



FY16 Annual Report

Gateway Lifestyle Group



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DIRECTORS' REPORT

The Directors of Gateway Lifestyle Operations Limited (GLOL or the Company) present their report on behalf of Gateway Lifestyle Group (comprising Residential Parks No. 2 Trust and Gateway Lifestyle Operations Limited), together with the financial statements and the independent auditor's report for the financial year ended 30 June 2016 (Period) of both:

- Gateway Lifestyle Operations Limited and Residential Parks. No 2 Trust and their controlled entities (Gateway Lifestyle Group); and
- Residential Parks No 2 Trust and its controlled entities (RPT 2 Group).

In this Report, the Company and the RPT2 Group are referred to collectively as the Group or the Gateway Lifestyle Group.

GATEWAY LIFESTYLE GROUP

The stapled securities of Gateway Lifestyle Group are quoted on the Australian Securities Exchange (ASX) under the code GTY and each stapled security comprises one unit in Residential Parks No. 2 Trust and one share in Gateway Lifestyle Operations Limited. The unit and share are stapled together and cannot be traded separately. Each entity forming part of Gateway Lifestyle Group continues as a separate entity in its own right under the Corporations Act 2001 (Cth) and is therefore required to comply with the reporting and disclosure requirements under the Corporations Act 2001 and Australian Accounting Standards.

Residential Parks No. 2 Trust is a managed investment scheme. One Managed Investment Funds Limited (OMIFL) was appointed as the responsible entity for Residential Parks No. 2 Trust (Trust) on 12 May 2015.

Under a Service Agreement, GLOL has undertaken to provide a range of services to OMIFL in respect of the management of the Trust including the preparation of these financial statements. Each reference in these financial statements to "the Directors" is a reference to the directors of GLOL unless otherwise stated.

DIRECTORS

Gateway Lifestyle Operations Limited

The Directors of Gateway Lifestyle Operations Limited during the financial year and up to the date of this report:

Director		Appointment Date
Andrew Love	Chairman (Independent Non-Executive)	15 May 2015
Stephen Newton	Director (Independent Non-Executive)	15 May 2015
Rachel Launders	Director (Independent Non-Executive)	15 May 2015
Andrew Fay	Director (Independent Non-Executive)	15 May 2015
Trent Ottawa	Chief Executive Officer	29 April 2015
John Wong	Chief Financial Officer and Company Secretary	29 April 2015

One Managed Investment Funds Limited

The following persons were directors of One Managed Investment Funds Limited (OMIFL) during the financial year and up to the date of this report:

Director		Appointment Date
Frank Tearle	Director (Executive)	4 December 2008
Justin Epstein	Director (Executive)	1 September 2009
Elizabeth Reddy	Director (Non-Executive)	6 November 2009

BOARD OF DIRECTORS

The qualifications, experience and responsibilities of the Directors of the Company and OMIFL are set out below.

Andrew Love (B.Comm, FCA)

- Independent Chairman
- Member of Remuneration and Nomination Committee
- Member of Audit and Risk Management Committee.

Andrew has over 35 years' experience in restructuring and corporate insolvency, with a particular focus on the mining sector. Andrew is currently a non-executive director of Champion Iron Limited, Scottish Pacific Group Ltd and has served on a number of boards including Lemur Resource Limited, Riversdale Mining and Charter Hall Office Trust. Andrew was a partner at Ferrier Hodgson Chartered Accountants for over 25 years until 2008, when as a senior partner he retired and remains a consultant. Andrew is a member of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Former Directorships of listed entities in last three years

Andrew was a Director of Roc Oil Company Limited until December 2013.

Stephen Newton (BA (Econ & Acctnt), M.Com, MICAA, MAICD)

- Independent Non-Executive Director
- Member of the Audit and Risk Management Committee

Stephen is currently a Director of BAI Communications Group, Stockland Property Group, VIVA Energy REIT Group and the University of Notre Dame Australia. Stephen is also an Advisory Board Member, representing Alberta Investment Management Corp (Canada), of the Forestry Investment Trust, and Chairman of the Finance Council for the Catholic Archdiocese of Sydney. Stephen is a former Director of Campus Living Funds Management Limited, Australand Property Group and Newcastle Airport Limited.

Stephen has extensive experience across real estate investment and development as well as infrastructure investment and management. Stephen is a Principal of Arcadia Funds Management Limited, a real estate investment management and capital advisory business he established in 2002. Prior to this, Stephen was the Chief Executive Officer - Asia/Pacific for the real estate investment management arm of Lend Lease Corporation and a member of the global senior executive management group. His career at Lend Lease spanned almost 23 years and included experience across residential development, retail shopping centres, commercial and industrial property as well as real estate investment in Australia and overseas.

Former Directorships of listed entities in last three years

Stephen was a Director of Australand Property Group from December 2007 to October 2014.

Rachel Launders (BA, LLB (Hons), FFin)

- Independent Non-Executive Director
- Chair of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee

Rachel has over 20 years' experience in corporate law. Rachel currently holds the role of general counsel and company secretary at Nine Entertainment Co. Holdings Limited. Prior to joining Nine Entertainment in 2015, Rachel was a partner at Gilbert + Tobin for over 13 years where she specialised in mergers and acquisitions, corporate governance and compliance. Rachel is also a director of Giant Steps, which is a school for children and young adults with autism in Sydney and Melbourne. Rachel is a Fellow of the Financial Services Institute of Australasia.

Andrew Fay (B. AgEc (Hons), AFin)

- Independent Non-Executive Director
- Chair of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

Andrew has over 25 years' experience in the financial services industry. Andrew currently holds the role of non-executive director of ASX-listed BT Investment Management and Spark Infrastructure. Andrew is also a non-executive director of Victoria Power Networks, South Australia Power Networks and JO Hambro Capital Management (a UK funds management company).

Andrew also consults to Dexu Property Group in the area of capital markets and advises Microbiogen, a private company which operates in the renewal energy industry, on corporate development initiatives. Andrew has held a number of senior positions including chairman of Tasman Lifestyle Continuum Ltd and CEO Australia, Regional CIO Asia-Pacific and CIO of Deutsche Asset Management (Australia) Limited.

Trent Ottawa (B.Bus (Accg), ACA)

- Executive Director and CEO

Trent has been involved in the manufacturing home estate (MHE) sector since 2003 and is the founder of Gateway Lifestyle. Prior to founding Gateway Lifestyle in 2009, Trent worked at Ferrier Hodgson in business restructuring and insolvency before moving to a specialist advisory firm providing investment and restructuring services to the property industry. Trent is a member of the Institute of Chartered Accountants in Australia, as well as a member of the Australian Institute of Company Directors.

John Wong (B. Comm (Accg), ACA, CTA)

- Executive Director and CFO

John has 15 years of experience in accounting, tax and finance. Prior to joining Gateway Lifestyle, John worked at Grant Thornton. In 2009, he established his own accounting practice specialising in business advisory. John has also worked at Shell Financial Services and Barclays Bank in London.

John is a member of the Institute of Chartered Accountants in Australia, and is a Chartered Tax Advisor accredited with the Tax Institute of Australia. John is also a member of the Australian Institute of Company Directors.

OMIFL**Frank Tearle**

- Executive Director

Frank joined the OMIFL Board in December 2008. Before founding One Investment Group, Frank served in various roles at Allco Finance Group, including as head of business transition and operations, managing director of the Hong Kong office, Director in the corporate finance team and general counsel.

Frank 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.

Elizabeth Reddy

- **Non-Executive Director**

Elizabeth joined the OMIFL Board in November 2009.

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

Elizabeth specialises in advising on the Corporations Act, contractual disputes, mergers and acquisitions, equitable claims, trade practices and insolvency. She is also experienced in compliance and risk management issues.

Justin Epstein

- **Executive Director**

Justin joined the OMIFL Board in September 2009 and is a founding partner of the One Investment Group.

Prior to joining OMIFL, Justin was the investment director of the LCJB Investment Group, where he was responsible for sourcing and leading investment opportunities. Justin has previously worked in group strategy and business development for a major Australian investment bank, for the corporate finance and restructuring division of Ernst & Young and for a specialised property finance and investment group.

COMPANY SECRETARY

Gateway Lifestyle Operations Limited

John Wong has held the role of Company Secretary since April 2015. Leanne Nolan was appointed Joint Company Secretary on 10 February 2016.

Leanne Nolan (BEC, LLB (Hons), LLM)

Leanne has over 20 years' experience in corporate and commercial law. Prior to joining the Company, Leanne was General Counsel and Company Secretary at Roc Oil Company Limited. During this time, in addition to providing legal services to the business, Leanne was responsible for corporate governance and ASX compliance.

One Managed Investment Funds Limited

Frank Tearle has held the role of Company Secretary since 2008.

REMUNERATION REPORT

The Remuneration Report is set out on pages 17 to 29 and forms part of the Directors' Report.

DIRECTORS' INTERESTS

The Remuneration Report on page 28 contains details of the security holdings of the Directors and KMPs as at 30 June 2016.

Meeting of Directors

Gateway Lifestyle Operations Limited

The number of meetings of the Board of the Company (the Board) and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	Full Board		Remuneration & Nomination Committee		Audit & Risk Management Committee (ARC)	
	Held	Attended	Held	Attended	Held	Attended
Gateway Lifestyle Operations Limited						
Andrew Love	10	10	3	3	6	6
Stephen Newton	10	10	3	2 ⁽¹⁾	6	4 ⁽²⁾
Rachel Launders ⁽⁴⁾	10	10	3	2 ⁽³⁾	6	6
Andrew Fay	10	10	3	3	6	6
Trent Ottawa	10	10	3	3 ⁽¹⁾	6	6 ⁽¹⁾
John Wong	10	10	3	2 ⁽¹⁾	6	6 ⁽¹⁾

(1) Attended as an observer

(2) Mr Newton appointed as a member of the ARC effective 19 May 2016. 1 meeting attended as a member, 3 meetings attended as an observer.

(3) Apologies received from Ms Launders.

(4) Ms Launders replaced Mr Love as Chair of the Remuneration & Nomination Committee effective 19 May 2016.

One Management Investment Funds Limited

The number of meetings of the Board of the Company (the Board) and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	Full Board	
	Held	Attended
Frank Tearle	5	5
Justin Epstein	5	5
Elizabeth Reddy	5	1

OPERATING AND FINANCIAL REVIEW

Gateway Lifestyle Group was formed on 15 June 2015 for the purpose of an Initial Public Offering (IPO) of its stapled securities on the Australian Securities Exchange. During the Period the Group has focused on executing its strategy as outlined in the Prospectus and Product Disclosure Statement (PDS) lodged on 28 May 2015 by providing affordable lifestyle solutions to senior Australians.

Gateway Strategy

During the 2016 financial year, Gateway Lifestyle Group executed on its strategy by continuing to acquire, manage and integrate MHEs to provide affordable accommodation to senior Australians by:

- achieving the settlement target for FY16 (PDS forecast: 261) with 262 actual settlements;
- achieving an average gross profit per home settled for FY16 of \$100,400 (PDS forecast \$98,000 per home settled);

- 5,623 occupied residential sites with an average residential site rent of \$141 per week (PDS forecast \$141 per week), including the new MHE assets acquired;
- acquiring 17 MHEs to add 3,403 sites to the Group's portfolio (including one acquisition located at Terrigal that settled subsequent to year-end on 22 July 2016) to make a combined portfolio of 9,515 sites. Included in the 17 MHEs acquired were 2 parcels of land comprising 269 sites with existing development application (DA) approvals for MHEs; and
- ensuring the Group maintained a strong balance sheet for growth by securing a \$70 million increase in debt facilities and successfully completing an equity capital raising of \$120m. As at 30 June 2016, the Group had \$145 million in undrawn debt capacity to support future growth and low gearing at 17% (pre settlement of the Terrigal MHE acquisition).

Community Portfolio

As at the date of this report, the Gateway Lifestyle Group has 53 MHEs in its portfolio, based in New South Wales (38 MHEs), Queensland (12 MHEs), and Victoria (3 MHEs). A summary of the portfolio is:

Communities	Number	% Total	No. Sites	Occupied by MHE	Available for MHE Development
MHE ⁽¹⁾	17	32%	2,668	2,553	74
MHE Conversion	23	43%	4,250	1,576	2,674
MHE Expansion	13	25%	2,597	1,494	1,103
TOTAL	53	100%	9,515	5,623	3,892

COMBINED TOTAL

(1) Includes the acquisition of Terrigal Sands Lifestyle Resort which settled on 22 July 2016.

Growth in Gateway Lifestyle Group's development pipeline to 3,892 potential sites has been predominantly achieved through acquisitions of new MHEs. However, during FY16, Gateway Lifestyle Group also successfully added greater certainty and value to its development pipeline via a progression of master planning strategies. A summary of the master planning outcomes in FY16 are noted below:

Master Planning and Community Conversion Outcomes

Community	Master Planning Outcomes
Aspley	Development application approval received to install manufactured homes on all sites, allowing full MHE conversion.
Redlands	Approval received to install manufactured homes on all existing sites plus development application approval received for 43 expansion sites on adjoining land.
Regal Waters	Development application approval received for 28 expansion sites on adjoining land.
The Retreat	Development application approval received for 12 expansion sites.
Yamba Waters	Development application approval received allowing the installation of a further 49 manufactured homes on existing sites.
Grafton	Development application approval received allowing the installation of a further 58 manufactured homes on existing sites.
Salamander Bay	Development application approval received allowing the installation of a further 80 manufactured homes, allowing for full MHE conversion of this community.
Sussex Inlet (Snappy Gums)	Development application approval received to install manufactured homes on all sites allowing for full MHE conversion.
Sussex Inlet (The Dunes)	Development application approval received to install manufactured homes on all sites, allowing for full MHE conversion.

FY16 Financial Results

Key financial highlights for the year ended 30 June 2016:

- Underlying net profit after tax attributable to security holders increased 8.2% above the prospectus and product disclosure statement (PDS) to \$44.8 million with underlying earnings per stapled security of 17.121 cents and distribution per stapled security of 10.88 cents;
- Strong conversion of underlying earnings to operating cash flows;
- Significant debt capacity with \$145 million in debt facilities and low gearing of 17% as at 30 June 2016;
- Strong settlement figures with 262 new homes settled (PDS forecast: 261 settlements) with a further 75 committed sales carried into financial year 2017;
- Average gross profit of \$100,400 per home settled (PDS forecast: \$98,000 per home settled);
- 5,623 occupied residential sites an increase of 1,577 from 30 June 2015 with an average site rent per week of \$141 in line with PDS forecast of \$141 per week (average weekly rental of \$144 per week excluding new MHE acquisitions over FY16); and
- Acquired 17 communities at a gross cost of \$147 million adding a further 3,403 MHE sites to the portfolio, with Terrigal Sands settling post 30 June 2016.

Underlying Net Operating Profit After Tax

The underlying NPAT reports the operating results of Gateway Lifestyle Group after excluding certain non-cash, non-operating and non-recurring items which would not ordinarily relate to the respective period's underlying performance (Underlying Adjustments). The Underlying Adjustments have been presented in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guide 230 Disclosing non-IFRS financial information issued in December 2011. The Directors consider that the underlying NPAT provides users with a clearer explanation of Gateway Lifestyle Group's operating performance for FY16.

Underlying NPAT was \$44.8m. A reconciliation to underlying NPAT is provided below:

Statutory Net Profit after Tax	\$38,927,662
Non-recurring operational ¹	\$928,000
Non-recurring corporate ²	\$4,057,821
Non-cash statutory adjustments ³	\$2,621,522
Income Tax effect on Underlying Adjustments	\$(1,692,448)
Underlying NPAT	\$44,842,557

1 Non-recurring operational adjustments relate to one off expenditure resulting from integration of acquired assets.

2 Non-recurring corporate adjustments relate to one-off adjustments relating to IPO restructuring costs, acquisition due-diligence costs, capital raise associated professional costs and personnel costs related to integration of acquisition assets.

3 Non-cash statutory adjustments relate to an Edgewater DMF written-off during the year, the accounting impact of hedging costs and earn outs from acquisitions, net fair value adjustments.

The Group achieved a statutory net profit after tax of \$38.9 million representing a statutory earnings per security (EPS) of 14.60 cents per volume weighted security and an underlying net profit after tax of \$44.8 million representing an underlying EPS of 17.12⁴ cents per volume weighted security in line with guidance provided and \$3.4 million above PDS forecast.

