



TASMAN LIFESTYLE CONTINUUM GROUP

Consisting of the combined Financial Report of
Tasman Lifestyle Continuum Limited (ACN 168 777 491)
and its controlled entities

and

Tasman Lifestyle Continuum Trust (ARSN 602 145 817)
and its controlled entities

FINANCIAL REPORT 2014*

*For the period from date of incorporation 26 March 2014 to 31 December 2014

TASMAN LIFESTYLE CONTINUUM GROUP

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TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' REPORT

The directors of Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as Responsible Entity for the Tasman Lifestyle Continuum Trust (collectively referred to as "the Directors") present their report together with the consolidated financial statements for the period ended 31 December 2014 for both:

- Tasman Lifestyle Continuum Group ("Tasman" or the "Group") consisting of Tasman Lifestyle Continuum Limited (the "Company") and its controlled entities and Tasman Lifestyle Continuum Trust ("TLCT") and its controlled entities; and
- TLCT and its controlled entities (the "Trust").

The shares of the Company and the units in TLCT are combined and issued as stapled securities in Tasman. The shares of the Company and the units in TLCT cannot be traded separately and can only be traded as stapled securities.

1. Directors and Management

The directors of Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as responsible entity of the TLCT (the "Responsible Entity") during the period and up to the date of this report are:

Directors of Tasman Lifestyle Continuum Limited

Mr Andrew Fay – Non-executive Chairman (appointed 13 October 2014)

Mr Robert Nichols - Managing Director and Chief Executive Officer (appointed 26 March 2014)

Ms Lynette Hepburn-Brown – Non-executive Director (appointed 13 October 2014)

Directors of the Responsible Entity

Mr Frank Tearle – Executive Director (since 4 December 2008)

Ms Elizabeth Reddy – Non-executive Director (since 6 November 2009)

Mr Justin Epstein – Executive Director (since 1 September 2009)

Company Secretary

Mr David Fisher – Chief Financial Officer (appointed 21 November 2014)

2. Principal activities

The principal activities of the Group and of the Trust are to acquire and operate manufactured housing estates ("MHEs").

3. Significant changes in the state of affairs

The Group was incorporated on 26 March 2014 for the purpose of acquiring and operating manufactured housing estates ("MHEs").

The Group acquired eleven MHEs in NSW and Queensland in during 2014 for an aggregate purchase consideration of \$105,152,341. There are 1,827 residential sites occupying the Group's eleven estates, of which 1,450 are currently tenanted, with the balance under development.

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DIRECTORS' REPORT

The properties acquired during the period were:

- Taskers Residential Village 1 Ocean Street, Port Macquarie, NSW
- The Retreat Village 3 Lincoln Road, Port Macquarie, NSW
- Redbank Palms Resort 31-35 Kruger Parade, Redbank, QLD
- Ocean Breeze Village 31 Kalaroo Road, Redhead, NSW
- Bremer Waters 102A Moores Pocket Road, Tivoli, QLD
- Lakeland Park Village 314 Buff Point Avenue, Buff Point, NSW
- The Pines & Waterside Cabins 8 Hearnese Lake Road, Woolgoolga, NSW
- Lorikeet Tourist Park 210 Eggins Drive, Arrawarra, NSW
- Riverside Village 560-570 Woodburn Evans-Head Road, Doonbah, NSW
- Valhalla Village 25 Mulloway Road, Chain Valley Bay, NSW
- Sea Winds Village 2 Frost Street, One Mile, NSW

To assist in the funding of the above eleven acquisitions, the Group:

1. entered into a series of contracts with MHE Fund No. 1 Pty Ltd as trustee for MHE Trust Fund Number 1 to raise \$22,373,805 of capital structured as stapled securities and unsecured borrowings.
2. established secured facilities to the value of approximately \$91.4 million with the Commonwealth Bank.

4. Review of operations and results

(a) Financial Performance

For the period 26 March 2014 to 31 December 2014 the Group incurred a loss of \$4,824,668 on revenues of \$4,647,808. Included in this result was an impairment of investment property \$2,425,314, expenses incurred in working towards listing and one off professional fees of \$2,118,203 and a one off borrowing cost of \$400,000.

TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' REPORT

A reconciliation of the Group loss for the period to normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is as follows:

| | Note | Group \$ |
|---|-------------|---------------------|
| Group loss for the period, after tax | | (4,824,668) |
| <i>Add back</i> | | |
| Income tax benefit | 5 | (852,791) |
| Finance costs | | 3,245,381 |
| Interest income | | (21,581) |
| Amortisation and depreciation | | 112,419 |
| Impairment of goodwill | | 2,425,314 |
| EBITDA | | 84,074 |
| Fair value gain on derivative financial instruments | 4(a) | (99,692) |
| IPO costs including one-off professional services | | 2,118,203 |
| Normalised EBITDA | | 2,102,585 |

(b) Financial Position

The key financial measures Tasman considers when assessing its financial position are outlined below:

| | Group 31 December 2014 | Trust 31 December 2014 |
|--------------------------|---|---------------------------------------|
| Total assets | 107,638,813 | 88,399,153 |
| Net assets | 3,651,150 | 8,046,398 |
| Net debt ⁽¹⁾ | 93,729,524 | 77,862,912 |
| Gearing % ⁽²⁾ | 89.29% | 89.38% |
| Securities issued | 9,401,091 | 9,401,081 |

1 Borrowings, financial and other liabilities and shareholder loans less cash and cash equivalents.

2 Net debt divided by total assets less cash and cash equivalents

TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' REPORT

(c) Outlook

Tasman plans to build on its MHE portfolio through further acquisition. This will enable it to achieve economies of scale through a critical mass of properties allowing it to grow profit from operations.

Tasman will also maintain a long term focus on growing tangible assets per security and maintaining a reasonable gearing ratio of between 35% - 55%.

5. Subsequent events

No matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- Tasman's operations in future financial years; or
- the results of those operations in future financial years; or
- Tasman's state of affairs in future financial years.

6. Dividends

No dividends were paid or recommended but not paid during the financial period.

7. Information on directors and management

The directors and management of Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as responsible entity of TLCT during the period and up to the date of this report are:

Mr Andrew Fay – Non-executive Chairman

Mr Fay has over 25 years' experience in the financial services industry and has held a number of senior positions including as Chief Executive Australia, Regional Chief Investment Officer Asia Pacific and Chief Investment Officer of Deutsche Asset Management (Australia) Limited.

Mr Fay is currently a non-executive director of BT Investment Management Limited and Spark Infrastructure RE.

Mr Fay was appointed a director on 13 October 2014.

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DIRECTORS' REPORT

Mr Robert Nichols - Managing Director and Chief Executive Officer

Mr Nichols has 15 years' experience in the private equity industry and is an experienced operator of MHE's. Prior to joining the Board, Mr Nichols co-founded Tasman Capital Partners and was an executive at DB Capital Partners, the private equity division of Deutsche Asset Management (Australia) Limited. Mr Nichols has extensive operational, strategic, corporate finance, private equity and business consulting experience.

Mr Nichols has a Bachelor of Business degree and is a member of the Institute of Chartered Accountants in Australia.

Mr Nichols was appointed a director on 26 March 2014.

Ms Lynette Hepburn-Brown – Non-executive Director

Ms Hepburn-Brown has over 20 years' experience in the health and aged care industries. Prior to joining the Board, Ms Hepburn-Brown held a number of senior positions including as a member of the board of the Nurses Board of South Australia, as chairperson of the Australian Nursing and Midwifery Council, as chairperson of the Australian Nursing and Midwifery Council, as Chairperson of the Board of Pacific Nursing Solutions and as the head of the Nursing Agency of Australia Group.

