fair Value Measurements				
Investment properties	-	-	303,572,686	303,572,686
Total assets measured at fair value	-	-	303,572,686	303,572,686

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

(i) 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.

Notes to the Financial Statements

For the year ended 30 June 2019

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

(i) Investment properties

Rental capitalisation rates - rates were taken directly from the valuations for the six 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 - for all communities the Directors have adjusted the weekly rental rates adopted in prior year valuations 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 ($)	196.44 - 202.92	196.44 - 202.92
Anticipated % expenses (as a percentage of rental income)	28.0% - 42.2%	28.0% - 42.2%
Rental capitalisation rate (%)	7.0%	7.0%
Rental values per unit ($)	84,730 - 108,341	84,730 - 108,341
Deferred management fee discount rates (%)	13.00% - 13.25%	13.00% - 13.25%
Deferred management fee values per unit ($)	31,229 - 89,247	31,229 - 89,247
Valuation of undeveloped land (per hectare) ($'million)	0.19 - 2.20	0.19 - 2.20

(d) 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 independent valuations to assess whether rental capitalisation rates and weekly rental income should be adjusted. These adjustments are assessed each period end. The directors assess the value attributed to undeveloped land annually. Land contracted in any period is recognised at cost until the first valuation is obtained.

Notes to the Financial Statements

For the year ended 30 June 2019

(e) 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)	
	2019	2018	2019	2018
	$	$	$	$
Rental expense rate				
+2%	(4,465,964)	(3,415,472)	(4,465,964)	(3,415,472)
-2%	4,465,964	3,336,621	4,465,964	3,336,621
Rental capitalisation rate				
+0.50%	(9,937,497)	(7,008,103)	(9,937,497)	(7,008,103)
-0.50%	11,466,343	7,924,779	11,466,343	7,924,779
Deferred management fee per unit				
+5%	4,106,731	3,464,013	4,106,731	3,464,013
-5%	(4,106,731)	(3,464,013)	(4,106,731)	(3,464,013)
Land prices (undeveloped land)				
+10%	5,786,125	4,059,691	5,786,125	4,059,691
-10%	(5,786,125)	(4,059,691)	(5,786,125)	(4,059,691)

Notes to the Financial Statements
For the year ended 30 June 2019

3.3 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.

	2019 $	2018 $
Current		
Housing	**21,470,409**	19,421,030
Civils and infrastructure	**13,306,293**	13,811,245
Total current	**34,776,702**	33,232,275
Non-current		
Housing	**4,650,453**	41,926
Civils and Infrastructure	**9,231,373**	6,164,736
Total non-current	**13,881,826**	6,206,662
Total	**48,658,528**	39,438,937

(a) Inventory expense
Inventories recognised as an expense for the year ended 30 June 2019 totalled $89,716,228 for the Group (2018: $79,815,755). The expense has been included in the cost of sales line item. Inventory expense includes $27,953,534 for a share of the community infrastructure sold with each home (FY18 $26,810,436).

3.4 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:

	2019	2018
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

Notes to the Financial Statements

For the year ended 30 June 2019

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

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings $	Plant and Equipment $	Motor Vehicles $	Computer Equipment $	Total $
Year ended 30 June 2019					
Balance at the beginning of the year	**2,420,926**	**2,085,307**	**728,713**	**341,460**	**5,576,406**
Additions	**735,411**	**1,568,269**	**232,975**	**455,505**	**2,992,160**
Disposals	**-**	**(222,841)**	**-**	**-**	**(222,841)**
Depreciation	**(78,665)**	**(354,152)**	**(97,348)**	**(173,533)**	**(703,698)**
Balance at the end of the year	**3,077,672**	**3,076,583**	**864,340**	**623,432**	**7,642,027**
At 30 June 2019 Cost	**3,473,773**	**4,250,415**	**1,339,396**	**1,055,521**	**10,119,105**
Accumulated depreciation	**(396,101)**	**(1,173,832)**	**(475,056)**	**(432,089)**	**(2,477,078)**
Net Carrying Amount	**3,077,672**	**3,076,583**	**864,340**	**623,432**	**7,642,027**