4 VWS is calculated based upon the absolute number securities on issue pre and post the equity raise.

Underlying Key Operating and Financial Metrics

Key Financial and Operating Metrics	FY16	FY16 PDS Forecast	Variance
Revenue			
Gross Revenue \$M	\$115.0	\$110.0	\$5.0
Rental & Other Revenue \$M	\$50.9	\$46.8	\$3.1
Manufactured Home Avg Weekly Rate \$	\$141.0	\$141.0	\$0.0
Manufactured Home Sales:			
Gross Home Sales Revenue \$M	\$64.1	\$63.2	\$0.9
Average Selling Price \$000	\$244.7	\$242.0	\$2.7
Average Development Cost \$000	(\$144.40)	(\$144.00)	(\$0.4)
Net Profit per New Home Sale \$000	\$100.4	\$98.0	\$2.4
New Homes Settled	262	261	1
Portfolio:			
MHEs (end of period)	53 ¹	36	17
Number of MHEs in development	25	24	1
Manufactured homes settled per MHE in development	10.5	10.9	(0.4)
Key Financial			
Underlying EBITDA \$M	\$46.3	\$46.1	\$0.2
Gross Finance Costs \$M	(\$6.8)	(\$2.5)	(\$4.3)
Income Tax Benefit \$M	\$6.2	(\$1.7)	\$5.2
Underlying NPAT \$M	\$44.8	\$41.4	\$3.4
Statutory NPAT \$M	\$38.9	\$41.4	(\$2.5)

1. Includes the acquisition of Terrigal Sands Lifestyle Resort settled on 22 July 2016.

Gateway Lifestyle Group

The statutory net profit for the Gateway Lifestyle Group after providing for income tax amounted to \$38,927,000 (30 June 2015: \$30,773,000 net loss).

RPT 2 Group

The statutory net profit for the RPT 2 Group after providing for income tax amounted to \$50,490,000, (30 June 2015: (\$20,205,000 net loss).

FY16 Financial Performance

The FY16 Financial Report of Gateway Lifestyle Group is prepared in accordance with the Australian Accounting Standards and the requirements of the Corporations Act 2001 (Cth). Gateway Lifestyle Group came into existence on 15 June 2015 as part of an Initial Public Offering of its securities on the Australian Stock Exchange. As such, the information presented in the Financial Statements regarding the comparative period should be read in conjunction with Note 1: Significant accounting policies and the Basis of Preparation.

Underlying Net Operating Cash flow

During FY16, Gateway Lifestyle Group achieved a statutory net operating cash flow of \$31.8 million.

After accounting for underlying adjustments paid and interest expense relating to financing activities, Gateway Lifestyle Group achieved an underlying net operating cash flow of \$37.4 million. The reconciliation from statutory to underlying net operating cash flow is detailed below.

	\$ million
Statutory Net Operating Cash flow	31.8
Add: Underlying adjustment	1.5
Add: Net Interest	4.1
Underlying Net Operating Cash flow	37.4

As previously noted above, Underlying EBITDA achieved for FY16 was \$46.3 million. In FY 16, Gateway Lifestyle Group achieved an 81% conversion rate from underlying net operating cash flow, to underlying EBITDA. This further validates the strength in Gateway's core business.

Average Manufactured Home rent per week

Through the sale of new homes, third party re-sales and the active management of rent increases across the portfolio, the Group achieved for FY16 an average manufactured home rent per week of \$141 in line with PDS forecast and an increase of 4.8% on FY15. This figure of \$141 per week, is the calculated average for the financial year, and includes the average manufactured home rent per week of the 16 new MHEs settled during FY16.

Home Settlements

During FY16, the Group continued to expand the recognition of its brand as a provider of affordable accommodation solutions for senior Australians. The Group achieved 262 actual home settlements for the Period, which is in line with the FY16 PDS forecast of 261 home settlements.

Gross Profit per Home Sold

In the Period, the Group achieved \$64.12 million in gross proceeds from the settlement of new homes, at an average selling price of \$244,726 per home (\$269,199 including GST). This is materially in line with the full year forecast guidance provided in the PDS (\$242,000 per home), and has reduced the average selling price for 1H16 due to a greater mix of regional homes, as was expected. The expansion and take up of the product offering in more regional locations further strengthens the Group's business model.

Total home development costs for the Period was \$37.82 million, at an average of \$144,352 per home. This is materially in line with the guidance provided in the PDS for the full year. As a result, the Group achieved an average gross profit per home settled of \$100,374, materially in line with the PDS forecast.

Acquisitions and Investments

During FY16, Gateway Lifestyle Group saw the acquisition of 16 new MHEs (with 1 additional MHE located at Terrigal, NSW settling subsequent to year-end on 22 July 2016) resulting in a total of 53 MHE assets in the Gateway Lifestyle Group portfolio including the additional MHE asset settled post 30 June 2016.

Gateway Lifestyle Group's acquisition strategy, focuses on three main areas:

1. Fully completed MHE assets, that is a MHE asset that does not have any further new home sales capacity;
2. MHE conversion assets, that is a MHE asset that has both permanent rentals and short-term rentals, whereby the short-term rentals are able to be converted to long-term rentals through the sale of a new manufactured home; and

3. MHE expansion assets, that is an existing MHE asset (either conversion or fully completed), with an additional parcel of land available to be developed so that new manufactured homes can be sold to new residents. This can also include strategically located greenfield sites that meet the Group's long term business plan.

The assets were all acquired within the Group's disciplined acquisition framework. In March 2016, Gateway undertook an equity capital raise to fund the acquisition of 6 new MHE assets, as well as provide the Group with balance sheet capacity to continue to deliver its acquisition growth strategy. Gateway considers its ability to acquire and integrate MHEs to be one of the key drivers of its growth strategy.

The 6 new asset acquisitions announced with the capital raising on 9 March 2016 were primarily settled late in 4QFY16 (and primarily in May-June 2016). These acquisitions did not materially impact the Group's earnings in the Period.

As a result of the acquisitions during FY16 and as at the date of this report, the Group has increased the total portfolio to 9,415 MHE sites comprising 5,623 occupied residential sites and 3,892 potential development sites.

Property Valuation

In accordance with Gateway's investment property valuation policy, Gateway Lifestyle Group had at 30 June 2016 a total of 31 properties (14 re-valuations and 17 new acquisition valuations) independently valued, out of the Group's 52 owned MHE assets in its portfolio at year end.

As a result, the fair market value of investment properties as at 30 June 2016 is recorded at \$516 million, consisting of:

	\$ million
Asset value as at 1 July 2015	347.1
New Asset acquisitions	148.5
Capital expenditure	20.3
Disposal	(0.8)
Net fair value movement	1.0
Balance as at 30 June 2016	516.1

Capital Management

Gateway Lifestyle Group is committed to delivering sustainable growth while maintaining a strong balance sheet.

As at 30 June 2016¹, total drawn funds against the debt facility was \$105 million leaving a residual balance of \$145 million in available debt capacity; and net debt LVR Ratio was 17%. The net debt LVR is lower than the target range adopted by the Board, as a result of the equity capital raising in March 2016 and an increase in the fair value of investment property.

In taking a prudent approach to managing the Group's exposure to interest rate movements, the Group entered into a capped interest rate arrangement for \$26 million of its drawn debt (refer to Note 31(c)). In addition, to facilitate the Group's ability to execute on its growth strategy, the Group announced in November 2015 an increase to its existing facility limit from \$180 million to \$250 million.

During 2H16, the Gateway Lifestyle Group undertook a \$120 million equity capital raising comprising a \$40 million institutional placement and a \$80 million 2-for-15 entitlement offer. The funds were used to repay debt and fund the acquisitions announced as part of the capital raising.

Cash and cash equivalents as at 30 June 2016 were \$18.6 million.

¹. Excludes the acquisition of Terrigal Sands Lifestyle Resort settled on 22 July 2016.

Distributions

The total distribution paid or declared in respect of the FY16 totals 11.31 cents per VWS. RPT2 declared and paid an interim distribution for the six months ended 31 December 2015 of 5.31 cents per stapled security. A distribution of 5.57 cents per stapled security in respect of the six months ended 30 June 2016 was declared on 23 June 2016 with a payment date of 26 September 2016 and is expected to contain a tax deferment component. The distribution payable is within the Group's distribution policy as set out in the PDS.

FY17 Outlook

Gateway remains confident in the continued execution of the strategy and the long term benefits to our residents and securityholders. The Group is well placed to generate business growth in FY17 and is targeting growth in underlying net profit after tax of approximately 5% excluding further acquisitions. Distributions payable to securityholders are expected to be in line with prior guidance of between 65-85% of distributable earnings, assuming no material change to market conditions.

Key Risks

The identification and management of risk is fundamental to the business. During 2H16, the Company has adopted a formal risk management process to enable risks to be identified and managed as part of the decision making process.

The key risks and the controls that have been identified to be put in place to manage those risks are set out below. The list is not an exhaustive list of all risks that may affect the Company nor have they been listed in any particular order of importance.

	Risk Area	Mitigation
Health and safety	Risk of injury to residents and employees	– Safety culture – WHS training – Audits of communities
People	Talent management and capability to support growth and sustainability of the business	– Succession planning for senior executives – Competitive remuneration structures – Training and professional development
Community management	Reduced satisfaction at community level may impact sales and brand	– Training of Community Managers – Improve and maintain community facilities – Communication
Capital management	Access to and management of capital	– Prudent capital management with cash flow requirements, gearing and available liquidity reviewed and reported to the Board
Governance, regulation and compliance	Impact of changes to the regulatory environments (including tax)	– Embedded compliance culture
Home sales and settlements	Unable to sustain or grow home sales Cyclical nature of property market	– Execute Gateway strategy – Expand service range to Gateway residents – Focus on brand development and product offering – Training of sales staff – Managing movements in market conditions
Acquisition risk	Acquisitions do not perform to expectations Failure to successfully integrate new acquisitions	– Review of transactions by the Investment Committee – Planning for integration

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Gateway Lifestyle Group that occurred during the financial year.

Matters subsequent to the end of the full year

On 22 July 2016, the Group settled the acquisition of the MHE Terrigal Sands Lifestyle Resort, NSW, for the acquisition price of \$8.5 million (excluding transaction costs), a fully converted MHE with 95 occupied sites.

On 2 September 2016, the Group announced it had entered into an unconditional contract to acquire Rockhampton North Retirement Resort, QLD, a fully converted MHE with 146 occupied sites for the acquisition price of \$10.25 million (excluding transaction costs). The acquisition is expected to settle in October 2016.

Stapled securities under option

There are no unissued stapled securities of Gateway Lifestyle Group under option at the date of this report.

Stapled securities issued on the exercise of options

No stapled securities of Gateway Lifestyle Group were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted.

Indemnity and insurance of officers

The Company has indemnified the directors and executives for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

To the extent permitted by law, the Company has paid a premium in respect of a contract to insure the directors and executives against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

To the extent permitted by law, the Company and OMIFL have agreed to indemnify its auditors, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the auditors during or since year end.

Proceedings on behalf of the entity

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Gateway Lifestyle Group or RPT 2 Group, or to intervene in any proceedings to which Gateway Lifestyle Group or RPT 2 Group is a party for the purpose of taking responsibility on behalf of Gateway Lifestyle Group or RPT 2 Group for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 34 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Environmental regulation

Gateway Lifestyle Group's environmental responsibilities, such as waste water removal and waste water treatment, have been managed in compliance with all applicable regulations and licence requirements and in accordance with industry standards. No known breaches of requirements or additional environmental issues have been identified nor brought to the Board's attention. There are procedures in place to ensure that where operations are subject to any particular and significant environmental regulation under the laws of Australia, those obligations are identified and addressed.

Rounding of amounts

Gateway Lifestyle Group and RPT 2 Group are entities of a kind referred to in ASIC Corporations (Rounding in Financial/Director/Reports) Instrument 2016/191 issued by ASIC, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Auditor

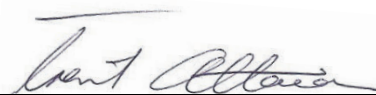
Ernst & Young continues in office in accordance with the *Corporations Act 2001*.

Signed in accordance with resolutions of the Board of Directors of Gateway Lifestyle Operations Limited, pursuant to the *Corporations Act 2001*.



Andrew Love
Chairman

19 September 2016
Sydney



Trent Ottawa
Chief Executive Officer

19 September 2016
Sydney

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration

As lead auditor for the audit of Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gateway Lifestyle Operations Limited and the entities it controlled during the financial year and Residential Parks No. 2 Trust and the entities it controlled during the financial year.

Ernst & Young

Mark Conroy
Partner
19 September 2016

REMUNERATION REPORT

LETTER FROM THE CHAIR OF REMUNERATION AND NOMINATION COMMITTEE

Dear Securityholder,

It is my pleasure to present to you the Gateway Lifestyle Remuneration Report for the financial year to 30 June 2016, being the first full reporting period since the Company listed on the Australian Securities Exchange (ASX) in June 2015. It is in this context that the Company's remuneration framework, with the exception of a newly introduced long term incentive (LTI) plan, remains relatively unchanged from that which was disclosed in the Prospectus and Product Disclosure Statement last year. The Remuneration and Nomination Committee remains focussed on ensuring that the remuneration framework applied is both competitive and rewards executives for meeting or exceeding strategic objectives and facilitating long term wealth creation for investors. The Company maintains a strong focus towards ensuring alignment between executive pay and the securityholder experience.

The Company flagged in its 2015 Annual Report the intention to introduce a senior executive equity-based LTI plan within the first year of listing on the ASX. The Remuneration and Nomination Committee is pleased that it has formalised an LTI plan that will be the subject of resolutions put forward for securityholder approval at the 2016 Annual General Meeting. The structure for the new LTI plan, including predetermined performance requirements, is further detailed in this Remuneration Report. Not only is the introduction of the LTI plan consistent with our strategic objectives and Australian market practice but it also provides the Remuneration and Nomination Committee with a valuable tool that can effectively incentivise executives to deliver long term sustainable outperformance for investors.

As evidenced by the significant increase in its market capitalisation over the 2016 financial year, Gateway Lifestyle Group (Group) has experienced strong investor interest and market growth. Irrespective of this strong performance, the 2016 short term incentive (STI) financial performance conditions that were set consistent with the Prospectus guidance have not been achieved. As such, the Key Management Personnel (KMP) Executives did not receive a bonus payment for the 2016 financial year.

The Company continues to review and refine the remuneration framework as it moves from being newly listed on the ASX to having a longer performance history. Over the coming year, this will include consideration of short term incentive arrangements for executives, with thresholds for payment to be set having regard to the strategic and operational goals for the Company and for individual executives within that period.

As the Group continues to evolve as a publicly traded entity, the Remuneration and Nomination Committee welcomes continued engagement and feedback from investors and corporate governance stakeholders around its remuneration policies and outcomes.

Yours Sincerely,



Rachel Launders

Non-Executive Director and Chair of the Remuneration and Nomination Committee

OVERVIEW

The directors of Gateway Lifestyle Operations Limited (Gateway or the Company) present the Remuneration Report for the year ended 30 June 2016. The Remuneration Report outlines the key management personnel remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (Act), including section 300A, and its regulations. The disclosures in this Remuneration Report have been audited as required by section 308(3C) of the Act and forms part of the Directors' Report.

This Remuneration Report is set out as follows:

- Overview
- Who is Covered by This Report?
- Remuneration Governance Framework
- Executive KMP Remuneration
- FY16 Remuneration Outcomes for Executive KMPs
- Non-Executive Director KMP Remuneration
- Statutory and Security Based Reporting

WHO IS COVERED BY THIS REPORT?

The Company is required to prepare a Remuneration Report in respect of Gateway's key management personnel (KMP), being those who have the authority and responsibility for planning, directing and controlling the activities, either directly or indirectly, including any Director. In respect of FY16, it has been determined that the KMP are Trent Ottawa and John Wong (collectively referred to as Executive KMP or Executive Directors) and the Non-Executive Directors. Robert Nichols was determined to be a KMP for the period from 11 June 2015 to 31 December 2015.

The table below sets out details of those persons who were KMP of the Company during FY16:

Executive KMPs

Name	Title	Commencement as KMP
Trent Ottawa	CEO & Executive Director	29 April 2015
John Wong	CFO & Executive Director	29 April 2015

Non-Executive Directors

Name	Title	Commencement as KMP
Andrew Love	Chairman & Independent Non-Executive Director	15 May 2015
Stephen Newton	Independent Non-Executive Director	15 May 2015
Rachel Launders	Independent Non-Executive Director	15 May 2015
Andrew Fay	Independent Non-Executive Director	15 May 2015

For Directors the date on which they were appointed to the Board is their commencement date as a KMP.

Additional persons who were KMP for part FY16

Name	Title	Commencement as KMP	Cessation Date
R Nichols	COO	11 June 2015	31 December 2015

REMUNERATION GOVERNANCE FRAMEWORK

Remuneration Policy and Link to Company Performance

The objective of the Group's executive remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The Group's remuneration framework is designed to:

- align the interests of employees and stakeholders by linking individual and company performance with remuneration outcomes;
- reward employees for financial and non-financial performance aligned with business objectives; and
- drive behaviour and focus performance in alignment with business objectives by setting key performance measures and targets for individuals and the Company aligned with these objectives.