Ms Hepburn-Brown is currently an executive director of Torrens Capital private Equity Limited, a private equity fund focusing on the health and aged care industries, and a non-executive director of Fortis Healthcare Limited, a leading healthcare provider in India.

Ms Hepburn-Brown was appointed a director on 13 October 2014.

Mr David Fisher – Chief Financial Officer and Company Secretary

Mr Fisher is an experienced finance executive having held a number of CFO and senior finance executive roles for ASX and AIM listed and unlisted companies over the last 11 years. Prior to this Mr Fisher worked in corporate advisory and chartered accounting for a period of 13 years.

Mr Fisher was appointed Company Secretary on 21 November 2014.

The Directors of the responsible entity of the Trust, One Managed Investment Funds Limited ("Responsible Entity") during the period and up to the date of this report are:

Mr Frank Tearle – Executive Director of the Responsible Entity

Mr Tearle joined the Responsible Entity Board on 4 December 2008.

Before founding One Investment Group, Mr Tearle served in various roles at Allco Finance Group, including Head of Business Transition and Operations, Managing Director of the Hong Kong Office, Director in the corporate finance team and General Counsel.

Mr Tearle has been a non-executive director of several companies, including the manager of a Singapore listed property trust and an APRA regulated insurance company. He has more than 10 years' experience working in major law firms in Australia and the United Kingdom, specialising in mergers and acquisitions, capital markets, funds management and corporate governance.

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DIRECTORS' REPORT

Ms Elizabeth Reddy – Non-Executive Director for the Responsible Entity

Ms Reddy joined the Responsible Entity Board on 6 November 2009.

Ms Reddy is an experienced corporate and commercial lawyer, having practised as a lawyer for in excess of 10 years specialising in advising on the Corporations Act, contractual disputes, mergers and acquisitions, equitable claims, trade practices and insolvency. Ms Reddy is also experienced in compliance and risk management issues.

Ms Reddy spent a number of years practising law at both Herbert Smith Freehills and Atanaskovic Hartnell prior to undertaking a number of commercial roles.

Mr Justin Epstein – Executive Director for the Responsible Entity

Mr Epstein joined the Responsible Entity Board on 1 November 2009 and is a founding partner of the One Investment Group.

Prior to this, Mr Epstein was the Investment Director of the LJC Investment Group, one of Australia's most significant private investment houses. LJC is diversified in terms of asset class, geographical and economic sector investment and has significant international investments in sectors including banking and financial services, petroleum, aviation and property. Mr Epstein was responsible for sourcing and leading investment opportunities. In this role, Mr Epstein was also Head of Corporate Finance for Global Aviation Asset Management, one of the world's largest aircraft lessors, managing a portfolio of 53 modern aircraft on long term operating leases to airlines around the world.

Mr Epstein has previously worked in group strategy and business development for a major Australian investment bank, for the corporate finance restructuring division of Ernst & Young and for a specialised private property finance and investment group.

Mr Epstein is a director of a private investment company primarily focused on equity investments and distressed debt opportunities.

8. Meetings of directors

The number of directors' meetings (including committees) held during the financial period each director held office during the financial period and the number of meetings attended by each director are:

| Company Directors Meetings | | |
|-------------------------------|----------------------|------------------------------|
| Director | Meetings Attended | Number Eligible to Attend |
| Mr Andrew Fay | 4 | 4 |
| Mr Robert Nichols | 6 | 6 |
| Ms Lynette Hepburn- Brown | 4 | 4 |

TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' REPORT

| Trust Directors Meetings | | |
|-----------------------------|----------------------|------------------------------|
| Director | Meetings Attended | Number Eligible to Attend |
| Mr Frank Tearle | 1 | 1 |
| Ms Elizabeth Reddy | - | 1 |
| Mr Justin Epstein | 1 | 1 |

9. Environmental regulation

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

10. Options

No options over issued shares or interests in the company or the controlled entity were granted during or since the end of the financial period, and there were no options outstanding as at the date of this report.

No shares were issued during or since the end of the period as a result of the exercise of an option over unissued shares or interests.

11. Indemnification of officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him or her in his or her capacity as officer or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Group paid insurance premiums of \$17,500 in November 2014 in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' REPORT

12. Related party information

Mr Robert Nichols is a director of the company. On 31 March 2014, the entity owning the MHE Lakeland Village, controlled by Mr Nichols, was sold to the company for \$4,270,000. An entity controlled by Mr Nichols received 1,944,535 in securities and an unsecured loan of \$2,325,464 as consideration. At the date of the transaction, Mr Nichols held 100% of the stapled securities of the company.

The company has entered into a management agreement with an entity controlled by Mr Nichols, Tasman MHE Manager Pty Ltd ('the Manager'). The Manager must provide the Company with asset management, advisory, investment and other services and is entitled to receive fees of 1% of the gross asset value of the trust property up to a maximum of \$750,000 pa. During the reporting period to 31 December 2014, management fees of \$375,000 were paid.

On 2 October 2014, the Tasman Lifestyle Continuum Trust appointed One Managed Investments Funds Limited ("OMIFL") as its Responsible Entity ("RE"). OMIFL is entitled to receive fees on market standard terms.

13. Proceedings on behalf of group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceeding to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the period.

14. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* accompanies this report.

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



Robert Nichols
Director

Dated this 31 March 2015

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
TASMAN LIFESTYLE CONTINUUM LIMITED
AND ONE MANAGED INVESTMENT FUNDS LIMITED
AS RESPONSIBLE ENTITY FOR TASMAN LIFESTYLE CONTINUUM
TRUST**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

This declaration is in respect of both Tasman Lifestyle Continuum Limited and its controlled entities during the period and Tasman Lifestyle Continuum Trust and its controlled entities during the period.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



Drew Townsend

Partner

Dated: 31 March 2015

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TASMAN LIFESTYLE CONTINUUM GROUP
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

| | Note | Group 2014 \$ | Trust 2014 \$ |
|---|-------------|------------------------------|------------------------------|
| Revenue | | | |
| Rental income and recoverable outgoings | | 4,478,110 | 4,150,773 |
| Commission income | | 43,708 | - |
| Interest income | | 21,581 | 21,581 |
| Other revenue | 4 | 104,409 | 100,154 |
| Total revenue and other income | | 4,647,808 | 4,272,508 |
| Expenses | | | |
| Property expenses and outgoings | | (1,570,240) | (1,312,473) |
| Administration and overhead costs | | (2,971,913) | (190,800) |
| Finance costs | 4 | (3,245,381) | (3,092,663) |
| Amortisation and depreciation | | (112,419) | (105,982) |
| Impairment of goodwill | | (2,425,314) | - |
| | | (10,325,267) | (4,701,918) |
| LOSS BEFORE INCOME TAX | | (5,677,459) | (429,410) |
| Income tax benefit | 5 | 852,791 | - |
| LOSS FOR THE PERIOD | | (4,824,668) | (429,410) |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (4,824,668) | (429,410) |
| Loss and total comprehensive income for the period is attributable to: | | | |
| Company shareholders | | (4,395,258) | - |
| Trust unitholders (non-controlling interest) | | (429,410) | (429,410) |
| Total loss and comprehensive income for the period | | (4,824,668) | (429,410) |

The Consolidated Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the attached notes