	Buildings $	Plant and Equipment $	Motor Vehicles $	Computer Equipment $	Total $
Year ended 30 June 2018					
Balance at the beginning of year	1,971,628	1,739,388	569,505	310,368	4,590,889
Additions	505,213	652,313	235,226	137,461	1,530,213
Depreciation expense	(55,915)	(306,394)	(76,018)	(106,369)	(544,696)
	2,420,926	2,085,307	728,713	341,460	5,576,406
At 30 June 2018 Cost	2,738,362	3,114,495	1,106,417	600,010	7,559,284
Accumulated depreciation	(317,436)	(1,029,188)	(377,704)	(258,550)	(1,982,878)
Net Carrying Amount	**2,420,926**	**2,085,307**	**728,713**	**341,460**	**5,576,406**

Notes to the Financial Statements

For the year ended 30 June 2019

4 How we fund the business and manage risks

4.1 Capital Management

When managing capital, the Company'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. The Company 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.

4.2 Financial Risk Management Objectives and 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.

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.

The Group manages its exposure to key financial risk, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts. These procedures are sufficient to identify when mitigating action might be required.

Notes to the Financial Statements

For the year ended 30 June 2019

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 4.4.

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):

	2019 $	2018 $
Financial assets		
Cash and cash equivalents	**4,981,887**	8,585,136
Financial liabilities		
Secured loans - bank finance	**100,000,000**	40,000,000
Net exposure	**95,018,113**	31,414,864

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)	
	2019 $	2018 $	2019 $	2018 $
Consolidated				
+1% (100 basis points)	**(574,583)**	**(219,904)**	(574,583)	(219,904)
-1% (100 basis points)	**574,583**	**219,904**	574,583	219,904

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

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

Market risk

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

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.

Notes to the Financial Statements

For the year ended 30 June 2019

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 4.4.

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:

	2019 $	2018 $
6 months or less[1]	**37,405,769**	42,519,214
6-12 months	**-**	17,289,000
1-2 years	**-**	-
2-5 years[2]	**100,000,000**	40,000,000
Total	**137,405,769**	99,808,214

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

- $637,900 relates to customer deposits which typically convert to settlement within six months or less (2018: $2,177,715).

- $126,654 relates to deferred revenue which will be bought to account within six month or less (2018: $154,008).

- $7,322,591 relates to trade and other payables, refer to Note 2.8 for further detail (2018: $8,598,585).

- $29,323,325 relates to amounts payable on two 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) 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.

4.3 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.

	2019 $	2018 $
Cash and cash equivalents	**4,981,887**	8,585,136

4.4 Interest-bearing loans and borrowings

	2019 $	2018 $
Secured loans - bank finance	**100,000,000**	40,000,000

Notes to the Financial Statements

For the year ended 30 June 2019

(a) Secured loans - bank finance maturity

On 28 March 2019, the Company executed contracts with The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia to secure $225,000,000 of senior debt facilities under a common terms deed. The new facilities comprise a $60,000,000 tranche with a maturity of three years and a $165,000,000 tranche with a maturity of five years and replaces the previous $120,000,000 facility with Westpac Banking Corporation.

As at reporting date the company has drawn $100,000,000 of the $225,000,000 facility. See note (c) 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

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 $225,000,000 facility is secured by the following:

General Security Deeds between The Commonwealth Bank of Australia, National Australia Bank, HSBC Bank Australia and:

- Lifestyle Communities Limited
- Lifestyle Investments 1 Pty Ltd
- Lifestyle Management 1 Pty Ltd
- Lifestyle Developments 1 Pty Ltd
- Lifestyle Investments 2 Pty Ltd
- Lifestyle Management 2 Pty Ltd
- Lifestyle Developments 2 Pty Ltd
- Lifestyle Communities Investments Cranbourne Pty Ltd
- Brookfield Village Management Pty Ltd; and
- Brookfield Village Development Pty Ltd.

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

Mortgage granted by Lifestyle Investments 2 Pty Ltd over the properties at Shepparton, Hastings, Wollert, Geelong, Officer, Berwick Waters, Bittern, Ocean Grove, Mount Duneed, Kaduna Park and Wollert North.

(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 The Commonwealth Bank of Australia, National Australia Bank and HSBC Bank Australia.