Incentive measures for KMPs in FY16 were benchmarked against a range of financial measures including achievement and out performance against forecast cash flow per security (CFPS) and EBITDA as disclosed in the 2015 Remuneration Report. These measures were selected as they were regarded as most appropriate in motivating executives towards delivering against Gateway's strategic focus of income growth and long term profitability for securityholders. Remuneration for Executive KMP is therefore directly linked to the performance of the Gateway Lifestyle Group.

Link to Performance

The remuneration framework sets out the principles for guiding the Company's decisions regarding executive remuneration and securities and is designed to reward performance by:

- attracting, motivating and retaining high performing individuals focused upon achieving the Company's objectives by offering fixed remuneration commensurate with the respective roles and responsibilities and accounting for market factors;
- linking the reward for senior executives with "at risk" incentives based on short term performance goals aligned to the Company strategy and rigorous financial metrics which are set and reviewed annually; and
- aligning the longer term "at risk" incentive rewards with expectations and outcomes that align with securityholders' interests and assesses performance over a minimum three year period.

The Board's Role in Remuneration and Remuneration Governance

The Board has overall responsibility for making decisions about the remuneration of KMPs. The Board engages with securityholders and other stakeholders as required to update and improve Company remuneration policies and practices in recognition of investor expectations and Australian corporate governance best practice. In support of this, the Board has established a Remuneration and Nomination Committee that operates under the Remuneration and Nomination Committee Charter and the Remuneration Policy, which are both publicly disclosed on the Company website.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises of three independent Non-Executive Directors and meets throughout the year. During the 2016 financial year, Mr Love resigned as Chair of the Committee and Ms Launders was appointed Chair on 19 May 2016. Details of Remuneration and Nomination Committee

meetings held and attendance are outlined in the Directors' Report. During FY16 the members of the Committee were:

- Ms Rachel Launder (appointed Chair 19 May 2016)
- Mr Andrew Love (resigned as Chair 19 May 2016)
- Mr Andrew Fay

The Remuneration and Nomination Committee established by the Board is responsible for assisting the Board with reviewing and making recommendations in relation to the remuneration policy and the specific remuneration arrangements for Executive Directors and Non-Executive Directors. The Committee also considers and is responsible for the oversight of remuneration aspects, including short term incentive (STI), long term incentive (LTI), superannuation and termination entitlements. The Committee is also responsible for overseeing succession planning for key roles.

During the financial year, the Chair of the Board and the Chair of the Remuneration and Nomination Committee engaged directly with proxy advisers and major investors to obtain feedback relating to remuneration practice at the Company and in particular, the proposed introduction of the Executive KMP LTI Plan. The Committee considers that this is an important aspect of its work and the Committee has evaluated, and continues to evaluate, the appropriateness of the remuneration framework in a systematic manner.

Further details of the Remuneration and Nomination Committee are to be included in the Corporate Governance Statement to be released with the Annual Report and copies of the Remuneration and Nomination Committee Charter and Remuneration Policy are available at www.gatewaylifestyle.com.au

EXECUTIVE KMP REMUNERATION

This section provides details of the current remuneration structure for Executive KMPs.

Remuneration mix

Remuneration packages to Executive KMPs include Total Fixed Remuneration (TFR), STIs and LTIs. STI and LTI is "at risk" because any amount earned is dependent upon the extent to which predetermined performance targets are achieved.

The current relative weightings of remuneration components for Executive KMPs⁽¹⁾.

	TFR	STI	LTI	Total "At risk" ⁽²⁾	Total
CEO	33%	33%	33%	66%	100%
CFO	38%	38%	24%	62%	100%

1. These figures represent maximum potential of each component not actual outcomes earned by Executive KMP.

2. More than half of the total remuneration package to the Executive KMPs are "at risk" or performance based.

Total Fixed Remuneration (TFR)

WHAT IS TFR?	Total fixed remuneration consists of base salary (Base Salary) plus employer contributions to superannuation funds and non-monetary benefits.
HOW IS TOTAL FIXED REMUNERATION DETERMINED?	Total fixed remuneration levels are reviewed annually through a process which considers external data and takes into account the overall performance of the Group and the Executive KMP to ensure that total fixed remuneration reflects the individual's responsibilities, skills, experience and is competitive and ensures that the Company is able to attract and retain the skills it needs for operations and delivery of the strategy.

Short term incentive (STI)

WHAT IS THE STI?	The STI is an annual performance based cash incentive plan designed to reward Executive KMPs for performance following the end of the financial year. The purpose of the STI is to focus Executive KMPs' efforts on those objectives that are priorities for the Company for the relevant financial year and to motivate Executive KMPs to achieve stretch performance targets. At the conclusion of the financial year, the Remuneration and Nomination Committee will determine and recommend to the Board for its approval, whether the STI targets have been met and the incentive outcome for each Executive KMP. Importantly, the Board retains discretion over the final STI outcomes for Executive KMPs.								
WHAT IS THE PURPOSE OF THE STI PLAN?	The STI forms part of the Company's performance based remuneration system and provides "at risk" incentives based on short term performance goals aligned and linked with the Company goals and objectives. The Company sets a range of financial targets to be achieved annually. These are chosen based on the business model approved by the Board and to ensure delivery of the business to meet the financial objectives on an annual basis.								
HOW DOES THE STI LINK TO THE COMPANY'S OBJECTIVES?	The Company's objectives and key performance and financial objectives are set by the Board annually for all Executive KMPs to deliver against the Company strategy. The performance financial measures for the FY16 STI were chosen prior to the admission of GTY on the ASX and were chosen because they reflected the key financial drivers for the 12 months following listing.								
WHAT ARE THE PERFORMANCE CONDITIONS?	The Executive KMPs performance conditions reflect the financial and operational goals of the Company. The hurdles are set to provide incentives to meet the Company's short and long term strategy and build long term securityholder value. The conditions for FY16 relate to financial performance metrics following admission to the ASX. For FY16, 50% of the STI was based on two metrics being EBITDA and the forecasted cash flow per security (CFPS) exceeding the guidance set out in the Prospectus. In order to receive the first 50% of the FY16 STI, both metrics (CFPS and EBITDA) must be met. The second 50% of the STI is payable at the commencement of FY18 and is designed to reward out-performance beyond the CFPS forecast and there are 3 tranches of CFPS targets that set out a scaled performance base. <table> <tr> <th>CFPS</th><th>%STI</th></tr> <tr> <td>Up to 7.5%</td><td>Up to 15%</td></tr> <tr> <td>> 7.5% < 12.5%</td><td>Up to 20%</td></tr> <tr> <td>> 12.5%</td><td>Up to 15%</td></tr> </table>	CFPS	%STI	Up to 7.5%	Up to 15%	> 7.5% < 12.5%	Up to 20%	> 12.5%	Up to 15%
CFPS	%STI								
Up to 7.5%	Up to 15%								
> 7.5% < 12.5%	Up to 20%								
> 12.5%	Up to 15%								
WHAT IS THE MAXIMUM VALUE OF THE STI OPPORTUNITY?	STI is calculated each year as a percentage of the Base Salary. The maximum award payable is 100% of the Base Salary in two tranches. The second tranche of up to 50% of the STI (Deferred Cash) is payable on the second anniversary of release of year-end financial results.								
ARE THERE PERFORMANCE CONDITIONS ON DEFERRED CASH?	Deferred Cash is designed to reward past performance and encourage retention. There are further performance conditions attached to the Deferred Cash. The Company has determined that deferred equity is not appropriate due to the significant securityholdings of the Executive KMPs.								
IS THERE A CLAWBACK MECHANISM?	A clawback operates such that if the performance conditions are satisfied in one year but are not met in the following year, some or all of the second tranche of the STI (Deferred Cash) can be reduced.								

Long term incentive (LTI)

During FY16, the Company adopted an LTI Plan for Executive KMPs. All grants for FY16 under the LTI Plan to Executive KMPs are subject to securityholder approval at the 2016 AGM.

HOW ARE LONG-TERM INCENTIVES LINKED TO COMPANY PERFORMANCE?	LTI aligns the rewards received by the Executive KMPs with the longer-term performance of the Group relative to the increase in the Gateway security price. Recipients have the opportunity to grow the long-term value of their LTI by delivering results for the Group that increase the security price.
WHAT IS THE STRUCTURE OF THE LTI GRANT TO EXECUTIVE DIRECTORS?	Subject to approval by securityholders at the AGM, Executive KMPs have been offered a grant of security appreciation rights (SARs). Each SAR is a right to acquire a number of fully paid stapled securities in Gateway (Securities) based on the increase in the price of Securities over the period from the date of grant to the date of exercise. The SARs granted under this offer have a 3 year performance period and will vest subject to the satisfaction of two separate performance conditions: • 50% are subject to an absolute TSR performance hurdle. • 50% are subject to a relative TSR performance hurdle. All LTI grants are delivered in the form of SARs, i.e. a conditional entitlement to a fully paid ordinary security at zero price, subject to satisfaction of two performance conditions. Nothing is payable by the KMPs if and when SARs vest. The Board has discretion to settle the SARs in cash if they vest after a holder has ceased to be an employee as a good leaver.
HOW IS THE QUANTUM OF THE LTI GRANT DECIDED?	The Company engaged an external remuneration consultant who undertook a benchmarking process in order to determine the quantum of the LTI granted to executives. The quantum of LTI takes into account market levels of total remuneration opportunity and the incentive mix.
WHY SARs?	SARs align executives' interests with those of securityholders as the executives will only benefit when the share price increases and securityholders benefit. Eligible executives do not benefit when share price growth is negative. Because SARs do not require funding of an exercise price, executives are not required to sell securities on vesting to fund their exercise or pay cash out-of-pocket. This may help to encourage executives to hold them longer term. On vesting and exercise of SARs, participants will be entitled to receive a distribution equivalent payment in the form of additional Securities.
HOW IS THE NUMBER OF SARs DETERMINED?	The number of SARs to be granted will be calculated by dividing the total grant value by the Black Scholes fair value. The Black Scholes calculation will use Gateway's volume weighted average price over the five trading days following the release of the full year financial results and assuming that all SARs will vest. There is no discount for vesting probabilities. The Board has decided to use a fair value calculation as: • it is considered a valid value of an equity instrument at the date of grant; and • the Black Scholes method is a generally accepted methodology which can be verified by an independent adviser.

WHAT ARE THE PERFORMANCE HURDLES APPLIED TO LTI?	SARS are divided into two tranches with each tranche subject to a separate total securityholder return (TSR) performance hurdle. Absolute TSR: 50% of the SARs are subject to an absolute TSR performance hurdle. Relative TSR: 50% of the SARs are subject to a relative TSR performance hurdle. Gateway's TSR performance will be tested relative to the TSR of the S&P/ASX 200 Industrials Accumulation Index. See "How is vesting determined?" for further detail on vesting thresholds for each performance hurdle. Why TSR? TSR measures best align executive performance with security holder return, our key focus area. The Board believes that TSR hurdles effectively align the interests of individual executives with that of Company securityholders, by motivating senior executives to achieve superior outcomes. TSR takes into account share price and dividend yield and is therefore a robust and transparent means of measuring of securityholder returns. Why both absolute <i>and</i> relative TSR? TSR is intended to be a fundamental driver for the LTI, but the Board wanted to balance absolute and relative measures as that approach: • aligns with security holder experience, whether they be a diversified institutional investor or a less diversified retail investor; • provides for a maximum reward if both relative TSR and absolute TSR are high; • provides for a moderate reward if only one of either relative TSR or absolute TSR is high; and • provides no incentive reward if both relative and absolute TSR hurdles are not met. Two hurdles are preferred to one hurdle, as it diversifies risk in terms of reward outcomes, executive focus, and validity of reward measures. Financial hurdles were considered inappropriate at this time given the Group's current growth stage and the need to ensure management is not distracted from pursuing appropriate capital management strategies if the incentive was contingent on either securities outstanding or a capital efficiency measure. The Board believes at this stage of the Group's growth, alternative measures would not provide as effective a test as total securityholder returns and that the market is best placed to determine the true underlying value of the business via TSR measures. As the industry and the Company matures, it is expected that financial measures may become more viable metrics for incentive awards. The Board remains committed towards reviewing the appropriateness of LTI vesting criteria annually.
DOES THE BOARD HAVE DISCRETION?	The Board retains its discretion and, under exceptional circumstances, may exercise its discretion so that executives are neither advantaged nor disadvantaged by extraneous events outside the control of management. The Board believes that it should be able to exercise its discretion if it judges that this results in a better governance outcome. Discretion will only be applied to eliminate undue advantages or disadvantages, which the relevant executive might incur as a result of an extraneous event.
WHAT IS THE PERFORMANCE PERIOD?	SARs issued under the FY16 LTI have a three-year performance period. This period represents an appropriate balance between providing a genuine and foreseeable incentive to KMP Executives and fostering a long-term view of securityholder interests, and also recognises Australian corporate governance best practice. A performance period longer than three years was regarded as not aligning with the Company's strategic planning.

HOW IS VESTING DETERMINED?	TSR is defined as the security price growth and distributions paid and reinvested on the ex-distribution date for the relevant company (adjusted for rights, bonus issues, and any capital reconstructions or as otherwise considered by the Board or Remuneration and Nomination Committee to be appropriate). Security prices will be calculated using the volume weighted average price of securities traded on the ASX over the 5 trading days prior to the start date and end date of the Performance Period. Vesting of the Relative TSR component (50%) will be determined by reference to the following vesting schedule: <table border="1"> <thead> <tr> <th>Gateway Lifestyle Group's TSR over the Performance Period</th><th>% of Relative TSR Component that Vests</th></tr> </thead> <tbody> <tr> <td>Less than TSR of Index + 1% (compounded annually)</td><td>Nil</td></tr> <tr> <td>At TSR of Index + 1% (compounded annually)</td><td>50%</td></tr> <tr> <td>Between TSR of Index +1% (compounded annually) and TSR of Index + 5% (compounded annually)</td><td>Pro rata Vesting from 50% to 100% on a straight line basis</td></tr> <tr> <td>TSR of Index + 5% or greater (compounded annually)</td><td>100%</td></tr> </tbody> </table> Vesting of the Absolute TSR Component (50%) will be determined by reference to the following vesting schedule. <table border="1"> <thead> <tr> <th>Gateway Lifestyle Group's TSR over the Performance Period</th><th>% of Absolute TSR Component that Vests</th></tr> </thead> <tbody> <tr> <td>Less than 35%</td><td>Nil</td></tr> <tr> <td>At 35%</td><td>25%</td></tr> <tr> <td>Between 35% and 75%</td><td>Pro rata Vesting from 25% to 100% on a straight line basis</td></tr> <tr> <td>75% or greater</td><td>100%</td></tr> </tbody> </table> There is no re-testing of the performance conditions. SARs that do not vest upon testing of the performance condition will lapse.	Gateway Lifestyle Group's TSR over the Performance Period	% of Relative TSR Component that Vests	Less than TSR of Index + 1% (compounded annually)	Nil	At TSR of Index + 1% (compounded annually)	50%	Between TSR of Index +1% (compounded annually) and TSR of Index + 5% (compounded annually)	Pro rata Vesting from 50% to 100% on a straight line basis	TSR of Index + 5% or greater (compounded annually)	100%	Gateway Lifestyle Group's TSR over the Performance Period	% of Absolute TSR Component that Vests	Less than 35%	Nil	At 35%	25%	Between 35% and 75%	Pro rata Vesting from 25% to 100% on a straight line basis	75% or greater	100%
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WHEN CAN VESTED SARs BE TRADED?	Upon vesting of SARs, securities will automatically be allocated to the Executive KMPs. Trading in these securities is subject to compliance with the Company's Securities Trading Policy.																				
RESTRICTIONS ON HEDGING OF SARs	Executive KMPs are not allowed to protect the value of any unvested or restricted equity awards allocated to them. Executive KMPs are also not permitted to use unvested or restricted equity awards as collateral in any financial transactions including hedging and margin loan arrangements.																				
MALUS AND CLAWBACK	The Board has discretion to reduce or clawback LTI awards in certain circumstances to ensure that no inappropriate benefit is obtained by Executive KMPs. The Board's discretion applies to vested (but unexercised) and unvested SARs. The circumstances in which the Board may execute this discretion are broad, including where an Executive KMP acts fraudulently or disclosing material misstatement in a Group's accounts.																				
WHEN WILL SARs LAPSE?	SARs will lapse: - to the extent the relevant performance conditions are not satisfied; - where the relevant participant resigns or is terminated for cause; - where the relevant participant commits an act of fraud, major negligence or material financial misstatement.																				

EFFECT OF CHANGE OF CONTROL	In the event of a change of control, the Board may determine in its absolute discretion that some or all SARS will vest, having regard to all relevant considerations. If the Board does not make a determination, SARS will vest on a pro rata basis based on the proportion of the Performance Period that has elapsed.
WHY IS GATEWAY IMPLEMENTING A DIVIDEND EQUIVALENT PAYMENT?	The Board believes it is important that management share in the benefits and costs of security ownership. As the Group grows and is expected to produce higher cash earnings, the Board wants to ensure that the instrument is not biased to any particular capital management strategy. That is, if it makes sense to increase dividends rather than retain earnings for optimal TSR, management is not penalised, as dividends are included for the SARs that vest. The dividend equivalent payment is structured to include some “safe guards” to encourage this: • participants will only be paid the dividend equivalent payment if their underlying SARs have vested and been exercised; and • barring exceptional circumstances, the payment will be made in the form of additional securities.