TASMAN LIFESTYLE CONTINUUM GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | Note | Group 2014 \$ | Trust 2014 \$ |
|--|------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 2,662,226 | 1,286,115 |
| Trade and other receivables | 7 | 536,671 | 147,313 |
| Inventories | 8 | 282,172 | - |
| TOTAL CURRENT ASSETS | | 3,481,069 | 1,433,428 |
| NON-CURRENT ASSETS | | | |
| Investment properties | 9 | 103,037,353 | 70,022,286 |
| Property, plant and equipment | 10 | 167,908 | 154,297 |
| Inter entity loans | 11 | - | 16,689,450 |
| Derivative financial instruments | 12 | 99,692 | 99,692 |
| Deferred tax assets | 5 | 852,791 | - |
| TOTAL NON-CURRENT ASSETS | | 104,157,744 | 86,965,725 |
| TOTAL ASSETS | | 107,638,813 | 88,399,153 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 5,077,309 | 1,179,823 |
| Provisions | 14 | 314,269 | 23,905 |
| Other financial liabilities | 15 | 47,118 | 47,118 |
| TOTAL CURRENT LIABILITIES | | 5,438,696 | 1,250,846 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 17 | 78,898,000 | 78,898,000 |
| Provisions | 14 | 2,204,335 | - |
| Other financial liabilities | 15 | 203,909 | 203,909 |
| Shareholder loans | 16 | 17,242,723 | - |
| TOTAL CURRENT LIABILITIES | | 98,548,967 | 79,101,909 |
| TOTAL LIABILITIES | | 103,987,663 | 80,352,755 |
| NET ASSETS | | 3,651,150 | 8,046,398 |
| EQUITY | | | |
| Contributed equity | 18 | 10 | 8,475,808 |
| Accumulated losses | 19 | (4,395,258) | (429,410) |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS/UNITHOLDERS | | (4,395,248) | 8,046,398 |
| NON CONTROLLING INTEREST | | | |
| Contributed equity | 18 | 8,475,808 | - |
| Accumulated losses | 19 | (429,410) | - |
| TOTAL EQUITY | | 3,651,150 | 8,046,398 |

The Consolidated Statements of Financial Position are to be read in conjunction with the attached notes.

TASMAN LIFESTYLE CONTINUUM GROUP
CONSOLIDATED STATEMENTS OF MOVEMENT IN EQUITY
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

| Group | Note | Attributable to equity holders of the company | | | Non-controlling interest | Total |
|--|------|---|--------------------|-------------|--------------------------|-------------|
| | | Contributed Equity | Accumulated Losses | Total | | |
| | | \$ | \$ | \$ | \$ | \$ |
| Balance as at 26 March 2014 | | - | - | - | - | - |
| Total loss and comprehensive income for the period | | - | (4,395,258) | (4,395,258) | (429,410) | (4,824,668) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Contributions of equity | 18 | 10 | - | 10 | 9,401,081 | 9,401,091 |
| Transaction costs, net of tax | 18 | - | - | - | (925,273) | (925,273) |
| Total transactions with equity holders | | 10 | - | 10 | 8,475,808 | 8,475,818 |
| Balance as at 31 December 2014 | | 10 | (4,395,258) | (4,395,248) | 8,046,398 | 3,651,150 |

| Trust | Note | Contributed Equity | Accumulated Losses | Total |
|--|------|--------------------|--------------------|-----------|
| | | \$ | \$ | \$ |
| Balance as at 26 March 2014 | | - | - | - |
| Total loss and comprehensive income for the period | | - | (429,410) | (429,410) |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Contributions of equity | 18 | 9,401,081 | - | 9,401,081 |
| Transaction costs, net of tax | 18 | (925,273) | - | (925,273) |
| Total transactions with equity holders | | 8,475,808 | - | 8,475,808 |
| Balance as at 31 December 2014 | | 8,475,808 | (429,410) | 8,046,398 |

The Consolidated Statement of Changes in Equity are to be read in conjunction with the attached notes.

TASMAN LIFESTYLE CONTINUUM GROUP
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

| | Note | Group 2014 \$ | Trust 2014 \$ |
|--|------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts in the course of operations | | 5,106,309 | 4,101,197 |
| Payments in the course of operations | | (3,548,201) | (1,527,494) |
| NET CASH USED IN OPERATING ACTIVITIES | 21 | 1,558,108 | 2,573,703 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for subsidiaries, net of cash acquired | 20 | (96,550,621) | (65,082,237) |
| Payments for property, plant and equipment | | (122,296) | (106,473) |
| Payment for property improvements | | (86,355) | (81,793) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | (96,759,272) | (65,270,503) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 78,898,000 | 78,898,000 |
| Proceeds from issue of stapled securities | | 7,456,554 | 7,456,554 |
| Equity issue transaction costs | | (417,772) | (417,772) |
| Proceeds from unitholder/shareholder loans | | 15,367,259 | (18,532,975) |
| Loans repaid | | (1,200,000) | (1,200,000) |
| Interest received | | 21,581 | 21,581 |
| Finance costs paid | | (2,262,232) | (2,242,463) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | 97,863,390 | 63,982,925 |
| NET DECREASE IN CASH HELD | | 2,662,226 | 1,286,115 |
| Cash at the beginning of the financial period | | - | - |
| CASH AT THE END OF THE FINANCIAL PERIOD | 6 | 2,662,226 | 1,286,115 |

The Consolidated Statement of Cash Flows are to be read in conjunction with the attached notes.

TASMAN LIFESTYLE CONTINUUM GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tasman Lifestyle Continuum Group (the "Group") was formed by the stapling of Tasman Lifestyle Continuum Limited (the "Company") and Tasman Lifestyle Continuum Trust ("TLCT").

The Group was established for the purpose of facilitating an anticipated joint quotation of the Company and the TLCT on the Australian Securities Exchange ("ASX"). The constitutions of the Company and TLCT, together with a Stapling Deed dated 27 March 2014 ensure that, for so long as the two entities remain stapled, the number of units in the TLCT and the number of shares in the Company shall be equal and the unitholders and shareholders are identical.

The Company has been deemed the parent of TLCT. The consolidated financial statements and notes represent those of the Company and its controlled entities, including the TLCT and its controlled entities as the deemed acquiree. The financial statements include separate financial statements for:

- the Group, consisting of the Company, the TLCT and its controlled entities; and
- the Trust, consisting of Tasman Lifestyle Continuum Trust and its controlled entities.

The Responsible Entity of the TLCT is One Managed Investments Funds Limited.

Tasman Lifestyle Continuum Limited is a company domiciled in Australia. Its registered office and principal place of business is Level 10, 50 Pitt Street, Sydney NSW 2000.

The registered office and principal place of business of TLCT is Level 11, 20 Hunter Street, Sydney NSW 2000

The financial statements were authorised for issue by the directors of Tasman Lifestyle Continuum Limited and Tasman Lifestyle Continuum Trust on 31 March 2015.

(a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group and the Trust are for-profit entities for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements comply with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

New and amended standards adopted by the Group and the Trust

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

TASMAN LIFESTYLE CONTINUUM GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

Historical cost convention

The financial statements are prepared on the historical cost basis, as modified by the measurement at fair value of selected financial assets and financial liabilities.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements the Group incurred a loss for the period of \$4,824,668, and has a working capital deficit of \$1,957,627.

These factors indicate uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The loss for the period includes one off costs of \$4,543,517 relating to the write off of goodwill and IPO costs;
- The Group has undrawn facilities of \$12,546,000;
- The Group has the ongoing support of its major shareholders; and
- The directors are confident that debt will be reduced following a successful capital raising or trade sale.

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Group and the Trust.

(b) Principles of consolidation

The financial statements of the Group and the Trust have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining or consolidating accounts under stapling arrangement.

The shares of the Company and the units in TLCT are combined and issued as stapled securities in the Group. The shares in the Company and the units in TLCT cannot be traded separately and can only be traded as stapled securities.