Notes to the Financial Statements

For the year ended 30 June 2019

4.5 Contributed equity

	2019 $	2018 $
104,545,131 Ordinary shares (30 June 2018: 104,545,131)	**64,523,267**	64,523,510
230,401 Treasury shares (30 June 2018: 237,231)	**(881,845)**	(715,366)
Total	63,641,422	63,808,144

(i) Reconciliation of ordinary shares

	2019		2018	
	Number	$	Number	$
Opening balance	**104,545,131**	**64,523,510**	104,545,131	63,919,070
Repayment of CRES loan	-	-	-	604,440
Closing balance	104,545,131	64,523,510	104,545,131	64,523,510

(ii) Reconciliation of treasury shares

	2019		2018	
	Number	$	Number	$
Opening balance	**237,231**	**(715,366)**	174,086	(715,000)
Purchase of treasury shares	**150,000**	**(547,889)**	180,325	(534,091)
Vesting of employee shares	**(156,830)**	**381,410**	(117,180)	533,725
Closing balance	230,401	(881,845)	237,231	(715,366)

(a) Ordinary shares

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

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.

Notes to the Financial Statements

For the year ended 30 June 2019

4.6 Retained earnings and reserves

(a) Movements in retained earnings were as follows

	2019 $	2018 $
Opening balance	**139,018,048**	90,518,119
Profit for the year	**55,063,201**	52,681,734
Dividends paid	**(5,227,263)**	(4,181,805)
Closing balance	**188,853,986**	139,018,048

(b) Reserves

	2019 $	2018 $
Opening balance	**1,727,770**	1,801,816
Share based payments expense	**888,280**	459,679
Vesting of employee shares	**(419,799)**	(533,725)
Closing balance	**2,196,251**	1,727,770

4.7 Dividends

(a) Dividends

	2019 $	2018 $
Dividends paid 5.0 cents per share (2018: 4.0 cents per share) fully franked	**5,227,263**	4,181,805
Dividends declared after balance date and not recognised		
Since balance date the directors have approved a dividend of 3.0 cents per share (2018: 2.5 cents per share) fully franked at 30%	**3,136,354**	2,613,628

(b) Franking account balance

	2019 $	2018 $
Franking account balance	**17,542,713**	13,301,326

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.

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Notes to the Financial Statements

For the year ended 30 June 2019

(c) Dividend considerations

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 FY19 community management cash flows delivered a sufficient surplus to declare and pay an interim fully franked dividend of 2.5 cent per share ($2,613,628) and declare a final fully franked dividend of 3.0 cents per share ($3,136,354).

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.

5 How we remunerate our employees and auditors

5.1 Employee benefits expense

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

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

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

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(iv) Share based payments

The consolidated entity operates an equity incentive scheme (EIS). Refer to Note 5.3 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.

	2019 $	2018 $
Wages and salaries	**8,594,288**	7,901,690
Defined contribution superannuation expense	**618,074**	545,159
Share based payments expense	**888,280**	459,679
Movement in employee provisions	**187,589**	142,918
Total	**10,288,231**	9,049,446

Notes to the Financial Statements

For the year ended 30 June 2019

5.2 Employee provisions

	2019 $	2018 $
Current		
Employee provisions	**888,517**	667,254
Non-current		
Employee provisions	**132,100**	165,774

5.3 Share-based payments

(a) Recognised share-based payment expenses

	2019 $	2018 $
Expenses arising pursuant to the EIS	**888,280**	459,679

(b) 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.

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 and remain employed up until the shares are allocated. Shares are allocated in September following the end of the target year and after the completion of the independent audit. Employees commencing employment with the Company after 1 July of the target year and entitles 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 will be issued in September following completion of the audit;
- 25% have a one-year service and ongoing performance requirements; and
- 50% have two-year service and ongoing performance requirements.

Shares allocated to senior management personnel have the following service (or escrow) conditionals:

- 50% of shares will be issued in September following completion of the audit; and
- 50% have a one-year service and ongoing performance requirements.

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.

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 shares on-market. The Employee Share Trust has an independent share plan trustee and is not considered to be controlled by the Company.