FY16 REMUNERATION OUTCOMES FOR EXECUTIVE KMP

The remuneration policy is designed to align the interests of executives and securityholders by linking individual and company performance with remuneration outcomes; and drive behaviour and focus performance in alignment with strategic objectives by setting performance measures and targets for individuals and the Company aligned with these objectives.

KMP Executive Remuneration

Fixed remuneration

WHAT WAS THE INCREASE IN KMP EXECUTIVES' TFR?	There was no increase to Executive KMPs' TFR during FY16. Details of each Executive KMP's fixed remuneration is set out in the table below.
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Short-Term Incentives

WHAT WAS THE MAXIMUM STI KMP EXECUTIVES COULD RECEIVE?	Up to 100% of Base Salary.
HOW WERE PERFORMANCE CONDITIONS ASSESSED FOR FY16?	The STI performance condition for FY16 has not been met as the CFPS guidance as set out in the Prospectus was not achieved. Accordingly, the Executive KMPs did not receive an STI payment for FY16.
HOW MUCH STI WILL EXECUTIVE KMPs RECEIVE IN RESPECT OF FY16 PERFORMANCE?	Nil. As the performance hurdles for the STI for FY16 were not achieved, the FY16 opportunity was forfeited.

Long-Term Incentives

HOW MUCH LTI WAS GRANTED TO SENIOR EXECUTIVES IN FY16?	In FY16, the CEO and CFO received an LTI award equivalent to between 60% and 100% of TFR for a three year performance period ending on the release of the FY18 results, which is subject to approval by securityholders at the 2016 AGM.
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WHAT ARE THE PERFORMANCE CONDITIONS?	See above for a description of the performance conditions
WHAT PROPORTION OF PRIOR YEAR LTI GRANTS VESTED IN FY16?	No awards vested in FY16.

Statutory Details of Executive KMPs' Remuneration FY16

The table below outlines the remuneration of Executive KMPs for the year ended 30 June 2016:

		Short-term benefits				Post-employment benefits	SARS ⁴	Equity-based payments	Total ⁵
		Salary and fees ¹	Other ²	Salary sacrifice	STI ³	Superannuation		Equity settled	
		A\$	A\$	A\$		A\$	A\$	A\$	A\$
Gateway Lifestyle Group - 2016									
Trent Ottawa	2016	618,462	12,000	-	-	19,308	-	-	649,770
	2015	23,077	461	-	-	722	-	-	24,260
John Wong	2016	530,769	12,000	-	-	19,308	-	-	562,077
	2015	18,635	461	1,318	-	-	-	750,000	770,413
Robert Nichols ⁶	2016	500,000	12,000	-	-	19,308	-	-	531,308
	2015	19,231	461	-	-	722	-	-	20,414
Total	2016	1,649,231	36,000	-	-	57,924	-	-	1,743,155
	2015	60,943	1,383	1,318	-	1,444	-	750,000	815,088
RPT2 Group - 2016		-	-	-	-	-	-	-	
RPT2 Group - 2016		-	-	-	-	-	-	-	

1 Salary and fees include accrued annual leave during the financial year.

2 Other includes motor vehicle allowance and other allowances.

3 The performance metrics for FY16 STI were not achieved.

4 For the FY16 financial year, the LTI offers were made on 27 June 2016 and are subject to securityholder approval at the 2016 AGM. The value is not recognised in the current financial year as not material.

5 The 2015 total represents the period from 15 June 2015 to 30 June 2015.

6 Mr Nichols ceased to be a KMP on 31 December 2015, his remuneration for the entire year is included for the purpose of comparison.

Summary of Executive KMP Contractual Arrangements

Remuneration and other terms of employment for the Executive KMPs are formalised in Service Agreements. Each of these Service Agreements contains the key provisions set out below:

Key terms

CONTRACT DURATION	Commenced 1 June 2015, open-ended.
NON-COMPETE	12 months following expiry of the notice period
NOTICE BY EXECUTIVE OR COMPANY	6 months
TERMINATION FOR MISCONDUCT	Immediate
PAYMENT ON TERMINATION	Benefit on early termination by the Company in the period up to June 2018, other than for gross misconduct, equal to 12 months remuneration

NON-EXECUTIVE DIRECTOR KMP REMUNERATION

Non Executive Director Fee Policy

The Company's remuneration policy in relation to Non-Executive Directors is to offer a level of remuneration having regard for the Company's need to retain appropriately experienced and qualified directors and in

accordance with competitive remuneration levels in the marketplace. To protect the independent conduct and classification of the Non-Executive Directors, they are remunerated by way of cash fees and superannuation only and are not provided with performance based remuneration entitlements.

How are Non-Executive Directors Fees Determined?

The remuneration policy for Non-Executive Directors is structured to ensure independence in acting in the best interests of securityholders and to offer a level of remuneration that considers the Company's need to retain appropriately experienced and qualified directors.

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently of the fees of other Non-Executive Directors.

Total fees paid to the Non-Executive Directors must not exceed \$750,000 per annum with amounts paid in FY16 as follows:

- Chair - \$120,000 per annum
- Non-Executive Directors - \$100,000 per annum

Non-Executive Directors do not receive any incentive based remuneration or employee share rights or options and do not receive any retirement benefits other than statutory superannuation contributions.

No fees were paid to Non-Executive Directors for FY15. Instead each of the Non-Executive Directors was issued 25,000 stapled securities at the time of Listing, with an equivalent value of \$50,000. Each of the Non-Executive Directors entered into a voluntary escrow deed for these Stapled Securities. During the relevant escrow period, the Non-Executive Directors may only deal with their Stapled Securities in accordance with the voluntary escrow deed. The restriction on dealing is broad. In addition, the voluntary escrow deeds for the Non-Executive Directors require forfeiture of their escrow stapled securities for a nominal amount if the Director leaves the Company during the escrow period.

OMIFL Directors do not receive fees from the Company. OMIFL receives fees under the constitution of the Trust.

Summary of Fees Payable to Non-Executive Directors in FY16

For FY16, total Non-Executive Director fees paid were \$420,000 (2015: nil), which takes into account fees paid and compulsory contributions to superannuation. There was no increase to fees to Non-Executive Directors during FY16.

There were no additional fees for special duties or exertions paid to Non-Executive Directors during FY16 or for being members of the Board Committees, including the Remuneration and Nomination Committee and the Audit and Risk Management Committee. Non-Executive Directors may be paid additional or special remuneration or provided benefits as may be appropriate where a Non-Executive Director performs extra or special services, including being a member of additional committees.

The following table sets out the remuneration for Non-Executive Directors for FY16.

		Short-term benefits		Post-employment benefits	Equity	Total
		Fees	Other	Superannuation	Value of share stapled securities	
		A\$	A\$	A\$	A\$	A\$
Gateway Lifestyle						
Mr A Love	2016	109,589	-	10,411	-	120,000
	2015	-	-	-	50,000	50,000
Mr A Fay	2016	91,324	-	8,676	-	100,000
	2015	-	-	-	50,000	50,000
Mr S Newton	2016	100,000	-	-	-	100,000
	2015	-	-	-	50,000	50,000
Ms R Launders	2016	91,324	-	8,676	-	100,000
	2015	-	-	-	50,000	50,000
Total	2016	392,237	--	27,763	-	420,000
	2015	--	--	--	200,000	200,000
RPT2 Group						
	2016	--	--	--	--	--
	2015	--	--	--	--	--

STATUTORY AND SECURITY BASED REPORTING

Securityholding of Key Management Personnel

The following table details the number of Stapled Securities held by KMPs, either directly or indirectly or beneficially during the reporting period ended 30 June 2016:

	Opening Balance @ 30 June 2015	Number of escrowed securities	Purchased during FY16 ¹	Closing Balance @ 30 June 2016
Mr A J Love	275,000	25,000	140,046	415,046
Ms R Launders	40,000	25,000	5,334	45,334
Mr A Fay	75,000	25,000	14,163	89,163
Mr S Newton	35,000	25,000	6,610	41,610
Mr T Ottawa	12,875,87	12,875,87	Nil	12,875,87
Mr J Wong	375,000	375,000	Nil	375,000
Mr R Nichols	4,608,970	4,608,970 ²	100,000	4,708,970

1 Includes purchases on market and participation in 2016 rights issue.

2 Mr Nichols ceased to be a KMP on 31 December 2015. The 4,608,970 stapled securities will be released from escrow on 31 August 2016 in accordance with the terms of the voluntary escrow deed. Whilst Mr Nichols remains an employee of Gateway, any dealing of the securities are subject to the requirements of Gateway's Securities Trading Policy and a copy of the policy is available at www.gatewaylifestyle.com.au

The number of escrowed securities for each of the KMPs is listed in the table above. Each of the KMPs has entered into a voluntary escrow deed for these stapled securities. During the relevant escrow period, the KMPs may only deal with their stapled securities in accordance with the voluntary escrow deed. The restriction on dealing is broad.

The Company's Securities Trading Policy applies to all Directors, Executive Directors and their related parties and sets out the procedures and principles that apply to trading in Gateway Lifestyle Securities. A copy of the Securities Trading Policy is available on the website at www.gatewaylifestyle.com.au

Other Transactions with KMPs

There are no other transactions between any of the KMPs with any of the companies which are related to or provide services to the Company unless disclosed in this report.

Remuneration Consultant

During the financial year, the Board engaged Guerdon Associates as its independent consultant to provide information on remuneration matters. The Chair of the Remuneration and Nomination Committee oversees the engagement of remuneration services for, and payment of, the independent consultant.

The Board was satisfied that advice received from Guerdon Associates was free from any undue influence by KMPs to whom the advice related, because strict protocols were observed and complied with regarding any interaction between Guerdon Associates and management. All remuneration advice was provided directly to the Chair of the Remuneration and Nomination Committee. No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the *Corporations Act 2001*, were made by Guerdon Associates.

CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

The financial statements cover both:

- Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust and their controlled entities (Gateway Lifestyle Group); and
- Residential Parks No. 2 Trust and its controlled entities (RPT 2 Group)

The financial statements are presented in Australian dollars, which is Gateway Lifestyle Group's functional and presentation currency.

As permitted by Class Order 13/1050 "Financial reporting by stapled entities", issued by ASIC, these financial statements are combined consolidated financial statements of Gateway Lifestyle Group and consolidated financial statements of RPT2 Group.

Gateway Lifestyle Group is a stapled ASX listed Australian entity, established and domiciled in Australia. The registered office and principal place of business are:

Registered office

Suite 303, 7-9 Irvine Place
Bella Vista
New South Wales 2153

Principal place of business

Suite 303, 7-9 Irvine Place
Bella Vista
New South Wales 2153

Each fully paid unit in the Residential Parks No. 2 Trust is stapled to one fully paid share in Gateway Lifestyle Operations Limited and can only be dealt with as a stapled security.

A description of the nature of the consolidated entities' operations and principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 September 2016. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

		Gateway Lifestyle Group		RPT2 Group	
	Note	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Revenue from continuing operations	4	113,802	5,859	38,120	5,033
Other income	5	1,169	98	9,314	94
Net fair value adjustment on investment properties		1,012	125	12,176	474
Expenses					
Investment property expenses	6	12,160	968	-	334
Manufactured home sale expenses	6	37,820	361	-	-
Sales and marketing expenses		1,442	-	-	-
Employee benefits expense		19,228	1,834	-	238
Administration expenses		6,227	4,107	501	3,841
Other expenses		1,120	-	-	-
Finance costs	6	6,565	2,711	5,306	2,181
Net loss on disposal of assets		-	17	-	17
Transaction expenses		(1,343)	26,893	(1,127)	18,544
Profit/(loss) before income tax expense from continuing operations		32,764	(30,809)	54,930	(19,554)
Income tax benefit/(expense)	7	6,163	36	(440)	(651)
Profit/(loss) after income tax expense from continuing operations		38,927	(30,773)	54,490	(20,205)
Profit/(loss) after income tax expense for the year		38,927	(30,773)	54,490	(20,205)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income (loss) for the year		38,927	(30,773)	54,490	(20,205)
Total comprehensive income (loss) for the year attributable to:					
Securityholders of Gateway Lifestyle Operations Limited		(15,563)	(10,568)	-	-
Unitholders of Residential Parks No.2 Trust		54,490	(20,566)	54,490	(20,566)
Total comprehensive income (loss) attributable to stapled securityholders		38,927	(31,134)	54,490	(20,566)
Non-controlling interest	40	-	361	-	361
Total comprehensive income (loss) for the year		38,927	(30,773)	54,490	(20,205)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

		Gateway Lifestyle Group		RPT2 Group	
	Note	2016 Cents	Restated 2015 Cents	2016 Cents	Restated 2015 Cents
Earnings per stapled security					
Basic/diluted earnings (loss) per stapled security (based on securities issued as at 30 June)	45	14.6	(12.3)	n/a	n/a
Basic/diluted earnings (loss) per unit (based on units issued as at 30 June)	45	n/a	n/a	20.5	(8.2)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

		Gateway Lifestyle Group		RPT2 Group	
		30 June	Restated	30 June	Restated
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents	8	18,563	11,243	200	1,589
Trade and other receivables	9	4,006	9,089	777	13,772
Inventories	10	9,353	6,616	-	-
Other	11	2,102	2,476	-	58
Total current assets		34,024	29,424	977	15,419
Non-current assets					
Receivables	12	-	-	172,944	112,367
Investment properties	13	516,145	347,166	461,167	309,966
Plant and equipment	14	701	309	-	-
Intangibles	15	140,738	140,359	85,376	85,376
Non-current financial asset	16	13	-	13	-
Deferred tax	17	10,218	3,420	3	-
Total non-current assets		667,815	491,254	719,503	507,709
Total assets		701,839	520,678	720,480	523,128
Liabilities					
Current liabilities					
Trade and other payables	18	11,660	22,190	520	15,050
Income tax	20	6,548	6,231	6,247	5,342
Employee benefit liabilities	21	896	789	-	38
Provisions	22	16,676	1,295	16,676	-
Borrowings	19	-	716	-	23
Total current liabilities		35,780	31,221	23,443	20,453
Non-current liabilities					
Borrowings	23	102,819	50,180	105,250	52,500
Lease liabilities	24	580	-	510	-
Employee benefit liabilities	21	106	-	-	-
Other non-current liabilities	25	1,922	2,848	728	-
Deferred tax	17	1,597	2,114	1,597	2,114
Total non-current liabilities		107,024	55,142	108,085	54,614
Total liabilities		142,804	86,363	131,528	75,067
Net assets		559,035	434,315	588,952	448,061

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016 (CONTINUED)

	Note	Gateway Lifestyle Group		RPT2 Group	
		30 June 2016	Restated 30 June 2015	30 June 2016	Restated 30 June 2015
		\$'000	\$'000	\$'000	\$'000
Equity					
Equity attributable to members of the Company					
Contributed equity	26	(3,603)	(2,853)	-	-
Treasury stapled securities	26	(325)	(325)	-	-
Reserves	27	142	-	-	-
Retained profits (accumulated losses)	28	(26,131)	(10,568)	-	-
		(29,917)	(13,746)	-	-
Equity attributable to unitholders of the Trust					
Contributed equity	26	587,024	470,704	587,024	470,704
Reserves	27	(636)	(636)	(636)	(636)
Surplus (deficiency)	28	2,564	(22,007)	2,564	(22,007)
		588,952	448,061	588,952	448,061
Equity attributable to non-controlling interest	29	-	-	-	-
Total Equity		559,035	434,315	588,952	448,061

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

Gateway Lifestyle Consolidated	Attributable to Members of the Company				Attributable to Unitholders of the Trust				Non-controlling Interest \$'000	Gateway Lifestyle Group Total Equity \$'000
	Contributed Equity \$'000	Treasury Stapled Securities \$'000	Reserves \$'000	Retained Profits (Accumulated Losses) \$'000	Total \$'000	Contributed Equity \$'000	Reserves \$'000	Retained Profits (Accumulated Losses) \$'000	RPT2 Group Total Equity \$'000	
Balance at 1 July 2015	(2,853)	(325)	-	(10,568)	(13,746)	470,704	(636)	(22,007)	448,061	434,315
Total comprehensive income (loss) for the year attributable to:										
Members of the Company	-	-	-	(15,563)	(15,563)	-	-	-	-	(15,563)
Unitholders of the Trust	-	-	-	-	-	-	-	54,490	54,490	54,490
Total comprehensive income(loss) for the year	-	-	-	(15,563)	(15,563)	-	-	54,490	54,490	38,927
Transactions with members recorded directly in equity:										
Stapled securities issued in capital raising	-	-	-	-	-	120,000	-	-	120,000	120,000
Equity raising costs	(750)	-	-	-	(750)	(3,680)	-	-	(3,680)	(4,430)
Distribution	-	-	-	-	-	-	-	(29,919)	(29,919)	(29,919)
Unvested equity compensation reserve	-	-	142	-	142	-	-	-	-	142
Balance at 30 June 2016	(3,603)	(325)	142	(26,131)	(29,917)	587,024	(636)	2,564	588,952	559,035