The stapling has been accounted for pursuant to AASB 3: Business Combinations. The Company has been identified as the acquirer of the Trust whereby the trust's net assets are attributed to the trust unit holders. In this regard, the unit holders are treated as the non-controlling interest in the post-stapled financial statements of the Group, despite the fact that such owners also have an equal interest in the Company.

The consolidated financial statements incorporate all of the assets, liabilities and results of all controlled entities for the period ended 31 December 2014, that is the Company and its subsidiaries and the TCLT and its subsidiaries, collectively referred to as the Group.

TASMAN LIFESTYLE CONTINUUM GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

Subsidiaries are entities the Group controls. The Group controls an entity when it is exposed to, 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. A list of the controlled entities is provided in Note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of Tasman Lifestyle Continuum Group from the date on which control is obtained. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(c) Revenue recognition

Rental revenue

Rental revenue from investment property is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income).

Sale of units

Revenue from the sale of manufactured homes is recognised when significant risks, rewards of ownership and effective control has been transferred to the buyer.

Commission income

Commission income from sale of sites is recognised on an accrual basis once the right to receive consideration has been attained for the service rendered.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method.

(d) Income tax

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the properties were sold is not accounted for in this report.

The Group's income tax expense for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did

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not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Tax consolidation

The Company and its wholly owned subsidiaries (excluding the Trust and its wholly owned subsidiaries) have formed a tax-consolidated group with effect from 26 March 2014 and are therefore taxed as a single entity from that date. The head entity of the tax-consolidated group is Tasman Lifestyle Continuum Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of the assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any funding arrangement amounts referred to below. Any difference in these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that the future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment of receivables. Receivables relating to rentals are due fortnightly, payable in advance. Other receivables are usually due for settlement no more than 90 days from the date of recognition.

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Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade and other receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term trade and other receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

(g) Inventories

Development properties held for resale are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

(h) Investment properties

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. Initially, investment property is measured at cost including transaction costs.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(i)).

Repairs and maintenance costs and minor renewals are charged as expenses when incurred.

Subsequent refurbishment costs (other than repairs and maintenance) are capitalized to the investment property where they result in an enhancement in the future economic benefits of the property.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or jointly controlled entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking and derivatives which are not held for hedging purposes. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

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When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate cost of assets, net of their residual values, over their estimated useful lives, as follows:

| <i>Class</i> | <i>Rate</i> |
|-----------------------|-------------|
| Buildings | 2.5% |
| Property improvements | 10-20% |
| Plant and equipment | 8-40% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(k) Impairment of non-financial assets

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, and whenever events or changes in circumstances occur, the Group assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

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(I) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(m) Business combinations and goodwill

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

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All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses.

(n) Repairs and maintenance

Repairs and maintenance costs and minor renewals are charged as expenses when incurred.

(o) Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to hedge these risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group enters into interest rate cap agreements that are used to cap certain variable interest rate borrowings. The derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Group has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

(q) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life. 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 date.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset the amount of borrowing costs capitalised is the actual borrowing costs incurred on that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally the capitalisation rate used to determine the amount of borrowing costs to capitalise is the weighted average interest rate applicable to the Group's outstanding borrowings during the period.

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(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(s) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to change in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(t) Leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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(u) Contributed equity

Ordinary shares and units are classified as equity. Incremental costs directly attributable to the issue of new shares, units or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Dividends/distributions

Provision is made for the amount of any dividends/distributions declared, being appropriately authorised and no longer at the discretion of the Group and the Trust, on or before the end of the financial period but not distributed at balance date.

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(x) Comparatives

As the Group and the Trust were incorporated on 26 March 2014, there are no comparative figures.

(y) New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018, as further amended by Part E of AASB 2014-1).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with

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the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-1: *Amendments to Australian Accounting Standards*
Part A of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:
 - revises/adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: *Share-based Payment*;
 -
 - clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*;
 - requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: *Operating Segments*; and
 - includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: *Related Party Disclosures*.

This part also makes other editorial corrections to various Australian Accounting Standards; however, it is not expected to have a significant impact on the Group's financial statements.

Part B of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service. This part is not expected to have a significant impact on the Group's financial statements.

Part C of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and deletes the reference to AASB 1031: *Materiality* in particular Australian Accounting Standards. This part is not expected to have a significant impact on the Group's financial statements.

Part D of this Standard is applicable to annual reporting periods beginning on or after 1 January 2016 and makes amendments to AASB 1: *First-time Adoption of Australian Accounting Standards*, which arise from the issuance of AASB 14: *Regulatory Deferral Accounts* in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

Part E of this Standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 (December 2010) to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: *Financial*

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Instruments: Disclosures, and to AASB 132: *Financial Instruments: Presentation* to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Group's financial statements on adoption of this part of the Standard.

2. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

(i) Estimates of impairment of investment properties

The Group has investment properties with a carrying amount of \$103,037,353 representing cost less amortisation at balance date. These investment properties represent a significant proportion of the total assets of the Group and the Trust.

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of investment properties are assessed using value-in-use calculations which incorporate various key assumptions. Refer to Note 9 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Estimates of fair value of interest rate derivatives

The fair value of interest rate derivatives has been determined using a pricing model based on discounted cash flow analysis and incorporating assumptions supported by market data at balance date including market expectations of future interest rates and discount rates, and taking into account estimates prepared by external counterparties. Whilst certain derivatives may not be quoted on an active market, management have determined a value for those derivatives using market data adjusted for any specific features of the derivatives. All counterparties to interest rate derivatives are Australian financial institutions.

(iii) Recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary difference and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which may lead to impairment of the deferred tax assets.

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3. CAPITAL RISK MANAGEMENT

The Group's capital management strategy seeks to maximise securityholder value through optimising the level and use of capital resources and the mix of debt and equity funding.

The Group's capital management objectives are to:

- ensure that Group entities comply with capital and dividend/distribution requirements of their constitutions and/or trust deeds;
- ensure sufficient capital resources to support the Group's operational requirements;
- continue to support the Group's creditworthiness;
- comply with capital requirements of relevant regulatory authorities; and
- safeguard the Group's ability to continue as a going concern.

The Group monitors the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its overall strategic plan. The Group's capital structure is continuously reviewed to ensure:

- sufficient funds and financing facilities are available, on a cost effective basis, to implement the Group's strategies; and
- dividends/distributions to members are made within the stated policy.

The Group is able to alter its capital mix by:

- issuing new stapled securities;
- activating its dividend/distribution reinvestment plan;
- adjusting the amount of dividends/distributions paid to members;
- activating its security buyback program; and
- selling assets to reduce borrowings.

The Group also protects its equity in assets by taking out insurance cover with creditworthy insurers.

One of the key ways the Group monitors capital adequacy is on the basis of the gearing ratio. The ratio is calculated as net debt divided by adjusted assets. Net debt is calculated as total borrowings less cash and cash equivalents and restricted cash. Adjusted assets are calculated as total assets less cash and cash equivalents, restricted cash and intangible assets. The gearing ratios for both the Group and the Trust at the balance date were as outlined in the Directors' report.