Notes to the Financial Statements

For the year ended 30 June 2019

(c) Shares granted pursuant to the EIS

The following tables outlines shares granted pursuant to the EIS:

	Senior management		Other staff		Total	
	Number of shares 2019 '000	Number of shares 2018 '000	Number of shares 2019 '000	Number of shares 2018 '000	Number of shares 2019	Number of shares 2018
Outstanding at the beginning of the year	130,000	60,000	89,575	15,436	219,575	75,436
Granted during the year	101,250	90,000	72,045	89,575	173,295	179,575
Vested during the year	(80,000)	(20,000)	(89,575)	(15,436)	(169,575)	(35,436)
Cancelled during the year	(15,000)	-	-	-	(15,000)	-
Outstanding at the reporting date	136,250	130,000	72,045	89,575	208,295	219,575

(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:

	Number of shares 2019 $	2019 $	Number of shares 2018 $	2018 $
Outstanding at the beginning of the year	219,575	3.13	75,436	2.87
Granted during the year	173,295	5.78	179,575	3.36
Vested during the year	(169,575)	3.13	(35,436)	2.87
Cancelled during the year	(15,000)	4.06	-	-
Outstanding at the reporting date	208,295	5.09	219,575	3.13

5.4 Key Management Personnel Remuneration

Key Management Personnel remuneration included within employee expenses for the year is shown below:

	2019 $	2018 $
Short-term employee benefits	2,254,503	1,803,665
Post-employment benefits	146,549	110,079
Share-based payments	315,062	121,255
Total	2,716,114	2,034,999

Richard Parker (Head of Sales) has been included in the Key Management Personnel for the 2019 financial year.

Notes to the Financial Statements

For the year ended 30 June 2019

5.5 Auditors remuneration

Amounts received or due and receivable for current auditors:

	2019 $	2018 $
An audit or review of the financial report of the entity and any other entity in the consolidated group.	**122,804**	111,500
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.	**249,805**	102,035
Total	**372,609**	213,535

The auditor of Lifestyle Communities Limited is Pitcher Partners.

Notes to the Financial Statements

For the year ended 30 June 2019

6 How we structure the business

6.1 Related party disclosures

(a) Ultimate parent

Lifestyle Communities Limited is the ultimate Australian parent entity.

(b) Subsidiaries

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

	Country of incorporation	% Equity Interest		Carrying value of parent entity's interest	
Name		2019	2018	2019	2018
		%	%	$	$
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:	Australia	**100**	100	**-**	-
Brookfield Village Management Pty Ltd)					
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:	Australia	**50**	50	**-**	-
Lifestyle Chelsea Heights Trust Pty Ltd)					
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

(c) Loans from related parties

There are no loans from related parties.

(d) Transactions with related parties

There were no transactions with related parties in the current or prior years.

Notes to the Financial Statements

For the year ended 30 June 2019

6.2 Non-controlling interests

Details of subsidiaries with non-controlling interests

(a) Cameron Street Developments Unit Trust

The Group has a 50% interest (2018: 50%) in the subsidiary entity, Cameron Street Developments Unit Trust, whose principal activity is the development of a master planned residential village. The Group's voting power is equal to its ownership interest. The entity is registered and operates in Australia.

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

(i) Summarised financial information for subsidiary:

	2019 $	2018 $
Current assets		
Current assets	-	444,709
Total assets	-	444,709
Current liabilities		
Current liabilities	-	444,709
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.

	2019 $	2018 $
Revenues	-	36
Expenses	-	444,673
Net profit after tax from continuing operations	-	444,709

	2019 $	2018 $
Profit allocated to non-controlling interest	-	222,355

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

	2019 $	2018 $
Trust distributions	-	444,709

Notes to the Financial Statements

For the year ended 30 June 2019

(b) Lifestyle Chelsea Heights Unit Trust

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 on 22 December 2011.

(i) Summarised financial information for subsidiary:

	2019 $	2018 $
Current assets		
Current assets	-	8,330
Total assets	-	8,330
Current liabilities		
Current liabilities	-	8,330
Total liabilities	-	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.

	2019 $	2018 $
Revenues	-	9
Expenses	-	(2,357)
Net loss after tax from continuing operations	-	(2,348)

	2019 $	2018 $
Loss allocated to non-controlling interest	-	(1,174)

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

	2019 $	2018 $
Trust distributions	-	(2,348)

Notes to the Financial Statements

For the year ended 30 June 2019

6.3 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 as they are part of a Closed Group as defined by the *Corporations Act 2001:*

- Lifestyle Communities Limited
- Lifestyle Investments 2 Pty Ltd
- Lifestyle Developments 2 Pty Ltd
- Lifestyle Management 2 Pty Ltd
- Lifestyle Communities Investments Cranbourne Pty Ltd
- Lifestyle Investments 1 Pty Ltd
- Lifestyle Management 1 Pty Ltd
- Lifestyle Developments 1 Pty Ltd
- Brookfield Village Management Pty Ltd
- Brookfield Village Development Pty Ltd

Pursuant to the abovementioned legislative instrument, the Company and each of the subsidiaries entered into a Deed of Cross Guarantee on the 19th of June 2015 or have been added as parties to the Deed of Cross Guarantee by way of an Assumption Deed dated the 4th of June 2019. 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 Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Statement of Financial Position for the Closed Group are the same as the financial statements for Lifestyle Communities Limited and its controlled entities.