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016 (CONTINUED)

	Attributable to Members of the Company				Attributable to Unitholders of the Trust				Gateway Lifestyle Group Total Equity \$'000
	Contributed Equity \$'000	Treasury Stapled Securities \$'000	Retained Profits (Accumulated Losses) \$'000	Total \$'000	Contributed Equity \$'000	Reserves \$'000	Retained Profits (Accumulated Losses) \$'000	RPT2 Group Total Equity \$'000	
Gateway Lifestyle Consolidated									
Balance at 1 July 2014	-	-	-	-	15,800	-	(288)	15,512	18,533
Total comprehensive income (loss) for the year attributable to:									
Non-controlling interest	-	-	-	-	-	-	-	-	361
Members of the Company	-	-	(10,568)	(10,568)	-	-	-	-	(10,568)
Unitholders of the Trust	-	-	-	-	-	-	(20,566)	(20,566)	(20,566)
Total comprehensive income(loss) for the year	-	-	(10,568)	(10,568)	-	-	(20,566)	(20,566)	(30,773)
Transactions with members recorded directly in equity:									
Trust units issued	-	-	-	-	11,787	-	-	11,787	11,787
Other contributed capital	-	-	-	-	4,095	-	-	4,095	4,095
Stapled securities issued in business combination	-	-	-	-	63,288	-	-	63,288	63,288
Stapled securities issued in Initial Public Offer	-	-	-	-	389,281	-	-	389,281	389,281
Equity raising costs	(2,853)	-	-	(2,853)	(16,696)	-	-	(16,696)	(19,549)
Return of capital	-	-	-	-	(57)	-	-	(57)	(57)
Distribution	-	-	-	-	-	-	(1,153)	(1,153)	(3,095)
Equity based payments	-	(325)	-	(325)	1,201	-	-	1,201	876
Acquisition of non-controlling interest	-	-	-	-	2,005	(636)	-	1,369	(71)
Balance at 30 June 2015	(2,853)	(325)	(10,568)	(13,746)	470,704	(636)	(22,007)	448,061	434,315

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2016

	Gateway Lifestyle Group		RPT2 Group		
	Note	2016	Restated 2015	2016	Restated 2015
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		120,470	5,211	51,508	5,447
Payments to suppliers and employees (inclusive of GST)		(84,582)	(33,243)	(2,191)	(26,235)
Interest received		138	94	8,285	94
Interest and other finance costs paid		(3,478)	(1,815)	(4,413)	(1,305)
Transactional costs paid		(280)	-	-	-
Income taxes paid		(492)	(308)	(52)	-
Net cash from/(used in) operating activities		31,776	(30,061)	53,137	(21,999)
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired		(9,417)	(157,086)	(9,634)	(113,856)
Payments for purchase of investment properties		(148,477)	(29,006)	(120,753)	(29,006)
Payments for additions to investment properties		(20,295)	(893)	(19,078)	(882)
Proceeds from sale of investment properties		1,913	6,124	1,910	8,430
Purchase of plant and equipment		(588)	(59)	-	-
Purchase of intangible assets		(329)	-	-	-
Advance of loan to related parties		-	(445)	(62,775)	(91,109)
Repayment of loans by related parties		445	308	-	308
Net cash from /(used in) investing activities		(176,748)	(181,057)	(210,330)	(226,115)
Cash flows from financing activities					
Proceeds from issue of equity		120,000	405,163	120,000	405,163
Payment for equity issue costs		(4,772)	(20,835)	(3,680)	(16,697)
Return of capital to equity holders		-	(57)	-	(57)
Distribution to equity holders		(13,243)	(1,341)	(13,243)	(1,341)
Distribution to non-controlling equity holders		-	(1,942)	-	(1,942)
Acquisition of non-controlling interest		-	(71)	-	(71)
Repayment of loans from related parties		-	(16,030)	-	(151)
Proceeds from borrowings		192,810	62,290	192,810	62,290
Payments for borrowing costs		(2,001)	(2,000)	-	(661)
Repayment of borrowings		(140,060)	(205,154)	(140,060)	(198,475)
Other financing cash inflows		274	-	-	-
Net cash from/(used in) financing activities		153,008	220,023	155,827	248,058
Net increase/(decrease) in cash and cash equivalents					
		8,036	8,905	(1,366)	(56)
Cash and cash equivalents at the beginning of the financial year		10,527	1,622	1,566	1,622
Cash and cash equivalents at the end of the financial year		18,563	10,527	200	1,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

As permitted by Class Order 13/1050 issued by ASIC, these financial statements are combined consolidated financial statements of Gateway Lifestyle Group and consolidated financial statements of RPT2 Group.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for:

- Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust and their controlled entities (Gateway Lifestyle Group); and
- Residential Parks No. 2 Trust and its controlled entities (RPT 2 Group).

The head company and legal parent for Gateway Lifestyle Group is Gateway Lifestyle Operations Limited.

The Gateway Lifestyle Group was established on 15 June 2015 for the purpose of a joint quotation of Gateway Lifestyle Operations Limited and its controlled entities, and Residential Parks No. 2 Trust and its controlled entities, on the Australian Securities Exchange, which was achieved by stapling an Ordinary share of Gateway Lifestyle Operations Limited and an Ordinary unit of the Residential Parks No. 2 Trust.

In accordance with Australian Accounting Standards, the stapling of RPT 2 Group to Gateway Lifestyle Operations Limited represents a business combination by contract and the Residential Parks No. 2 Trust is identified as the accounting acquirer for the stapled group. Following the stapling, the legal parent of Gateway Lifestyle Group, Gateway Lifestyle Operations Limited, is considered under Australian Accounting Standards to control the stapled group and as a result is presented as the accounting parent for Gateway Lifestyle Group.

The Residential Parks No. 2 Trust is a managed investment scheme. One Managed Investment Funds Limited was appointed the responsible entity for the Residential Parks No. 2 Trust (Trust) on 12 May 2015 and continues to act as the responsible entity in the current period.

The financial report was authorised for issue by the Directors of Gateway Lifestyle Operations Limited and One Managed Investment Funds Limited on 19 September 2016.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

This report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. The consolidated financial reports of Gateway Lifestyle Group and the RPT 2 Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Going Concern

The financial statements have been prepared on a going concern basis.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties, inventory measured at lower of cost or net realisable value and financial instruments measured at fair value on initial recognition or ongoing.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entities accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entities only. Supplementary information about the parent entities, Gateway Lifestyle Operations Limited and the Residential Parks No. 2 Trust, are disclosed in Note 38.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gateway Lifestyle Group and the RPT 2 Group as at 30 June 2016.

Subsidiaries are all those entities over which Gateway Lifestyle Group and the RPT 2 Group have control. Gateway Lifestyle Group or the RPT 2 Group control 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Gateway Lifestyle Group or the RPT 2 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Gateway Lifestyle Group and the RPT 2 Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation(continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of Gateway Lifestyle Group. Losses incurred by Gateway Lifestyle Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where Gateway Lifestyle Group or the RPT 2 Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. Gateway Lifestyle Group or the RPT 2 Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (CODM). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Gateway Lifestyle Group's functional and presentation currency.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to Gateway Lifestyle Group or the RPT 2 Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of inventory

Sale of inventory revenue is recognised when significant risks and rewards of ownership have passed to the buyer, usually when settlement occurs. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Effective from 1 July 2015, under current income tax legislation Residential Parks No.2 Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. For the year ended 30 June 2015, Residential Parks No. 2 Trust was a public trading trust and tax is payable at 30% on the Trust's assessable income for income tax purposes. For the year ended 30 June 2016, Residential Parks No 2 Trust is no longer a public trading trust and as such, no tax is payable on its assessable income for income tax purposes.

In relation to Gateway Lifestyle Operations Limited, the Australian corporate tax rate is assessed at 30%.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Gateway Lifestyle Operations Limited and its wholly-owned Australian subsidiaries, and Maroochydhore Park Holdings Pty Limited and its wholly-owned Australian subsidiaries, have formed two income tax consolidated groups under the tax consolidation regime. Gateway Lifestyle Operations Limited and Maroochydhore Park Holdings Pty Limited are the head entities in each of the groups.

The head entities and each subsidiary in the tax consolidated groups continue to account for their own current and deferred tax amounts. The tax consolidated groups have applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated groups.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

In addition to their own current and deferred tax amounts, the head entities also recognise the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated groups.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated groups. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance 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 receivables are not discounted if the effect of discounting is immaterial.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables (continued)

Other receivables are recognised at amortised cost, less any provision for impairment. Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Inventories

Inventory (manufactured homes under construction) includes property under construction or re-development for sale in the ordinary course of business, measured at the lower of cost and net realisable value.

Cost primarily includes amounts paid to contractors for construction, construction overheads and other related costs. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The estimated cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties comprise completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are initially recognised at cost, which includes purchase price and any directly attributable expenditure such as property transfer duty, professional fees and other transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Chattels are included as part of investment properties in Gateway Lifestyle Group. Entities in RPT2 Group do not hold any chattels.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Motor vehicles	8 to 12 years – straight line or declining value
Leasehold improvement	40 years – straight line
Office furniture, computer and equipment	2 to 20 years – straight line or declining value

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entities' cash-generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the consolidated entities are assigned to those units or groups of units.

Software

Software is recognised at cost of acquisition. It has a finite life and is carried at cost less any accumulated amortisation or impairment losses. Software is amortised over its useful life (of 5 years).

Impairment of non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Under this method, fees, costs, discounts and premiums that are yield related are included as part of the carrying amount of the borrowing and amortised over its expected life.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entities have a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entities will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date, and superannuation contributions for employees are measured at the amounts expected to be paid based on present obligation to pay resulting from the employees' services rendered and are accrued to balance date.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-based payments

Employees (including senior executives) of the entity receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (unvested equity compensation reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the entity's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the entity's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-based payments (Continued)

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional security dilution in the computation of diluted earnings per security (further details are given in Note 45).

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

All classes of trust units and stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share-based payments reserve. Share options exercised during the reporting period are satisfied with treasury shares.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entities assess the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entities' operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entities remeasure the previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per stapled security

Basic earnings per stapled security

Basic earnings per stapled security is calculated by dividing the profit attributable to the owners of Gateway Lifestyle Group, excluding any costs of servicing equity other than stapled securities, by the weighted average number of stapled securities.

Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by dividing the profit attributable to the owners of Gateway Lifestyle Group, excluding any costs of servicing equity other than stapled securities by the weighted average number of stapled securities outstanding during the year plus the weighted average number of stapled securities that would be issued on conversion of all the dilutive potential stapled securities into stapled securities.

Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The consolidated entities are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by ASIC, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that ASIC Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

This standard is applicable to annual reporting periods beginning on or after 1 January 2016. The standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The consolidated entity will adopt this standard from 1 July 2016.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI).

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers (continued)

For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 and the consolidated entity is in the process of assessing the impact of its adoption.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108; Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This standard is applicable to annual reporting periods beginning on or after 1 January 2016 and amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (continued)

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3. The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. It amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group’s financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective Notes) within the next financial year are discussed below.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Equity-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The fair value of investment properties classified as level 3 is determined by the use of valuation models. These include the use of observable inputs that require significant adjustments based on unobservable inputs, as detailed in Note 32.

Goodwill and other indefinite life intangible assets

The consolidated entities test annually, or more frequently if events or changes in circumstances indicate impairment, goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units is determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entities consider it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations

The determination whether a transaction involving the acquisition of assets is a business combination involves judgement as to whether the assets acquired constitute a business. If the assets acquired are not a business the transaction is accounted for as an asset acquisition. Determining whether a particular set of assets and activities is a business is based on whether it is capable of being conducted and managed as a business by a market participant.

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entities taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

Gateway Lifestyle Group

Gateway Lifestyle Group is organised into two operating segments:

1. Manufactured home operations – revenue generated through the collection of rental income from sites.
2. Manufactured home development – revenue generated through the sale of a manufactured home to a resident.

RPT 2 Group

RPT 2 Group operates only in the manufactured home operations segment.

These operating segments are based on the internal reports that are reviewed and used by the Executive Directors of the Company (who are identified as the CODMs) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements, and then adjusted for underlying items that CODM deem non-recurring, non-operational and non-cash transactions.

Gateway Lifestyle Group and RPT 2 Group do not manage or review the balance sheet on a segment basis and only the segments' operating results are reported to the CODM. Such segment profit and loss results have been disclosed.

The information reported to the CODM is on at least a monthly basis.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Reportable segment revenue and profit

The total of reportable segment revenue and profit is the same as that of Gateway Lifestyle Group as a whole and as disclosed in the Consolidated Income Statement.

NOTE 3. OPERATING SEGMENTS (CONTINUED)

Gateway Lifestyle Group

Operating segment information

	Manufactured Home Operations \$'000	Manufactured Home Development \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2016				
Rental revenue	47,837	-	-	47,837
Operating expense	(16,708)	-	-	(16,708)
Manufactured home sales	-	64,118	-	64,118
Manufactures home expenses	-	(37,820)	-	(37,820)
Net gain on part disposal of investment property	-	-	1,031	1,031
Other revenue	-	-	1,984	1,984
Corporate costs	-	-	(23,321)	(23,321)
Transaction costs	-	-	1,343	1,343
EBITDA	31,129	26,298	(18,963)	38,464
Depreciation and amortisation	-	-	(148)	(148)
Fair value gains/(losses)	-	-	1,228	1,228
Finance costs	-	-	(6,780)	(6,780)
Profit (loss) before income tax expense	31,129	26,298	(24,663)	32,764
Income tax expense	-	-	6,163	6,163
Profit (loss) after income tax expense	31,129	26,298	(18,500)	38,927
Net non-recurring operational	928	-	-	928
Net non-recurring corporate	-	-	4,058	4,058
Net statutory adjustments (non-cash)	-	-	2,621	2,621
Tax benefit from underlying adjustments	-	-	(1,692)	(1,692)
Underlying net profit/(loss) after income tax expense (note i)	32,057	26,298	(13,513)	44,842
Underlying volume weighted earnings per security (note ii)				17.1 cents

Notes:

- Underlying profit is a non-IFRS measure that is designed to present, in the opinion of the CODM, the results from ongoing operating activities of Gateway Lifestyle Group in a way that appropriately reflects the Group's underlying performance. Underlying profit is the basis on which the CODM assess the performance of the Group. It excludes costs of a non-recurring nature and those that are outside the normal course of the Group's ongoing operational activities. Underlying profit also excludes items such as unrealised fair value gains/losses from revaluation of investment properties. These items are required to be included in statutory profit in accordance with Accounting Standards.
- Volume weighted securities is calculated based upon the absolute number of securities on issue pre and post the equity raise.

NOTE 3. OPERATING SEGMENTS (CONTINUED)

	Manufactured Home Operations \$'000	Manufactured Home Development \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2015				
Rental revenue	5,404	-	-	5,404
Operating expense	(4,894)	-	-	(4,894)
Manufactured home sales	-	455	-	455
Manufactures home expenses	-	(361)	-	(361)
Other revenue	-	-	98	98
Corporate costs	-	-	(2,028)	(2,028)
Transaction costs	-	-	(26,893)	(26,893)
EBITDA	510	94	(28,823)	(28,219)
Depreciation and amortisation	-	-	(4)	(4)
Fair value gains/(losses)	-	-	125	125
Finance costs	(2,711)	-	-	(2,711)
Profit (loss) before income tax expense	(2,201)	94	(28,702)	(30,809)
Income tax expense	-	36	-	36
Profit (loss) after income tax expense	(2,201)	130	(28,702)	(30,773)

Geographical information

Gateway Lifestyle Group operates in Australia only. The amount of revenue from external customers in Australia is as disclosed in Note 4.