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4. OTHER INCOME AND EXPENSES

| | Group 2014 \$ | Trust 2014 \$ |
|---|------------------------------|------------------------------|
| (a) Other income includes: | | |
| Fair value gain on derivative financial instruments | 99,692 | 99,692 |
| (b) Finance costs include: | | |
| Interest expenses | 1,956,326 | 1,887,183 |
| Other borrowing costs | 1,289,055 | 1,205,480 |
| | 3,245,381 | 3,092,663 |

5. INCOME TAX

(a) Income tax benefit

| | Group 2014 \$ | Trust 2014 \$ |
|--------------------|------------------------------|------------------------------|
| Deferred tax asset | 852,791 | - |

(b) Numerical reconciliation of income tax expense to prima facie tax

| | | |
|---|--------------------|------------------|
| Loss before income tax | (5,677,459) | (429,410) |
| Tax at the Australian tax rate of 30% | (1,703,238) | (128,823) |
| <i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i> | | |
| Non deductible expenses | 721,624 | - |
| Non taxable deductible trust losses | 128,823 | 128,823 |
| Income tax benefit | (852,791) | - |

(c) Tax balances

Non-current assets

| | | |
|---------------------|----------------|---|
| Deferred tax assets | 852,791 | - |
|---------------------|----------------|---|

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Deferred tax assets

| Group | Balance as at 26 March 2014 | (Charged)/ credited to income | Balance as at 31 December 2014 |
|--------------|--|--|---|
| Tax losses | - | 266,226 | 266,226 |
| Provisions | - | 30,063 | 30,063 |
| IPO costs | - | 556,502 | 556,502 |
| | - | 852,791 | 852,791 |

The benefits of the above temporary differences and unused tax losses will be realised when the conditions for deductibility set out in Note 1(d) occur. These amounts have no expiry date.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and account balances with banks, net of outstanding bank overdrafts. Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

| | Group 2014 \$ | Trust 2014 \$ |
|---------------------------|------------------------------|------------------------------|
| Cash and cash equivalents | 2,662,226 | 1,286,115 |

7. TRADE AND OTHER RECEIVABLES

| | Group 2014 \$ | Trust 2014 \$ |
|-------------------|------------------------------|------------------------------|
| Trade receivables | 306,347 | 77,183 |
| Prepayments | 46,880 | 15,823 |
| Other receivables | 183,444 | 54,307 |
| | 536,671 | 147,313 |

8. INVENTORIES

| | Group 2014 \$ | Trust 2014 \$ |
|---|------------------------------|------------------------------|
| Land held for development and resale (net realisable value) | 282,172 | - |

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9. INVESTMENT PROPERTIES

| | Note | Group 2014 \$ | Trust 2014 \$ |
|--------------------------------|-------------|------------------------------|------------------------------|
| Land and buildings, at cost | | 96,766,379 | 66,545,364 |
| Property improvements, at cost | | 6,368,504 | 3,568,327 |
| Less accumulated depreciation | | (97,530) | (91,405) |
| | | 103,037,353 | 70,022,286 |

(a) Movements in carrying amounts

Land and buildings:

| | | | |
|---|----|-------------------|------------|
| Balance as at 26 March 2014 | | - | - |
| Additions | | - | - |
| Acquisition through business combinations | 20 | 96,766,379 | 66,545,364 |
| Balance as at 31 December 2014 | | 96,766,379 | 66,545,364 |

Property improvements:

| | | | |
|---|----|------------------|-----------|
| Balance as at 26 March 2014 | | - | - |
| Additions | | 86,355 | 81,793 |
| Acquisition through business combinations | 20 | 6,282,149 | 3,486,534 |
| Depreciation for the period | | (97,530) | (91,405) |
| Balance as at 31 December 2014 | | 6,270,974 | 3,476,922 |

If investment properties were stated on a fair value basis, the carrying amounts for the Group and the Trust would be \$111,500,000 and \$74,950,000 respectively. The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Refer to Note 22(d) for information about the valuation of investment properties.

TASMAN LIFESTYLE CONTINUUM GROUP

NOTES TO THE FINANCIAL STATEMENTS

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(b) Details of freehold investment properties

| Property | Acquisition Date | Acquisition Price \$ | Carrying Amount \$ |
|---|-------------------------|---------------------------------|-------------------------------|
| 1 Ocean Street, Port Macquarie, NSW | 16/4/2014 | 3,757,042 | 3,757,042 |
| 3 Lincoln Road, Port Macquarie, NSW | 16/4/2014 | 12,270,861 | 12,294,494 |
| 31-35 Kruger Parade, Redbank, QLD | 4/4/2014 | 8,653,815 | 8,656,103 |
| 31 Kalaroo Road, Redhead, NSW | 4/4/2014 | 3,446,487 | 3,449,537 |
| 102A Moores Pocket Road, Tivoli, QLD | 12/5/2014 | 11,411,551 | 11,396,229 |
| 314 Buff Point Avenue, Buff Point NSW | 1/4/2014 | 11,427,681 | 11,400,980 |
| 8 Hearn's Lake Road, Woolgoolga NSW | 9/12/2014 | 6,624,747 | 6,624,747 |
| 210 Eggins Drive, Arrawarra NSW | 9/12/2014 | 5,568,309 | 5,568,309 |
| 570 Woodburn-Evans Head Road, Doonbah NSW | 18/12/2014 | 6,874,845 | 6,874,845 |
| Total Trust | | 70,035,338 | 70,022,286 |
| 25 Malloway Road, Chain Valley Bay NSW | 28/11/2014 | 25,417,820 | 25,419,697 |
| 2 Frost Street, One Mile NSW | 19/12/2014 | 7,595,370 | 7,595,370 |
| Total Company | | 33,013,190 | 33,015,067 |
| Total Group | | 103,048,528 | 103,037,353 |

10. PROPERTY, PLANT AND EQUIPMENT

| | Note | Group 2014 \$ | Trust 2014 \$ |
|--|-------------|------------------------------|------------------------------|
| Cost | | | |
| Balance as at 26 March 2014 | | - | - |
| Acquisitions through business combination | 20 | 92,676 | 92,676 |
| Additions | | 122,296 | 106,473 |
| Balance as at 31 December 2014 | | 214,972 | 199,149 |
| Accumulated depreciation | | | |
| Balance as at 26 March 2014 | | - | - |
| Acquisitions through business combination | 20 | (32,175) | (32,175) |
| Depreciation for the period | | (14,889) | (12,677) |
| Balance as at 31 December 2014 | | (47,064) | (44,852) |
| Total property, plant and equipment | | 167,908 | 154,297 |

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11. INTER ENTITY LOANS

| | Group | Trust |
|--|--------------|--------------|
| | 2014 | 2014 |
| | \$ | \$ |
| Loans receivable from Tasman MHE Holdings Pty Ltd ⁽¹⁾ | - | 16,689,450 |

(1) Loans to Tasman MHE Holdings Pty Limited are interest free and repayable on demand.

12. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | Trust |
|--|---------------|--------------|
| | 2014 | 2014 |
| | \$ | \$ |
| Non-current | | |
| Interest rate derivatives, at fair value | 99,692 | 99,692 |

13. TRADE AND OTHER PAYABLES

| | Group | Trust |
|---------------------------------|------------------|--------------|
| | 2014 | 2014 |
| | \$ | \$ |
| Trade payables and accruals | 4,250,886 | 1,095,414 |
| Rent received in advance | 212,864 | 60,389 |
| Deposits received on site sales | 561,100 | - |
| Employee liabilities | 52,459 | 24,020 |
| | 5,077,309 | 1,179,823 |

14. PROVISIONS

| | | Group | Trust |
|----------------------|----|------------------|--------------|
| | | 2014 | 2014 |
| | | \$ | \$ |
| Current | | | |
| Employee benefits | | 51,744 | 23,905 |
| Contingent liability | 20 | 262,525 | - |
| | | 314,269 | 23,905 |
| Non-current | | | |
| Employee benefits | | 29,946 | - |
| Contingent liability | 20 | 2,174,389 | - |
| | | 2,204,335 | - |

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(a) Movements in provisions

| | Group 2014 \$ | Trust 2014 \$ |
|--------------------------------|------------------------------|------------------------------|
| Employee benefits: | | |
| Balance as at 26 March 2014 | - | - |
| Provided during the period | 81,690 | 23,905 |
| Balance as at 31 December 2014 | 81,690 | 23,905 |
| Contingent liability: | | |
| Balance as at 26 March 2014 | - | - |
| Provided during the period | 2,436,914 | - |
| Balance as at 31 December 2014 | 2,436,914 | - |

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave.