Notes to the Financial Statements

For the year ended 30 June 2019

6.4 Parent entity

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

	2019 $	2018 $
Consolidated Statement of Financial Position		
Assets		
Current assets	**138,478,903**	97,487,482
Total Assets	**140,142,974**	107,144,764
Liabilities		
Current liabilities	**2,503,505**	220,056
Total Liabilities	69,221,402	39,850,505
Equity		
Issued capital	**62,514,600**	63,451,129
Reserves	**2,196,251**	1,727,770
Retained earnings	**6,210,721**	2,115,360
Total Equity	**70,921,572**	67,294,259
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Net profit	**8,037,672**	1,263,774
Total comprehensive income	**8,037,672**	1,263,774

7 Information not recognised in the financial statements

7.1 Lessor Commitments

Operating lease commitments receivable

The Group has entered 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:

	2019 $	2018 $
- no later than 1 year	**23,691,790**	19,640,361
- between 1 year and 5 years	**94,767,161**	78,561,444
- greater than 5 years	**1,919,880,982**	1,597,919,783
Total minimum lease payments	**2,038,339,933**	1,696,121,588

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

Notes to the Financial Statements

For the year ended 30 June 2019

7.2 Leasing Commitments

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 lease commitments payable

Lease payments for operating leases are recognised as expenses on a straight-line basis over the term of the lease. The Group has entered a commercial property lease with its landlord for office premises. The lease has an initial term of five years from the commencement date being 1 February 2019.

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

	2019 $	2018 $
- not later than one year	**167,265**	166,441
- between one year and five years	**636,321**	305,142
Total	**803,586**	471,583

Contracted construction commitments		
Payable not later than one year	**7,036,855**	14,975,592

7.3 Contingencies

The GST audit being conducted by the Australian Taxation Office (ATO) continued throughout the period. The ATO issued a position paper during the period and notified the Company that, in its view:

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

The Company's position remains that it is entitled to an input tax credit for a part of the GST incurred on its land acquisitions and an input tax credit for the full amount of GST incurred on its community infrastructure expenditure. The Company has come to this view after taking independent advice from relevant subject matter experts, including senior counsel. During FY19 the ATO issued a notice of assessment for $670,000 which related to the input tax credit claimed on the purchase of the land for Lifestyle Lyndarum in June 2014. The Company immediately paid and lodged an objection to that assessment. By mutual agreement, the ATO and the Company have agreed to pause the objection process whilst the GST audit is completed. At the ATO's request, the Company agreed to extend the audit period. The Company will continue to engage with the ATO and has not increased the size of its provision since 30 June 2018.

7.4 Events Occurring After the Reporting Date

The consolidated financial report was authorised for issue on 14 August 2019 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

7.5 Change in Accounting Policy

(a) Financial Instruments - Adoption of AASB 9

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to

Notes to the Financial Statements

For the year ended 30 June 2019

non-financial items; and

- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

The application of AASB 9 has not materially impacted the classification and measurement of the group's financial assets and financial liabilities.

(b) Revenue from Contracts with Customers - Adoption of AASB 15

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The Group's recognition and measurement of revenue from contracts with customers has not changed as a result of the introduction of the new standard.

Further details of the group's accounting policies in relation to accounting for revenue from contracts with customers under AASB 15 are contained in note 2.

7.6 Change in accounting policy in future periods

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

Notes to the Financial Statements

For the year ended 30 June 2019

AASB 16: Leases

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:

(a) 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:

i. investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

ii. 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

(b) 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.

AASB 16 mandatorily applies to annual reporting periods commencing on or after 1 January 2019 and will be first applied by the Group in the financial year commencing 1 July 2019.