NOTE 4. REVENUE

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
From continuing operations				
Sales revenue				
Manufactured home sales	64,118	455	-	-
	64,118	455	-	-
Other revenue				
Rent from investment properties	47,837	5,404	38,117	5,033
Other revenue	1,847	-	3	-
	49,684	5,404	38,120	5,033
Revenue from continuing operations	113,802	5,859	38,120	5,033

NOTE 5. OTHER INCOME

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Net gain on part disposal of investment property	1,031	-	1,028	-
Interest income	138	98	8,286	94
Other income	1,169	98	9,314	94

NOTE 6. EXPENSES

Profit before income tax from continuing operations includes the following specific expenses:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Cost of sales				
Cost of manufactured homes sold	37,820	361	-	-
Expenses on investment properties				
Direct operating expenses from property that generated rental income	12,160	968	-	334
Depreciation				
Property, plant and equipment	148	4	-	-
Finance costs				
Borrowing costs	2,910	894	2,028	876
Interest	3,870	1,817	3,291	1,305
Net fair value movement on financial liabilities	(215)	-	(13)	-
Finance costs expensed	6,565	2,711	5,306	2,181
Rental expense relating to operating leases				
Minimum lease payments	5	8	-	-
Superannuation expense				
Superannuation guarantee charge	2,070	59	-	17
Equity-based payments expense				
Equity-based payments expense	142	876	-	-

NOTE 7. INCOME TAX EXPENSE

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Income tax expense				
Current tax	928	728	928	651
Deferred tax - origination and reversal of temporary differences	(7,032)	(764)	(520)	-
Adjustment recognised for prior periods	(59)	-	32	-
Aggregate income tax expense/(benefit)	(6,163)	(36)	440	651
Income tax expense (benefit) is attributable to:				
Profit from continuing operations	(6,163)	(36)	440	651
Aggregate income tax expense/(benefit)	(6,163)	(36)	440	651
Deferred tax included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (Note 17)	(6,515)	(764)	(3)	-
Increase (decrease) in deferred tax liabilities (Note 17)	(517)	-	(517)	-
Deferred tax - origination and reversal of temporary differences	(7,032)	(764)	(520)	-

NOTE 7. INCOME TAX EXPENSE (CONTINUED)

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Profit (loss) before income tax expense from continuing operations	32,764	(30,809)	54,930	(19,554)
Tax at the statutory tax rate of 30%	9,829	(9,243)	16,479	(5,866)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Performance and disposition fees	-	941	-	941
Equity-based payments	42	263	-	-
Transaction cost	(3)	2,412	-	-
Other non-deductible costs	99	81	-	60
Accounting trust/partnership distribution	-	(434)	-	(434)
Taxable trust/partnership distribution	-	172	-	172
Assessable trust income	-	348	-	348
Non assessable trust income	(16,071)	-	(16,071)	-
Temporary differences not recognised (note (i))	-	3,258	-	3,264
Tax losses not recognised	-	2,274	-	2,274
Net loss (profit) attributable to non-controlling interest	-	(108)	-	(108)
	(6,104)	(36)	408	651
Prior year temporary differences not recognised previously	2	-	2	-
Adjustment recognised for prior periods	(61)	-	30	-
Income tax expense (benefit)	(6,163)	(36)	440	651
Amounts charged/(credited) directly to equity				
Deferred tax assets (Note 17)	272	1,028	-	-

Notes:

- (i) Temporary differences not recognized related to transaction costs expensed within trusts.

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Cash on hand	111	16	-	-
Cash at bank	18,452	11,227	200	1,589
	18,563	11,243	200	1,589

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS (CONTINUED)

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Balances as above	18,563	11,243	200	1,589
Bank overdraft (Note 19)	-	(716)	-	(23)
Balance as per statement of cash flows	18,563	10,527	200	1,566

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables	2,691	2,061	-	13,182
Less: Provision for impairment of receivables	-	-	-	-
	2,691	2,061	-	13,182
GST receivable	267	2,688	777	540
Related party receivable	-	528	-	-
Other receivables	1,048	3,812	-	50
	4,006	9,089	777	13,772

Impairment of receivables

The consolidated entities have recognised a loss of \$0.93 million (2015: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$0.99 million as at 30 June 2016 (\$0.45 million as at 30 June 2015).

The consolidated entity did not consider there to be a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
0 to 3 months overdue	271	76	-	-
3 to 6 months overdue	216	147	-	-
Over 6 months overdue	504	227	-	-
Refer Note 31 (d)	991	450	-	-

NOTE 10. CURRENT ASSETS – INVENTORIES

	Gateway Lifestyle Group Restated		RPT2 Group Restated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Manufactured homes under construction	9,353	6,616	-	-

NOTE 11. CURRENT ASSETS – OTHER

	Gateway Lifestyle Group Restated		RPT2 Group Restated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Prepayments	1,224	940	-	58
Deposits paid	715	1,536	-	-
Other assets	163	-	-	-
	2,102	2,476	-	58

NOTE 12. NON-CURRENT ASSETS – RECEIVABLES

Related party receivable	-	-	172,944	112,367
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The related party receivable is repayable on demand but not expected to be repaid in the next 12 months. This receivable is not past due nor impaired.

NOTE 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

(a) Summary of carrying amounts

	Gateway Lifestyle Group Restated		RPT2 Group Restated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Manufactured home estates – at fair value	516,145	347,166	461,167	309,966

(b) Individual valuations and carrying amounts

	Date of Original Purchase	Latest External Valuation Date	Valuation	Gateway Lifestyle Group Carrying amount		RPT2 Group Carrying amount	
				2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Manufactured home estates			\$'000	\$'000	\$'000	\$'000	\$'000
Bayside	Dec-09	28/07/2015	11,700	12,997	11,700	11,235	10,908
Bass Hill	Aug-10	16/02/2015	9,000	9,406	9,000	7,468	6,856
Stanhope Gardens	Sep-11	12/08/2016	30,000	30,000	27,000	28,599	25,330
Brisbane River Terraces	Sep-11	13/10/2015	5,500	5,537	4,700	5,419	4,615
Nepean Shores	Jun-12	16/02/2015	16,000	16,050	16,000	12,536	11,640
Redlands (Note (i))	Aug-12	16/03/2015	6,250	9,215	8,250	8,821	7,807
Grafton	Oct-12	17/02/2015	10,250	10,923	10,250	9,426	8,518
Aspley	Dec-12	17/03/2015	10,750	12,078	10,750	11,305	6,973
Oaklands	Jun-13	27/07/2016	17,250	17,250	15,000	15,392	12,890
Yamba	Aug-13	27/07/2016	6,900	7,398	6,600	6,515	5,548
Regal Waters	Oct-13	12/10/2015	11,750	13,208	10,900	12,696	10,397
Hammond	Oct-13	12/10/2015	16,350	16,386	14,700	15,705	13,975
Maroochy	Dec-13	5/08/2015	16,000	16,000	16,669	14,044	14,388
Edgewater	Dec-13	29/01/2016	17,000	15,926	14,882	14,630	13,411

NOTE 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES (CONTINUED)

(b) Individual valuations and carrying amounts (continued)

	Date of Original Purchase	Latest External Valuation Date	Valuation	Gateway Lifestyle Group Carrying amount		RPT2 Group Carrying amount	
				2016	Restated 2015	2016	Restated 2015
			\$'000	\$'000	\$'000	\$'000	\$'000
Manufactured home estates							
Tweed Heritage	May-14	18/02/2015	7,500	7,646	7,500	6,674	6,190
Acacia Ponds	May-14	24/02/2015	3,750	4,040	3,750	3,257	2,889
Chinderah Lakes	May-14	18/02/2015	4,000	4,252	4,000	3,820	3,060
Benalla	Jun-14	6/07/2015	4,615	4,882	4,615	3,975	3,539
Salamander Bay	Aug-14	20/02/2015	8,250	9,462	8,250	8,430	7,088
Healesville	Oct-14	30/07/2015	3,500	4,187	3,500	2,911	1,889
The Dunes	Oct-14	24/02/2015	5,750	5,803	5,750	5,187	5,025
Snappy Gums	Oct-14	24/02/2015	3,750	4,488	3,750	4,018	3,212
Ballarat	Nov-14	21/05/2015	8,000	8,099	8,000	5,529	4,633
Gumtrees	Nov-14	12/10/2015	5,850	6,237	5,476	5,541	4,636
Twin Cedars	Dec-14	30/07/2015	4,700	5,879	4,700	5,157	3,871
The Retreat	Apr-14	11/09/2015	13,750	14,036	13,000	13,949	12,991
Taskers Residential Estate	Apr-14	26/02/2015	4,300	4,331	4,300	4,323	4,297
Ocean Breeze	Apr-14	25/02/2015	3,350	3,370	3,350	3,319	3,327
Redbank Palms Resort	Apr-14	4/08/2016	10,000	10,010	9,800	9,924	9,756
Lakeland Park Estate	Apr-14	26/10/2015	12,000	12,111	11,350	12,050	11,331
Bremer Waters	May-14	4/08/2016	12,600	12,600	12,024	12,492	11,969
Sea Winds	Dec-14	25/02/2015	7,550	7,558	7,550	7,498	7,399
Valhalla Village	Nov-14	22/07/2016	33,000	33,000	29,000	32,964	28,880
The Pines	Dec-14	11/03/2015	7,100	7,352	7,100	7,196	7,014
Riverside Village	Dec-14	11/03/2015	7,500	7,624	7,500	7,605	7,487
Lorikeet Park	Dec-14	11/03/2015	6,500	6,516	6,500	6,244	6,227
Myola	Sep-15	1/08/2015	5,350	5,377	-	3,613	-
Moama	Oct-15	15/04/2015	12,300	12,369	-	10,507	-
Beachfront	Oct-15	20/07/2015	12,500	12,523	-	10,156	-
Ulladulla	Nov-15	30/10/2015	10,000	10,544	-	9,902	-
Homestead	Nov-15	14/09/2015	8,300	8,360	-	5,772	-
Belmont	Nov-15	25/09/2015	12,500	12,952	-	11,945	-
Failford	Dec-15	3/02/2016	1,200	1,333	-	1,293	-
Birubi	Dec-15	17/11/2015	7,400	8,180	-	6,737	-
Old Bar	Feb-16	14/01/2016	5,200	5,200	-	5,200	-
Casino	Mar-16	8/09/2015	14,200	14,200	-	12,908	-
Rainbow Waters	Apr-16	28/01/2016	8,000	8,000	-	5,621	-
Albury	Apr-16	4/03/2016	12,200	12,200	-	7,311	-
Manning Point	Apr-16	3/02/2016	4,500	4,500	-	1,713	-
Sanctuary	Apr-16	25/02/2016	14,500	14,500	-	13,665	-
Lakes Entrance	May-16	2/03/2016	2,600	2,600	-	2,392	-
North Haven	May-16	3/02/2016	7,450	7,450	-	6,578	-
Total investment properties			500,215	516,145	347,166	461,167	309,966

Notes:

- (i) The MHE known as Gateway Lifestyle Redlands was subject to an independent valuation. The valuation focused only on the parcel of land on which the MHE is currently conducting operations, specifically excluding the adjoining parcel of land, west of the MHE. The adjoining parcel of land is currently going through a development approval process for an additional circa 40 sites. The Directors attribute a value of \$50,000 per site, and a total value of \$2.0 million for the adjoining parcel of land.

NOTE 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES (CONTINUED)

(c) Movements in carrying amounts

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Opening fair value	347,166	32,776	309,966	32,776
Disposals	(806)	(6,142)	(806)	(8,448)
Additions through business combinations (Note 39)	-	290,507	-	255,275
Acquisitions	148,477	29,006	120,753	29,006
Capitalised expenditure	20,296	894	19,078	883
Revaluation increments recognised in profit	1,012	125	12,176	474
Closing fair value	516,145	347,166	461,167	309,966

Valuations of investment properties

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

The fair value of investment properties is reviewed by Directors of the Company at each financial reporting date. The Directors' assessment of fair value will be periodically confirmed by engaging an independent valuer to assess the fair value of individual investment properties:

- Investment properties will be progressively valued by independent valuers over a three-year period on a rotating basis in accordance with relevant industry standards, and
- If there is a reason to believe that the fair value of an investment property has materially changed from its carrying value.

Refer to Note 32 for further information on fair value measurement.

The consolidated entities have no restrictions on the realiseability of their investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Lessor commitments

Future minimum lease repayments under current leases from tenants are:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Within one year	476	1,767	35,108	26,855
One to five years	1,297	1,097	39,742	53,710
More than 5 years	3,049	3,789	-	-
	4,822	6,653	74,850	80,565

NOTE 14. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Asset under construction – at cost				
Leasehold improvements – at cost	420	-	-	-
Less: Accumulated depreciation	7	-	-	-
	413	-	-	-
Office furniture, computer and equipment – at cost	258	125	-	-
Less: Accumulated depreciation	79	1	-	-
	179	124	-	-
Motor vehicles – at cost	122	89	-	-
Less: Accumulated depreciation	13	1	-	-
	109	88	-	-
	701	309	-	-

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Gateway Lifestyle Group	Assets under construction \$'000	Leasehold Improvements \$'000	Office furniture, computer and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2014	-	-	-	-	-
Additions	39	-	18	-	57
Additions through business combinations (Note 39)	58	-	107	89	254
Depreciation expense	-	-	(1)	(1)	(2)
Balance at 30 June 2015	97	-	124	88	309
Additions	-	420	133	33	586
Additions through business combinations (Note 39)	-	-	-	-	-
Transfers	(97)	-	-	-	(97)
Depreciation expense	-	(7)	(78)	(12)	(97)
Balance at 30 June 2016	-	413	179	109	701

NOTE 15. NON-CURRENT ASSETS - INTANGIBLES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Goodwill	140,359	140,359	85,376	85,376
Software	379	-	-	-
Goodwill	140,738	140,359	85,376	85,376

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$'000	Goodwill \$'000	Total \$'000
Gateway Lifestyle Group			
Balance at 30 June 2014	-	-	-
Additions through business combinations (Note 39)	-	140,359	140,359
Balance at 30 June 2015	-	140,359	140,359
Additions	329	-	329
Transfers	97	-	97
Amortisation	(47)	-	(47)
Balance at 30 June 2016	379	140,359	140,738

Goodwill acquired through business combinations are allocated to the manufactured home operations and manufactured home development CGUs, which are also operating and reportable segments, for impairment testing.

Carrying amount of goodwill allocated to each of the CGUs:

	Manufactured Home Operations \$'000	Manufactured Home Development \$'000	Total \$'000
Gateway Lifestyle Group			
Goodwill at 30 June 2016	90,000	50,359	140,359
RPT 2 Group			
Goodwill at 30 June 2016	85,376	-	85,376

Adjustments to provisional amounts recognised for business combinations

AASB 3 Business Combinations allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date. The period cannot exceed one year from the acquisition date.

The business acquisitions by the Gateway Lifestyle Group and RPT 2 Group occurred in June 2015 and therefore, the acquisition accounting was provisional at 30 June 2015. During the year from the acquisition date new information has been obtained about facts and circumstances that existed as of the acquisition date. As a result, the following adjustments have been made to the provisional amounts of goodwill recognised at the acquisition date. Comparative amounts at 30 June 2015 have been revised accordingly.

NOTE 15. NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

	Gateway Lifestyle Group \$'000	RPT2 Group \$'000
Deferred tax liability in relation to the temporary difference on an investment property held within a taxable entity	2,114	2,114
Other income tax adjustments at date of business combination	(1,317)	14
Costs relating to RPT2 Group incorrectly recorded in operating companies	4	3,116
Stamp duty refundable	(764)	-
Net adjustment to provisional goodwill recognised at the acquisition date	37	5,244

Impairment testing

The business acquisitions in the year ended 30 June 2015 by the Gateway Lifestyle Group and RPT 2 Group occurred close to the year end and therefore, the acquisition accounting was provisional, which resulted in the allocation of the goodwill to cash generating unit or a group of cash generating units not having been completed as at that date.

Annual impairment tests were performed in June 2016.

Manufactured home operations CGU

The recoverable amount of the manufactured home operations CGU, \$731,765,462 as at 30 June 2016, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 8.11% and cash flows beyond the five year-period are extrapolated using a 3% growth rate. As a result of the analysis, there is headroom of approximately \$123,006,232 and management did not identify an impairment for this CGU.

Manufactured home development CGU

The recoverable amount of the manufactured home development CGU, \$66,792,603 as at 30 June 2016, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15.68% and cash flows beyond the five year-period are extrapolated based on the business development pipeline using a 6x multiple of year 5 net cash inflows. As a result of the analysis, there is headroom of approximately \$13,629,411 and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculations of value in use for both manufactured home operations and development units are most sensitive to the following assumptions:

- Discount rates
- Growth rate estimates

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated into the cash flow estimates.