The current portion of this provision includes the total amount accrued for annual leave and the amounts accrued for long service leave that has vested due to employees having completed the required period of service. The Group does not expect the full amount of the annual leave to be settled within the next twelve months. However, this amount must be classified as a current liability as the Group does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current provision comprises amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

15. OTHER FINANCIAL LIABILITIES

| | Group 2014 \$ | Trust 2014 \$ |
|---------------------|------------------------------|------------------------------|
| Current | | |
| Interest rate hedge | 47,118 | 47,118 |
| Non-current | | |
| Interest rate hedge | 203,909 | 203,909 |

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16. SHAREHOLDER LOANS

| | Group | Trust |
|---|-------------------|--------------|
| | 2014 | 2014 |
| Non-current | \$ | \$ |
| MHE Fund No 1 ¹ | 6,000,000 | - |
| MHE Fund No 1 ² | 8,917,259 | - |
| Buoncompagni Investments Pty Ltd ² | 2,325,464 | - |
| | 17,242,723 | - |

¹ Loan is unsecured, subject to interest at 10%, and redeemable on refinancing, IPO or sale of the business and, in the absence of the above, convertible, together with unpaid interest, to stapled securities on 1 June 2015.

² Loan is unsecured, interest free and repayable on or after 31 December 2016.

17. BORROWINGS

| | Group | Trust |
|--|-------------------|--------------|
| | 2014 | 2014 |
| Non-current | \$ | \$ |
| Loans – financial institutions - secured | 78,898,000 | 78,898,000 |

(a) Borrowing details

As at balance date the Group has borrowed \$78,898,000 which is repayable on or within a period of 5 years from drawdown date. The facilities are secured by first registered mortgages over the investment properties held by the Group, a registered floating charge over the assets of the Group and a guarantee and indemnity from MHE Fund No 1 and its associates.

(b) Maturity profile

Total facilities in place and interest rates as at balance date were as follows:

| | Face value | Utilised | Year of | Nominal |
|-------------------|------------|------------|----------|---------------|
| | \$ | \$ | maturity | interest rate |
| Secured bank loan | 55,544,000 | 49,998,000 | 2019 | BBSW + 1.25% |
| Secured bank loan | 4,000,000 | - | 2015 | BBSW + 2.15% |
| Secured bank loan | 3,000,000 | - | 2019 | BBSW + 1.75% |
| Secured bank loan | 28,900,000 | 28,900,000 | 2016 | BBSW + 3.50% |
| Total | 91,444,000 | 78,898,000 | | |

As at balance date the Group had undrawn facilities of \$12,546,000.

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18. CONTRIBUTED EQUITY

Equity attributable to shareholders/unitholders

| | Group 2014 \$ | Trust 2014 \$ |
|--------------------|------------------------------|------------------------------|
| Contributed equity | 8,475,818 | 8,475,808 |

(a) Movements in ordinary shares/ordinary units

| | Group Number of Securities | Issue Price | 2014 \$ | Trust Issue Price | 2014 \$ |
|------------------------------------|---|--------------------|--------------------|------------------------------|--------------------|
| Placement | 9,401,081 | \$1.000001 | 9,401,091 | \$1.00 | 9,401,081 |
| Less transaction costs, net of tax | | | (925,273) | | (925,273) |
| At 31 December 2014 | <u>9,401,081</u> | | <u>8,475,818</u> | | <u>8,475,808</u> |

The basis of allocation of the issue price of stapled securities issued post stapling is determined by agreement between the Company and the Trust as set out in the Stapling Deed dated 26 March 2014.

(b) Stapled Securities

The ordinary shares of the Company are stapled with the units of the Trust. These entitle the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. On a show of hands every holder of stapled securities present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each stapled security is entitled to one vote.

A reconciliation of the stapled number of ordinary shares of the Company and ordinary units of the Trust is as follows:

| | Group 2014 No. | Trust 2014 No. |
|---------------------------------|-------------------------------|-------------------------------|
| Number of ordinary shares/units | 9,401,081 | 9,401,081 |

19. ACCUMULATED LOSSES

| | Group 2014 \$ | Trust 2014 \$ |
|--------------------------------|------------------------------|------------------------------|
| Balance as at 26 March 2014 | - | - |
| Loss for the period | (4,395,258) | (429,410) |
| Balance as at 31 December 2014 | (4,395,258) | (429,410) |

TASMAN LIFESTYLE CONTINUUM GROUP

NOTES TO THE FINANCIAL STATEMENTS

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20. BUSINESS COMBINATIONS

Acquisition of Tasman Lifestyle Continuum Trust and controlled entities

During March to December 2014, Tasman Lifestyle Continuum Group acquired 100% of eleven manufactured housing estates (MHE's). The total cost of the eleven MHE's was \$105,152,341 and consideration comprised an issue of equity instruments and cash and deferred consideration.

The Company issued 1,944,535 stapled securities with a fair value of \$1.000001 each.

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Tasman Lifestyle Continuum Trust based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

| | Note | Fair value 2014 \$ |
|--|-------------|-----------------------------------|
| Purchase consideration: | | |
| - Shares/units issued | | 1,944,535 |
| - Cash consideration, net of cash received | | 96,550,621 |
| - Contingent consideration | (d) | 2,436,914 |
| - Vendor finance | | 2,675,464 |
| - Unpaid costs | | 1,544,807 |
| | | <u>105,152,341</u> |

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of Tasman Lifestyle Continuum Trust based upon the best information available as of the reporting date. Provisional assets and liabilities recognised as a result of the acquisition are as follows:

| | | Fair Value 2014 \$ |
|---|-----|-----------------------------------|
| Investment in properties | | |
| - Land and buildings | (b) | 96,766,379 |
| - Property Improvements | | 6,282,149 |
| Property, plant and equipment | | 60,501 |
| Trade and other creditors | | (120,602) |
| Financial and other liabilities | | (273,000) |
| Provisional fair value of identifiable net assets | | <u>102,715,427</u> |
| Goodwill on acquisition | (c) | 2,436,914 |
| | | <u>105,152,341</u> |

TASMAN LIFESTYLE CONTINUUM GROUP

NOTES TO THE FINANCIAL STATEMENTS

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- (a) The initial accounting for the acquisition of Tasman Lifestyle Continuum Trust has been provisionally determined at the end of the reporting period.
- (b) Included in land and buildings are acquisition related costs of \$5,483,901 (principally stamp duty on acquisition) have been capitalised and are included in the cost of investment properties.
- (c) The acquisition resulted in goodwill of \$2,436,914 which has been written off during the period.
- (d) The acquisition price comprised of deferred payment to vendor based on an earn-out arrangement depending on the construction, installation, renovation and sale of manufactured homes on the land held by Valhalla Village Pty Ltd. The earn-out arrangement commences on 25 June 2014 for a period of 8 years and cap at maximum of \$3,000,000 (exclusive of GST).

At the acquisition date, the earn-out liability was recognised at \$2,436,914 at the net present value of estimated future payments. The earn-out liability at balance date includes an interest charge of \$563,085 for the period representing the change in fair value as a result of unwinding of the discounting.