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. The Company expects to record a right of use asset of approximately $1.2 million and a corresponding lease liability of approximately $1.1 million in relation to the lease on its support office space in South Melbourne.

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001* and:

a. comply with Accounting Standards, which, as stated in basis of preparation Note 1.1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

b. the consolidated financial statements and notes for the financial year comply with the Accounting Standards; and

c. the consolidated financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the Company 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 companies which are party to the deed of cross guarantee identified in Note 6.3 will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

Tim Poole
Chair

James Kelly
Managing Director

Melbourne, 14 August 2019

PITCHER PARTNERS

**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 2019, 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 Company's financial position as at 30 June 2019 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 Company 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.

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 - $399.7m Refer to Note 3.1	
This is the largest asset on the balance sheet, representing 86% of total assets. Our audit effort is largely focused on this balance due to the size and subjectivity of inputs. The valuation of the investment properties held at fair value is based on key inputs and assumptions employed by the valuers and where applicable may be supported by data provided by management. The Group engages external independent valuers to undertake valuations of each investment property at least every 2 years, with desktop valuations being obtained for the properties off-cycle.	Our procedures included: • Evaluating the external property valuations obtained by management and identifying and assessing the key inputs and assumptions used in the valuation; • Comparing valuation inputs and assumptions to observable historic data where available; • Ensuring that there is consistency in assumptions applied to valuations across communities; • Conducting interviews with the valuation expert to evaluate their competence, capabilities and document their approach and methodology applied to the valuation.

Pitcher Partners

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 2019, 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 have 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.

**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.

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

PITCHER PARTNERS

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

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 14 to 23 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Lifestyle Communities Limited, for the year ended 30 June 2019 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.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

14 August 2019

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 5 August 2019.

(a) Distribution of equity securities

(i) Ordinary share capital

104,545,131 fully paid ordinary shares are held by 2,567 individual shareholders

(b) Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Fully paid ordinary shareholders	Number	Percentage	Current at (last notification date)
James Kelly	**12,077,001**	11.55	17 July 2019
Cooper Investors Pty Ltd	**7,896,352**	7.55	9 February 2017
Washington H. Soul Pattinson and Company Limited (WHSP)	**7,465,093**	7.14	5 February 2019
Pengana Capital Group Limited	**7,465,093**	7.14	5 February 2019
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) The number of shareholders by range of shares and unmarketable parcel holders

Holding	Total holders	Units	% of issued capital
1 - 1,000	**1,071**	440,279	0.42
1,001 - 5,000	**928**	2,436,312	2.33
5,001 - 10,000	**266**	2,023,451	1.94
10,001 - 100,000	**247**	7,427,477	7.10
100,000 and over	**55**	92,217,612	88.21

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $6.63 per share	**75**	195	3,216

(d) Twenty largest holders of quoted equity securities

		Number held	% of issued shares
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,501,656	11.00
2	NATIONAL NOMINEES LIMITED	10,262,063	9.82
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,573,730	9.16
4	MASONKELLY PTY LTD	9,116,265	8.72
5	BNP PARIBAS NOMS PTY LTD <DRP>	8,650,955	8.27
6	CITICORP NOMINEES PTY LIMITED	5,398,609	5.16
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	5,228,014	5.00
8	DAKEN INVESTMENTS PTY LTD	5,149,539	4.93
9	KELLY SUPERANNUATION FUND PTY LTD	2,116,801	2.02
10	TRACEY RYAN INVESTMENTS PTY LTD <RYAN INVESTMENT A/C>	1,977,650	1.89
11	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,816,101	1.74
12	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA>	1,676,885	1.60
13	ARMADA INVESTMENTS PTY LTD	1,608,229	1.54
14	MIRRABOOKA INVESTMENTS LIMITED	1,421,101	1.36
15	AUST EXECUTOR TRUSTEES LTD <GFFD>	1,369,398	1.31
16	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,317,363	1.26
17	BELLWETHER INVESTMENTS PTY LTD <YORK STREET SETTLEMENT A/C>	1,204,619	1.15
18	B S CARTER INVESTMENTS PTY LTD <B S CARTER FAMILY A/C>	1,161,439	1.11
19	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	920,000	0.88
20	AUSTRALIAN SHAREHOLDER NOMINEES PTY LTD	768,435	0.74
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	82,238,852	78.66

Securities exchange

The Company is listed on the Australian Securities Exchange.

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