NOTE 15. NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

The following rises in the post-tax discount rate would result in impairment:

- Manufactured home operations – a rise to 9.1%
- Manufactured home development – a rise to 23.6%

Growth rate estimates – The long term growth rates used to extrapolate the budgets are based on a pre-tax discount rate of 8.11% and terminal growth rate of 3% for the home operations CGU and a pre-tax discount rate of 15.68% and terminal EBITDA multiple of 6x for the home development CGU. The following reductions in the long term growth rate would result in impairment:

- Manufactured home operations – a reduction of the terminal growth rate to 1.7%
- Manufactured home development – a reduction to a multiple of 3.0x

NOTE 16. NON-CURRENT FINANCIAL ASSETS

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Interest rate cap	13	-	13	-

NOTE 17. DEFERRED TAX

Deferred tax comprises temporary differences attributable to:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Amounts recognised in profit or loss:				
Accrued expenses	300	321	-	-
Employee benefits	529	741	-	-
Deferred consideration payable	29	-	-	-
Lease incentive liability	102	-	-	-
Capitalised borrowing costs	990	102	3	-
Expenses deductible over five years for tax purposes	7,120	841	-	-
Tax losses attributable to corporate group post consolidation	(1,597)	(2,114)	(1,597)	(2,114)
Excess of fair value over tax cost base of investment properties	8,349	278	(1,594)	(2,114)
Amounts recognised in equity:				
Transaction costs on issue of stapled securities deductible over five years for tax purposes	272	1,028	-	-
Net deferred tax asset/(liability)	8,621	1,306	(1,594)	(2,114)
Reflected in the statement of financial position as follows:				
Deferred tax assets	10,218	3,420	3	-
Deferred tax liabilities	(1,597)	(2,114)	(1,597)	(2,114)
	8,621	1,306	(1,594)	(2,114)

NOTE 17. DEFERRED TAX (CONTINUED)

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Movements:				
Opening balance	1,306	-	(2,114)	-
Credited to profit or loss (Note 7)	7,032	764	520	-
Credited/(charged) to equity (Note 7)	272	1,286	-	-
Transfer in	11	-	-	-
Net deferred taxes acquired through business combinations (Note 39)	-	(744)	-	(2,114)
Closing balance	8,621	1,306	(1,594)	(2,114)

NOTE 18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Trade payables	4,166	3,566	238	191
Deposits held	2,139	2,421	-	5
Stamp duty payable	-	10,761	-	-
Accruals	4,353	4,368	-	1,887
Related party payables	-	-	-	12,882
Deferred consideration payable (Note 25)	646	-	-	-
Other payables	356	1,074	282	85
	11,660	22,190	520	15,050

Refer to Note 31 for further information on financial instruments.

NOTE 19. CURRENT LIABILITIES – BORROWINGS

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	-	716	-	23

Bank overdraft represents unpaid cheques at reporting date.

NOTE 20. CURRENT LIABILITIES - INCOME TAX

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Provision for income tax	6,548	6,231	6,247	5,342

NOTE 21. EMPLOYEE BENEFIT LIABILITIES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Current				
Annual leave	896	680	-	38
Long service leave	-	109	-	-
	896	789	-	38
Non-Current				
Long service leave	106	-	-	-
	106	-	-	-

NOTE 22. CURRENT LIABILITIES – PROVISIONS

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Stamp duty – provision for contingent liability assumed in business combination	-	1,295	-	-
Distribution payable	16,676	-	16,676	-
	16,676	1,295	16,676	-

Movements in provisions

Movements in the provision for stamp duty payable is set out below:

	Distribution Payable \$'000	Stamp Duty \$'000
Gateway Lifestyle Group		
Carrying amount at the start of the year	-	1,295
Additional stamp duty payable	-	-
Stamp duty paid	-	(1,295)
Distribution declared during the year	16,676	-
	16,676	-
Carrying amount at the end of the year	16,676	-

The provision for stamp duty payable relates to the estimated stamp duty on acquisition of certain controlled entities. The amount was paid during the period upon assessment by the relevant state taxation office.

The provision for distribution payable relates to distributions declared prior to reporting date but not yet paid.

NOTE 23. NON-CURRENT LIABILITIES – BORROWINGS

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Bank loans (note (i))	102,819	50,180	105,250	52,500

Refer to Note 31 for further information on financial instruments.

Notes:

- i On completion of the Initial Public Offering the RPT 2 Group established a total loan facility of \$180 million that has subsequently been extended to \$250 million, with a syndicated financing arrangement between Australia and New Zealand Banking Group and Commonwealth Bank of Australia Limited. Total transactions costs were \$2,898,625 (2015: \$2,331,796 including an accrual for \$1 million of anticipated costs unpaid at 30 June 2015). Unamortised transaction costs of \$2,434,904 (2015: \$2,320,108) have been offset against the bank loan in the Gateway Lifestyle Group.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Bank loans	102,819	50,180	105,250	52,500

Assets pledged as security

The bank loans are secured by a general security deed in respect of all of the assets of the consolidated entities and a first ranking real property mortgage in respect of each manufactured home estate.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Total facilities				
Bank loans	250,000	180,000	250,000	180,000
Used at the reporting date				
Bank loans	105,250	52,500	105,250	52,500
Unused at the reporting date				
Bank loans	144,750	127,500	144,750	127,500

NOTE 24. NON-CURRENT LIABILITIES – LEASE LIABILITIES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Non-current lease liabilities	580	-	510	-

NOTE 25. OTHER NON-CURRENT LIABILITIES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Deferred consideration payable to vendor (note (i))	1,118	2,819	-	-
Related party payables	77	-	-	-
Other	727	29	728	-
	1,922	2,848	728	-

Refer to Note 31 for further information on financial instruments.

Notes:

- i Deferred consideration payable to the vendor is the acquisition price comprising of a deferred payment to the vendor when the Tasman Group first acquired the Valhalla Village, ie. before business combination (Note 39). It is 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 commenced on 25 June 2014 for a period of 8 years and capped at a maximum of \$3 million.

NOTE 26. EQUITY - CONTRIBUTED EQUITY

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Ordinary stapled securities / trust units – fully paid	583,421	467,851	587,024	470,704
Treasury stapled securities	(325)	(325)	-	-
	583,096	467,526	587,024	470,704

The shares and stapled securities do not have a par value. Under the terms of the Stapling Agreement, one ordinary share and one unit were issued to each security holder. Ordinary securities entitle the holder to participate in distributions and the proceeds on a winding up of the Gateway Lifestyle Group in proportion to the number of, and amounts paid on, the securities held.

The basis of allocation of any issue prices, withdrawal prices or associated costs between the stapled securities is determined in accordance with the Residential Parks No. 2 Trust's constitution and the Stapling Deed.

Treasury stapled securities are issued in relation to equity based payments as set out in Note 46.

NOTE 26. EQUITY - CONTRIBUTED EQUITY (CONTINUED)

Movements in contributed equity:

2016

	Gateway Lifestyle Group				RPT 2 Group	
	No of Securities	The Company \$'000	The Trust \$'000	Total \$'000	No of Units	The Trusts \$'000
On issue at 1 July 2015	249,397,735	(2,853)	470,704	467,851	249,397,735	470,704
Issue of ordinary stapled securities under Initial Public Offer	50,000,000	-	120,000	120,000	50,000,000	120,000
Transaction costs, net of tax	-	(750)	(3,680)	(4,430)	-	(3,680)
On issue at 30 June 2016	299,397,735	(3,603)	587,024	583,421	299,397,735	587,024

2015

	Gateway Lifestyle Group				RPT 2 Group	
	No of Securities	The Company \$'000	The Trust \$'000	Total \$'000	No of Units	The Trusts \$'000
On issue at 1 July 2014	22,000,001	-	15,800	15,800	22,000,001	15,800
Issue of A Class units	12,000,000	-	11,787	11,787	12,000,000	11,787
Return of capital	-	-	(57)	(57)	-	(57)
Other capital contribution	-	-	4,095	4,095	-	4,095
Conversion of A and B Class units to ordinary stapled securities at conversion ratio of 1:0.67	21,510,000	-	-	-	21,510,000	-
Issue of ordinary stapled securities in business combinations	31,644,271	-	63,288	63,288	31,644,271	63,288
Issue of ordinary stapled securities for acquisition of non-controlling interest	1,002,500	-	2,005	2,005	1,002,500	2,005
Issue of ordinary stapled securities under Initial Public Offer	195,240,964	-	390,482	390,482	195,240,964	390,482
Transaction costs, net of tax	-	(2,853)	(16,696)	(19,549)	-	(16,696)
On issue at 30 June 2015	249,397,735	(2,853)	470,704	467,851	249,397,735	470,704

Capital risk management

The consolidated entities aim to meet their strategic objectives and operational needs through the appropriate use of debt and equity, while taking account of the additional financial risks of higher debt levels.

In determining the optimal capital structure, the consolidated entities take into account a number of factors, including the views of investors and the market in general, the capital needs of the portfolio, the relative cost of debt versus equity, the execution risk of raising equity or debt, and the additional financial risks of debt including increased volatility of earnings due to exposure to interest rate movements, the liquidity risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the consolidated entities take into account the relative security of their income flows, the predictability of their expenses, their debt profile, the degree of hedging and the overall level of debt as measured by gearing.

The consolidated entities primarily monitor their capital position through the Loan to Value Ratio (LVR) and Interest Cover Ratio (ICR), which are the key covenants under the Group's \$250.0 million multilateral debt facility.

The debt facility LVR is calculated as the sum of drawn-down bank debt, as a percentage of the fair value of properties pledged as security. The consolidated entities' strategy is to maintain an LVR range of 25%-35%, net of cash at the relevant balance dates (Net Debt LVR). The debt facility provides for a LVR position of 50%. As at 30 June 2016, the consolidated entity LVR is 20.29% (30 June 2015 – 15.12%) and the Net Debt LVR is 16.82%

(30 June 2015 – 12.09%).

NOTE 26. EQUITY - CONTRIBUTED EQUITY (CONTINUED)

Capital risk management (continued)

In addition, the consolidated entities also monitor ICR as defined under the multilateral debt facility. This is defined as Operating Earnings Before Interest Tax Depreciation and Amortisation as a ratio to interest expense over the relevant 12-month period. The debt facility provides for an ICR of 2:1. ICR is 5.36 as at 30 June 2016 (not required to be measured at 30 June 2015).

NOTE 27. EQUITY – RESERVES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Acquisition of non-controlling interest reserve	(636)	(636)	(636)	(636)
Unvested Equity Compensation Reserve	142	-	-	-

Acquisition of non-controlling interest reserve

The reserve is used to recognise the loss arising from the excess of consideration and the derecognition of the non-controlling interest's share of equity in the acquisition by the parent entity of the non-controlled interest in a partly owned subsidiary.

Unvested Equity Compensation Reserve

The reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to the remuneration report for further details of these plans.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restate d 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Unvested Equity Compensation Reserve				
Balance at 1 July	-	-	-	-
Balance arising on issue of equity-settled share-based payments	142	-	-	-
Balance at 30 June	142	-	-	-
Acquisition of non-controlling interest reserve				
Balance at 1 July	(636)	-	(636)	-
Balance arising on acquisition of remaining 20% of Edgewater from non-controlling interest on 15 June 2015	-	(636)	-	(636)
Balance at 30 June	(636)	(636)	(636)	(636)

NOTE 28. RETAINED PROFITS (ACCUMULATED LOSSES) OF THE COMPANY AND DEFICIENCY OF THE TRUST

Retained profits (accumulated losses)

	The Company 2016 \$'000	Restated 2015 \$'000
Balance at the beginning of the financial year	(10,568)	-
Profit/(loss) attributable to members of the Company	(15,563)	(10,568)
Distributions declared/paid	-	-
Balance at the end of the financial year	(26,131)	(10,568)

Deficiency in trust

	RPT 2 Group	
Balance at the beginning of the financial year	(22,007)	(288)
Profit/(loss) attributable to members of the Trust	54,490	(20,566)
Distribution	(29,919)	(1,153)
Balance at the end of the financial year	2,564	(22,007)

NOTE 29. EQUITY - NON-CONTROLLING INTEREST

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Balance at beginning of year	-	3,021	-	3,021
Share of profit for the year (Note 40)	-	361	-	361
Distributions payable to non-controlling interests	-	(1,942)	-	(1,942)
Derecognition of non-controlling interest	-	(1,440)	-	(1,440)
Balance at end of year (Note 40)	-	-	-	-

NOTE 30. DISTRIBUTIONS / DIVIDENDS

Details of dividends / distributions proposed or being paid are:

	Cents per security	Total amount \$'000	Date of payment	Franked tax rate	% franked
2016					
RPT 2 Trust distribution	5.31	13,243	26/02/2016	100%	0%
RPT 2 Trust distribution	5.57	16,676	26/09/2016	100%	0%
		29,919			

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Franking Credits				
Balance of franking account at year end	1,133	637	446	394

NOTE 31. FINANCIAL INSTRUMENTS

(a) Introduction

Details of the entities' financial assets and liabilities are set out in the table below.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Introduction (continued)

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial assets at amortised cost				
Trade and other receivables	4,005	9,089	777	13,772
Related party receivables	-	-	172,944	112,367
Derivatives not designated as hedging instruments				
Interest rate cap	13	-	13	-
Total financial assets	4,018	9,089	173,734	126,139
Total current	4,005	9,089	777	126,139
Total non-current	13	-	172,957	-
Financial Liabilities				
Interest-bearing loans and borrowings				
Bank overdraft	-	716	-	23
Bank loans	102,819	50,180	105,250	52,500
Financial liabilities at fair value through profit or loss				
Deferred consideration payable	1,764	2,819	-	-
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Trade payables	4,166	3,566	238	191
Accruals	4,353	4,368	-	1,887
Stamp duty payable	-	10,761	-	-
Other payables	1,083	1,103	1,009	85
Lease	580	-	510	-
Related party loan	77	-	-	12,882
Total financial liabilities	114,842	73,513	107,007	67,568
Total current	9,521	20,485	520	15,068
Total non-current	105,321	53,028	106,487	52,500

(b) Interest rate risk

The consolidated entities' exposure to the risk of movements in market interest rates arises primarily from their use of long term borrowings. The main consequence of adverse movements in market interest rates is higher interest costs, and adverse effects on earnings potential and cash flows. In addition, the consolidated entities must ensure compliance with the minimum interest rate cover ratios included in the syndicated facility agreement borrowing covenants. Higher interest costs resulting from increases in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk (continued)

Gateway Lifestyle uses approved derivative financial instruments to hedge its risk associated with interest rate movements. Derivatives are exclusively used for economic hedging purposes and not as speculative instruments. The entity's policy is to maintain a hedged profile of between 20% and 90% of its borrowings. It manages this exposure by:

- the use of approved hedging instruments with authorised counterparties to fix interest payment obligations; and
- seeking different maturity dates for the fixed rate hedging agreements to reduce the reset risk.

(c) Interest rate risk exposure

At 30 June 2016 the consolidated entities' bank loans are on 1-month rolling facility with interest rate reset at the commencement of each rollover. Interest is payable in arrears on maturity of each rollover period. The principal component is subject to continuous rollover for up to a 5-year term. At 30 June 2016 the hedged profile covers 24.94% of the entity's borrowings which is within the limits designated in the Treasury policy (2015: NIL%).

The following table demonstrates the sensitivity to a 25bps movement in interest rates on that portion of borrowings affected. With all other variables held constant, the entities' profit before tax is affected through the impact on floating rate borrowings, as follows:

	Sensitivity Analysis 25 basis point	Gateway Lifestyle Group \$'000	RPT2 Group \$'000
2016	+ 25 basis point	(216)	179
	- 25 basis point	216	(179)
2015	+ 25 basis point	(11)	(11)
	- 25 basis point	11	11

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(d) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in a financial loss to the consolidated entities.

The major credit risk for the consolidated entities is default by tenants, resulting in a loss of rental income. Gateway Lifestyle has a disciplined arrears management policy with no material instances of non-payment of rent since inception. An increasing number of Gateway Lifestyle residents are paying their rent via direct debit arrangements, which automates the payment process and reduces the risk of non-payment.

The consolidated entities believe that their receivables that are past due do not give rise to any significant credit risk.

The consolidated entities' maximum exposure to credit risk at reporting date in relation to each class of financial instrument is its carrying amount as reported in the balance sheet.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the consolidated entities do not have sufficient resources available to meet their financial commitments, working capital and planned/unplanned capital expenditure requirements.

At 30 June 2016 the consolidated entity has undrawn loan facilities of \$144.75 million (30 June 2015 - \$127.5 million).

The consolidated entities may also be exposed to contingent liquidity risk under its syndicated facility agreement, which include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The consolidated entities monitor compliance with loan covenants on a regular basis.

Financing arrangements

Subject to the terms of the syndicated facility agreement, the bank loan facilities may be drawn at any time to June 2020.