21. CASH FLOW INFORMATION

(a) Reconciliation of loss to net cash provided by operating activities

| | Group 2014 \$ | Trust 2014 \$ |
|---|---------------------|---------------------|
| Loss after tax | (4,824,668) | (429,410) |
| <i>Cash flows excluded from profit attributable to operating activities:</i> | | |
| Finance costs paid | 2,262,231 | 2,242,463 |
| Interest received | (21,581) | (21,581) |
| Repayment of shareholder loan | 400,000 | 400,000 |
| <i>Non cash items</i> | | |
| Amortisation and depreciation | 112,419 | 105,982 |
| Fair value gain on derivative financial instruments | (99,692) | (99,692) |
| Impairment of investment properties | 2,425,314 | - |
| <i>Changes in assets and liabilities, net of the effect of purchase of subsidiaries</i> | | |
| Increase in trade and other receivables | (369,922) | (147,313) |
| Increase in inventories | (282,986) | (814) |
| Increase in deferred tax assets | (852,791) | - |
| Increase in trade and other payables | 2,738,467 | 530,404 |
| Increase in provisions | 81,690 | 23,905 |
| Decrease in other financial liabilities | (10,373) | (30,241) |
| | 1,558,108 | 2,573,703 |

TASMAN LIFESTYLE CONTINUUM GROUP
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(b) Non cash items

| | Group 2014 | Trust 2014 |
|----------------------------------|-------------------------|-----------------------|
| | \$ | \$ |
| Securities issued on acquisition | <u>1,944,537</u> | <u>1,944,537</u> |

As part of the acquisition of Lakeland Park Village the Company issued the following securities:

- (i) 1,944,535 securities were issued at \$1.00001; and
- (i) a shareholder loan of \$2,325,464 was entered into.

22. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash and short term deposits and borrowings and other financial instruments such as trade receivables and payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, and cash and cash equivalents.

Interest rate risk is managed using interest rate caps to cap a portion of debt to 4%. At 31 December 2014 approximately 23.2% of the Group's debt is capped.

Interest rate caps

Interest rate cap transactions are entered into by the Group to protect long-term borrowings from the risk of increasing interest rates and still retain the benefits should interest rates decrease.

On 2 April 2014, the Group entered into two interest rate caps for \$15,000,000 and \$7,312,500, where the Group pays a premium each quarter and is protected against AUD-BBR-BBSW interest over the cap of 4%.

The borrowings have incurred an interest rate of 2.75%-2.82% in the period to 31 December 2014 and the cap premium for the period to 31 December 2014 was \$137,053.

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At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk that are not designated as cash flow hedges:

| | Group 2014 \$ | Trust 2014 \$ |
|------------------------------|------------------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents | 2,662,226 | 1,286,115 |
| Financial Liabilities | | |
| Borrowings | 78,898,000 | 78,898,000 |

Sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax profit and equity would have been affected as shown.

| Group 31 December 2014 | | Carrying Amount \$ | Interest Rate Risk | | Interest Rate Risk | |
|------------------------------------|-------------|-----------------------------------|-------------------------------|----------------------|-------------------------------|----------------------|
| | | | -1% | | +1% | |
| | | | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| Financial Assets | Note | | | | | |
| Cash and cash equivalents | (i) | 2,662,226 | (19,200) | (19,200) | 19,200 | 19,200 |
| Trade and other receivables | (ii) | 536,671 | - | - | - | - |
| Financial | | | | | | |
| Trade and other payables | (iii) | 5,077,309 | - | - | - | - |
| Shareholder loans | | 17,242,723 | 5,425 | 5,425 | (5,425) | (5,425) |
| Borrowings | (iv) | 78,898,000 | 241,488 | 241,488 | (241,488) | (241,488) |
| Total increase / (decrease) | | | 227,713 | 227,713 | (227,713) | (227,713) |

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| Trust 31 December 2014 | | Carrying Amount \$ | Interest Rate Risk | | Interest Rate Risk | |
|-----------------------------|-------|--------------------------|--------------------|--------------|--------------------|--------------|
| | | | -1% | | +1% | |
| | | | Profit \$ | Equity \$ | Profit \$ | Equity \$ |
| Financial Assets | Note | | | | | |
| Cash and cash equivalents | (i) | 1,286,115 | (12,064) | (12,064) | 12,064 | 12,064 |
| Trade and other receivables | (ii) | 147,313 | - | - | - | - |
| | | | | | | |
| Financial | | | | | | |
| Trade and other payables | (iii) | 1,179,823 | - | - | - | - |
| Borrowings | (iv) | 78,898,00 | 241,488 | 241,488 | (241,488) | (241,488) |
| Total increase / (decrease) | | | 229,424 | 229,424 | (229,424) | (229,424) |

- (i) Cash and cash equivalents are denominated in AUD and include deposits at call at floating and short-term fixed interest rates. At 31 December 2014, NIL was denominated in foreign currencies. The interest rate risk adjustment has been determined on the average cash balance for the period.
- (ii) Trade and other receivables are denominated in AUD and are not interest bearing.
- (iii) Trade and other payables at balance date are denominated in AUD and are not interest bearing.
- (iv) Of this amount \$22,312,500 is subject to an interest rate cap of 4% with the remaining amount not subject to a cap. The interest rate risk adjustment has been determined from date of drawdown.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

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The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

| Group | Within 1 year | | 1 to 5 years | | Over 5 years | | Total | |
|---|--------------------|----------------|---------------------|---------------------|--------------|------------|---------------------|---------------------|
| | Group 2014 | Trust 2014 | Group 2014 | Trust 2014 | Group 2014 | Trust 2014 | Group 2014 | Trust 2014 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Financial liabilities - due for payment:</i> | | | | | | | | |
| Trade and other payables | 5,077,309 | 1,179,823 | - | - | - | - | 5,077,309 | 1,179,823 |
| Shareholder loans | - | - | 17,242,723 | - | - | - | 17,242,273 | - |
| Borrowings | - | - | 78,898,000 | 78,898,000 | - | - | 78,898,000 | 78,898,000 |
| Other financial liabilities | 47,118 | 47,118 | 203,909 | 203,909 | - | - | 251,027 | 251,027 |
| | 5,124,427 | 1,226,941 | 96,344,632 | 79,101,909 | - | - | 101,468,609 | 80,328,850 |
| Total contractual inflows | | | | | | | | |
| <i>Financial assets – cash flows realisable</i> | | | | | | | | |
| Cash and cash equivalents | 2,662,226 | 1,286,115 | - | - | - | - | 2,662,226 | 1,286,115 |
| Trade and other receivables | 536,671 | 147,313 | - | - | - | - | 536,671 | 147,313 |
| Total anticipated inflows | 3,198,897 | 1,433,428 | - | - | - | - | 3,198,897 | 1,433,428 |
| Net inflow/(outflow)* | (1,925,530) | 206,487 | (96,344,632) | (79,101,909) | - | - | (98,269,712) | (78,895,422) |

*Management propose to undertake a capital raising within the next year which will allow the Group to significantly reduce its borrowings.

Management and the Board monitor the Group's liquidity reserve on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the board includes:

- (i) Annual cash flow budgets;
- (ii) Monthly rolling cash flow forecasts.

(c) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1.

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(d) Fair value measurements

The Group measures and recognises only the derivative financial instruments at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1 | Level 2 | Level 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally

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use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

| | Group and Trust | | |
|---|-----------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | \$ | \$ | \$ |
| Recurring fair value measurements | | | |
| <i>Financial assets</i> | | | |
| - Interest rate cap | - | 99,692 | - |
| Total financial assets recognised at fair-value on a recurring basis | - | 99,692 | - |

Valuation techniques and inputs used to measure Level 2 Fair Values

| Group and Trust | Fair value at 31 December 2014 \$ | Valuation technique | Inputs used |
|-------------------------|--------------------------------------|--|--|
| Financial assets | | | |
| Interest rate cap | 99,692 | Income approach using option-pricing model | Volatilities, maturity dates, underlying interest rate and strike rate |

Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Shareholder loans
- Borrowings
- Investment properties

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

| Description | Note | Fair Value Hierarchy Level | Valuation Technique(s) | Inputs Used |
|-----------------------|------|----------------------------|--|--|
| Shareholder loans | 16 | 2 | Income approach using discounted cash flow methodology | Market interest rates for similar assets |
| Borrowings | 17 | 2 | Income approach using discounted cash flow methodology | Market interest rates for similar assets |
| Investment properties | 9 | 3 | Market approach using recent observable market date for similar properties | Price per square metre |

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23. INVESTMENT IN CONTROLLED ENTITIES

The principal place of business for all entities is Sydney NSW.

| The Company's investment in controlled entities is shown below: | Interest held |
|---|---------------|
| Lakeland Park Village Pty Ltd | 100% |
| Redbank Palms Resort Pty Ltd | 100% |
| Taskers Residential Village Management Pty Ltd | 100% |
| The Retreat Village Pty Ltd | 100% |
| Bremer Waters Over 55's Lifestyle Resort Management Pty Ltd | 100% |
| Ocean Breeze Village Management Pty Ltd | 100% |
| Lorikeet Resort Pty Ltd | 100% |
| The Pines Resort Management Pty Ltd | 100% |
| Riverside Village Management Pty Ltd | 100% |
| Valhalla Village Management Pty Ltd | 100% |
| Sea Winds Village Management Pty Ltd | 100% |

| The Trust's investment in controlled entities is shown below: | Interest held |
|---|---------------|
| Lakeland Park Village Trust | 100% |
| Redbank Palms Resort Trust | 100% |
| Taskers Residential Village Trust | 100% |
| The Retreat Village Trust | 100% |
| Bremer Waters Over 55's Lifestyle Resort Trust | 100% |
| Ocean Breeze Village Trust | 100% |
| Lorikeet Resort Trust | 100% |
| The Pines Resort Trust | 100% |
| Riverside Village Trust | 100% |
| Valhalla Village Trust | 100% |
| Sea Winds Village Trust | 100% |

24. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Mr Robert Nichols is a director of the company. On 31 March 2014, the entity owning the MHE Lakeland Village, controlled by Mr Nichols, was sold to the company for \$4,270,000. An entity controlled by Mr Nichols received 1,944,535 in securities and an unsecured loan of \$2,325,464 as consideration. At the date of the transaction, Mr Nichols held 100% of the stapled securities of the company.

The company has entered into a management agreement with an entity controlled by Mr Nichols, Tasman MHE Manager Pty Ltd ('the Manager'). The Manager must provide the Company with asset management, advisory, investment and other services and is

TASMAN LIFESTYLE CONTINUUM GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

entitled to receive fees of 1% of the gross asset value of the trust property up to a maximum of \$750,000 pa. During the reporting period to 31 December 2014, management fees of \$375,000 were paid.

On 2 October 2014, the Tasman Lifestyle Continuum Trust appointed One Managed Investments Funds Limited ("OMIFL") as its Responsible Entity ("RE"). OMIFL is entitled to receive fees on market standard terms.

(b) Key management personnel compensation

| | Group 2014 | Trust 2014 |
|---|-----------------------|---------------|
| | \$ | \$ |
| Management fees paid to a company controlled by the managing director | 375,000 | 125,000 |

No directors fees have been charged to the accounts or are payable to the non-executive directors or directors of the responsible entity as at 31 December 2014.

25. CAPITAL COMMITMENTS

| | Group 2014 | Trust 2014 |
|--|-----------------------|---------------|
| | \$ | \$ |
| Payable – minimum charges payable | | |
| - Not later than 12 months | 393,687 | 69,000 |
| - Between 12 months and 5 years | 1,574,748 | 241,500 |
| - Greater than 5 years | 965,951 | - |
| Minimum charges payments | 2,934,386 | 310,500 |
| Less future finance charges | (537,653) | (59,473) |
| Present value of minimum charges payable | 2,396,733 | 251,027 |

26. AUDITORS' REMUNERATION

| | Group 2014 | Trust 2014 |
|--|-----------------------|---------------|
| | \$ | \$ |
| Auditing or reviewing financial statements | 58,097 | - |
| Taxation services | 166,819 | - |
| Review of pro-forma balance sheets and forecasts | 19,671 | - |
| | 244,587 | - |

TASMAN LIFESTYLE CONTINUUM GROUP
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27. CONTINGENT LIABILITIES

In the event that the Group is successful in its application to council for 100 long term sites at the Lorikeet Tourist Park within three years of the purchase of this property, it will be required to pay the vendor a further \$550,000.

Other than disclosed above, there were no contingent liabilities at 31 December 2014.

28. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- Tasman's operations in future financial years; or
- the results of those operations in future financial years; or
- Tasman's state of affairs in future financial years.

TASMAN LIFESTYLE CONTINUUM GROUP

DIRECTORS' DECLARATION

The Directors of Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as Responsible Entity for Tasman Lifestyle Continuum Trust declare that:

1. the financial statements and notes, as set out on pages 10 to 46, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the period ended on that date; and
2. in the directors' opinion there are reasonable grounds to believe that the Tasman Lifestyle Continuum Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of Tasman Lifestyle Continuum Group and One Managed Investment Funds Limited.



Robert Nichols

Director

Sydney, 31 March 2015

INDEPENDENT AUDITOR'S REPORT**TO THE SECURITYHOLDERS OF
TASMAN LIFESTYLE CONTINUUM GROUP
TO THE UNITHOLDERS OF
TASMAN LIFESTYLE CONTINUUM TRUST****SYDNEY**

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Financial Report

Tasman Lifestyle Continuum Group (the "Group") comprises Tasman Lifestyle Continuum Limited and its controlled entities at the end of the period or from time to time during the period and Tasman Lifestyle Continuum Trust and its controlled entities (the "Trust") at the end of the period or from time to time during the period.

We have audited the accompanying financial report of the Group and the Trust, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of both Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as responsible entity for Tasman Lifestyle Continuum Trust.

Directors' Responsibility for the Financial Report

The directors of the Tasman Lifestyle Continuum Limited and One Managed Investment Funds Limited as responsible entity for Tasman Lifestyle Continuum Trust (collectively referred to as "the directors") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Auditing Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statement, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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INDEPENDENT AUDITOR'S REPORT
TO THE SECURITYHOLDERS OF
TASMAN LIFESTYLE CONTINUUM GROUP
TO THE UNITHOLDERS OF
TASMAN LIFESTYLE CONTINUUM TRUST

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of the Group and the Trust are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2014 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



Drew Townsend

Partner

Dated: 31 March 2015

TASMAN LIFESTYLE CONTINUUM GROUP
CORPORATE DIRECTORY

Board of Directors

Tasman Lifestyle Continuum Limited

Mr Andrew Fay

Mr Robert Nichols

Ms Lynette Hepburn-Brown

The Responsible Entity for the Tasman Lifestyle Continuum Trust

Mr Frank Teale

Ms Elizabeth Reddy

Mr Justin Epstein

Company secretary

Mr David Fisher

Registered Office

Level 10
50 Pitt St
Sydney NSW 2000

Auditor

Hall Chadwick
Level 40
2 Park St
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
Tower 1
201 Sussex Street
Sydney NSW 2000