Remaining contractual maturities

The following tables detail the consolidated entities' remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2016 Gateway Lifestyle Group	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-interest bearing						
Trade payables		4,166	-	-	-	4,166
Accruals		4,353	-	-	-	4,353
Other payables		46	-	-	-	46
Related party loan		-	77	-	-	77
Leases		130	130	390	60	710
Other liabilities – break cost		180	199	528		907
Deferred consideration payable		675	586	705	-	1,966
Interest-bearing – fixed rate						
Bank loan	3.12%	174	-	105,250	-	105,424
Total non-derivatives		9,724	992	106,873	60	117,649

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk (continued)

Remaining contractual maturities (continued)

2015 Gateway Lifestyle Group	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-interest bearing						
Trade payables		3,566	-	-	-	3,566
Stamp duty payable		10,761	-	-	-	10,761
Accruals		4,368	-	-	-	4,368
Other payables		1,074	29	-	-	1,103
Bank overdraft		716	-	-	-	716
Deferred consideration payable		-	470	1,880	469	2,819
Interest-bearing – fixed rate						
Bank loan	3.26%	431	-	52,500	-	52,931
Total non-derivatives		20,916	499	54,380	469	76,264
2016 RPT 2 Group						
Non-interest bearing						
Trade payables		238	-	-	-	238
Other payables		74	-	-	-	74
Leases		102	102	306	102	612
Other liabilities – break costs		180	199	528	-	907
Interest-bearing – fixed rate						
Bank loan	3.12%	174	-	105,250	-	105,424
Total non-derivatives		768	301	106,084	102	107,255
2015 RPT 2 Group						
Non-interest bearing						
Trade payables		191	-	-	-	191
Accruals		1,887	-	-	-	1,887
Other payables		85	-	-	-	85
Related party loan		12,882	-	-	-	12,882
Bank overdraft		23	-	-	-	23
Interest-bearing – fixed rate						
Bank loan	3.26%	431	-	52,500	-	52,931
Total non-derivatives		15,499	-	52,500	-	67,999

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Hedging activities and derivatives

The entities use interest rate caps to manage interest rate exposure. The interest rate caps are not designated as fair value hedges and are entered into for a term of 5 years.

At 30 June 2016 the entities had an interest rate cap agreement in place with a notional amount of \$26,250,000 (2015: \$nil) whereby the entities amortise the premium applicable to the face value at each reset for the term of the cap.

The increase in fair value of the interest rate cap of \$13,000 has been recognised in other income.

(g) Fair value of financial instruments

Unless otherwise stated, the carrying amounts of non-current financial instruments reflect their fair value.

NOTE 32. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Unobservable inputs for the asset or liability

Gateway Lifestyle Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Assets				
Interest rate cap	-	13	-	13
Investment properties	-	-	516,145	516,145
	-	13	516,145	516,158
Liabilities				
Other liabilities – break costs			906	906
Lease liabilities – Crown lease			612	612
Deferred consideration payable	-	-	1,764	1,764
Total liabilities	-	-	3,282	3,282
2015				
Assets				
Interest rate cap	-	-	-	-
Investment properties	-	-	347,166	347,166
Total assets	-	-	347,166	347,166
Liabilities				
Other liabilities – break costs			-	-
Lease liabilities – Crown lease			-	-
Deferred consideration payable	-	-	2,819	2,819
Total liabilities	-	-	2,819	2,819

NOTE 32. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy (continued)

RPT 2 Group

2016

Assets

Interest rate cap	-	13	-	13
Investment properties	-	-	461,167	461,167
Total assets	-	13	461,167	461,180

Liabilities

Other liabilities – break costs			906	906
Lease liabilities – Crown lease			612	612
Total liabilities			1,518	1,518

2015

Assets

Interest rate cap	-	-	-	-
Investment properties	-	-	309,966	309,966
Total assets	-	-	309,966	309,966

Liabilities

Other liabilities – break costs			-	-
Lease liabilities – Crown lease			-	-
Total liabilities			-	-

There were no transfers between levels during the financial year or the previous financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3.

Interest rate cap

The fair value of interest rate caps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the reporting period.

Deferred consideration payable

The fair value of deferred consideration payable is estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including home sales that give rise to an obligation to make deferred consideration payments, and the discount rate.

Investment properties

Completed operational investment properties have been valued using the adjusted Net Income Capitalisation Approach. Under this method, fair value is estimated using assumptions regarding the expectation of future benefits, adjusted for costs incurred since the last date of an independent valuation for the respective MHE's. The capitalisation method involves applying a capitalisation rate into perpetuity to maintainable operating earnings before interest, taxation, depreciation and amortisation (EBITDA), based on historical and forecast financial information. The capitalisation rate is based on current market evidence. Vacant sites have been valued using a direct comparison approach.

Other liabilities and lease liabilities

The fair value of other liabilities and lease liabilities is estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including the timing and amount of future cash payments, and the discount rate.

NOTE 32. FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 assets and liabilities

Movements in level 3 assets being investment properties during the current and previous financial year are set out in Note 13.

Movements in deferred consideration payable are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Opening fair value	2,819	-	-	-
Additions through business combinations (Note 39)	-	2,471	-	-
Interest	496	33	-	-
Development cost adjustments	(315)	315	-	-
Payments made	(1,034)	-	-	-
Remeasurement recognised in statement of profit or loss during the period	(202)	-	-	-
Closing fair value	1,764	2,819	-	-

Movements in other liabilities – break costs are as follows:

Opening fair value	-	-	-	-
Liability arising on break costs	1,030	-	1,030	-
Principal repayments made	(124)	-	(124)	-
Closing fair value	906	-	906	-

Movements in lease liabilities – Crown lease are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$'000	Restated 2015 \$'000	2016 \$'000	Restated 2015 \$'000
Opening fair value	677	-	677	-
Payments made	(45)	-	(45)	-
Other adjustments	(20)	-	(20)	-
Closing fair value	612	-	612	-

The level 3 assets (Investment properties) unobservable inputs and sensitivity are as follows:

Valuation techniques	Unobservable inputs	Range	Sensitivity
Investment properties			
Capitalisation method	Capitalisation rate applied to historical operating EBITDA	2016: 8.0% to 11.8% 2015: 8.0% to 10.25%	Capitalisation rate has an inverse relationship to valuation
Direct comparison method	Current market value per site	2016: \$25,000 to \$100,000 2015: \$30,000 to \$100,000	Current market value has a direct correlation to valuation
Other liabilities – break costs			
DCF method	Discount rate	2016: 10.2% 2015: -	Discount rate has an inverse relationship to valuation

NOTE 32. FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 assets and liabilities (continued)

Valuation techniques		Unobservable inputs	Range
Lease liabilities – Crown lease			
DCF method	Discount rate	2016: 9.2% to 11.5% 2015: -	Discount rate has an inverse relationship to valuation
Deferred consideration payable			
DCF method	Discount rate	2016: 6.3% 2015: 5.7%	Discount rate has an inverse relationship to valuation

NOTE 33. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key Management Personnel

The names and positions held by key management personnel (KMP) in Gateway Lifestyle Operations Limited and One Managed Investment Funds Limited (the responsible entity for the Residential Parks No.2 Trust) during the year to 30 June 2016 were:

Gateway Lifestyle Operations Limited	One Managed Investment Funds Limited
Independent Non-executive Directors:	
Andrew Love	Frank Tearle – Executive Director
Rachel Launders	Elizabeth Reddy – Non-Executive Director
Andrew Fay	Justin Epstein – Executive Director
Stephen Newton	

Current Senior Executives

Trent Ottawa – Executive Director and Chief Executive Officer

John Wong – Executive Director and Chief Financial Officer

Robert Nichols – Chief Operating Officer (designated as a KMP to 31 December 2015)

Under the provisions of AASB 124 Related Party Disclosures there are no further employees or other members of the organisation who would fit the definition of key management personnel.

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 is paid by the Trust to the Directors as Key Management Personnel.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entities is set out below:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$	\$	\$	\$
Short-term employee benefits	2,029,555	63,645	-	-
Post-employment benefits	85,687	1,444	-	-
Long-term benefits	-	-	-	-
Equity-based payments	-	750,000	-	-
	2,115,242	815,089	-	-

NOTE 34. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of Gateway Lifestyle Group and RPT 2 Group:

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$	\$	\$	\$
Audit services				
In accordance with the Corporations Act 2001:				
Audit and review of financial reports	420	250	338	200
Other assurance services				
Due diligence and assurance services for IPO	-	1,600	-	1,280
Capital raising	70	-	56	-
	490	1,850	394	1,480

NOTE 35. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Gateway Lifestyle Group and RPT 2 Group are unaware of any other contingent assets or contingent liabilities as at 30 June 2016 or 30 June 2015.

NOTE 36. COMMITMENTS

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$	\$	\$	\$
Capital commitments				
Committed at the reporting date but not recognised as liabilities, payable:				
Investment properties	18,750	-	18,750	-
Lease commitments - operating				
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	230	199	-	-
One to five years	612	686	-	-
More than five years	-	-	-	-
	842	885	-	-

Operating lease commitments includes contracted amounts for various offices and carparks under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTE 37. RELATED PARTY TRANSACTIONS

Related Party Disclosures

Responsible Entity

The Responsible entity of RPT 2 Group is One Managed Investments Funds Limited (OMIFL).

Transactions involving the Responsible Entity

Set out below are the fees paid or payable by the trust to the Responsible Entity during the year:

	Gateway Lifestyle Group Restated		RPT2 Group Restated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fees paid or payable to One Managed Investment Funds Limited				
Establishment fee	-	30	-	-
Responsible entity fee	441	300	-	-
Custodian fees	499	-	-	-
	940	330	-	-

At balance date, there was \$193,000 owing to the Responsible Entity (2015 \$nil).

Other transactions with related parties

Set out below are other transactions between the Gateway Lifestyle Group and RPT 2 Group and associated entities during the year:

	Gateway Lifestyle Group		RPT2 Group	
	2016 \$	Restated 2015 \$	2016 \$	Restated 2015 \$
Leasehold rent received from related parties (Note (i))	-	1,855	38,117	3,094
Purchase of investment property from related parties (Note (ii))	10,000	-	-	-

Notes:

- i. The lease hold rent received from related parties for:
 - RPT 2 Group represents rent for investment properties paid by operating entities in the Gateway Lifestyle Group to property owning entities in the RPT 2 Group for the full year.
 - Gateway Lifestyle Group in previous year represents rent for investment properties paid by operating entities in the Gateway Lifestyle Group to property owning entities in the RPT 2 Group prior to the date on which the Gateway Lifestyle Group acquired the MHE assets as set out in Note 39.
- ii. In November 2015, Gateway Lifestyle Group acquired the MHE located in the NSW mid-south coast known as Gateway Lifestyle Ulladulla from Ulladulla Investments Holdings Pty Limited as trustee for the GTY Property Trust (GTY Property Trust). As disclosed in the prospectus in the IPO, the Executive Directors Trent Ottawa (CEO) and John Wong (CFO), directly owned 100% of the units in the entity GTY Property Trust, as an interim measure as a result of the timing of the IPO.

The acquisition of the Ulladulla Trust was completed at a value of \$10 million, plus transaction costs. GTY Property Trust, taking into consideration transaction costs, is not expected to make a gain on the disposal of the MHE to Gateway Lifestyle Group. Accordingly, the Executive Directors of GTY have not received any financial benefit or gain in respect of this transaction.

NOTE 37. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans to (from) related parties

	Gateway Lifestyle Group Restated		RPT2 Group Restated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Related party loans receivable – current				
GTY Property Operations Pty Limited	-	528	-	-
Related party loans receivable – non-current				
Gateway Lifestyle Operations Limited	-	-	172,944	90,342
Gateway Lifestyle Operations (Qld) Pty Limited	-	-	-	8,065
Quattro Parks Operations (NSW) Trust	-	-	-	1,216
Quattro Parks Operations (VIC) Trust	-	-	-	5,048
Regal Water Holdings Pty Limited	-	-	-	6,207
Tasman Lifestyle Continuum Pty Limited	-	-	-	1,489
Hammond Village Operations Pty Limited	-	-	-	-
Acacia Ponds Village Operations Pty Limited	-	-	-	-
Div 6C exposure recoverable from RPT2 syndicate investors	-	-	-	-
	-	-	172,944	112,367
Related party loans payable – current				
GTY Property Operations Pty Limited	77	-	-	-
Tasman Lifestyle Continuum Pty Ltd	-	-	-	9,760
	77	-	-	9,760

Loans receivable from Gateway Lifestyle Operations Limited are subject to revolving inter-company loan facility that has a term of 9 years and 11 months, with interest payable in arrears on a quarterly basis at a market rate as determined by OMIFL plus 3%. OMIFL has yet to advise the applicable interest rate for the June 2016 quarter. All other related party loans as at 30 June 2015 operated under the same loan arrangements effective from the establishment of the loans.

None of the related party loans are impaired.

Controlled entities

Interests in controlled entities are set out in Note 40.

NOTE 38. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of financial position

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$	\$	\$	\$
Current assets	15,930	6,003	51	1,064
Total assets	78,287	57,786	660,647	502,166
Current liabilities	94,287	69,643	17,211	2,316
Total liabilities	94,287	69,643	123,188	54,816
Issued shares / units	(3,570)	(4,138)	587,080	470,704
Retained profits (accumulated losses / trust deficiency)	(12,431)	(9,004)	(49,621)	(23,354)
Total equity (deficit)	(16,000)	(11,857)	537,459	447,349

Statement of profit or loss and other comprehensive income

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$	\$	\$	\$
Profit (loss) of the parent entity	(4,479)	(9,004)	(26,211)	(22,197)
Total comprehensive income (loss) of the parent entity	(4,479)	(9,004)	(26,211)	(22,197)

Guarantees

The parent entities have guaranteed the debt facilities provided to Gateway Lifestyle Group by Australia New Zealand Banking Group Limited and Commonwealth Bank of Australia Limited.

Contingent liabilities

The parent entities had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitment

The parent entities had no capital commitments as at 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entities are consistent with those of the consolidated entities, as disclosed in Note 1, except for the following:

- Investments in controlled entities are accounted for at cost, less any impairment, in the parent entity.
- Distributions / dividends received from controlled entities are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 39. BUSINESS COMBINATIONS

There were no business combinations in the year ended 30 June 2016.

Acquisitions in 2015: Gateway Lifestyle Group and Tasman Group

Gateway Lifestyle Group was formed through the stapling of the newly incorporated Gateway Lifestyle Operations Limited to the RPT 2 Group. In accordance with Australian Accounting Standards, the stapling represents a business combination by contract and the Residential Parks No 2 Trust is identified as the accounting acquirer for the stapled group. Following the stapling, the legal parent of Gateway Lifestyle Group, Gateway Lifestyle Operations Limited, is considered under Australian Accounting Standards to control the stapled group and as a result is presented as the accounting parent for Gateway Lifestyle Group.

On 15 June 2015 Gateway Lifestyle Group and RPT 2 Group acquired all of the units and shares in various companies and trusts comprising the "Gateway Group" and the "Tasman Group" as indicated in Note 40.

Due to the identification of the Residential Parks No 2 Trust as the accounting acquirer, the consolidated financial reports of the Gateway Lifestyle Group for the year ended 30 June 2015 reflect a continuation of the RPT2 Group and as a result, does not represent the financial performance of the entities of the consolidated Gateway Lifestyle Group for the full year ended 30 June 2015. The financial statements of Gateway Lifestyle Group reflects the results of the RPT 2 Group for the full year ended 30 June 2015 and incorporates the consolidated results of the acquired Gateway Group and Tasman Group entities for the period commencing from 15 June 2015 to 30 June 2015.

As a consequence of the business combination, goodwill is recognisable on the premium to the fair value of the separable assets and liabilities acquired by the Residential Parks No. 2 Trust.

The primary reason for the business combination was to enable Gateway Lifestyle Group to acquire 36 MHEs and the related management platform, and enhance its financial flexibility to pursue its business strategies.

The goodwill represents the intangible assets associated with the brand 'Gateway Lifestyle' as part of the acquisition of Gateway management, and comprises of the management platform and the scalable benefits from this platform. In addition, the second component of goodwill reflects the development profile of the Gateway Lifestyle Group, and its ability to continue generate manufactured home development net profits.

The amounts of revenue and profit of the acquired businesses included in the consolidated statement of comprehensive income for the reporting period are:

	Revenue \$'000	Profit (loss) \$'000
2015		
Gateway Lifestyle Group	2,066	(468)
RPT2 Group	1,150	1,053

It has not been practical to determine the amount of the revenue and profit or loss of the combined entities for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. This is because of the difficulty in estimating the necessary adjustments to historical revenue and profit numbers to properly reflect the improvements in performance that would have been achieved if the combined entity had been in place as of the beginning of the annual reporting period.

NOTE 39. BUSINESS COMBINATIONS

Acquisitions in 2015: Gateway Group and Tasman Group (continued)

Details of the acquisitions are as follows:

2015 Groups acquired (100%)	Gateway group Fair Value \$'000	Tasman Group Fair value \$'000	Total Fair value \$'000
Cash and cash equivalents	2,637	618	3,255
Trade and other receivables - Current	13,453	11,039	24,492
Inventories	4,809	1,439	6,248
Other assets	779	139	918
Trade and other receivables - Non-current	51,473	43,553	95,026
Investment Properties	179,060	111,447	290,507
Plant and equipment	253	1	254
Deferred tax assets	576	794	1,370
Trade and other payables - Current	(44,300)	(12,718)	(57,018)
Interest bearing liabilities - Current	(843)	-	(843)
Provisions – Current	(616)	(116)	(732)
Provisions for contingent liability - Current	(1,295)	-	(1,295)
Current tax payables	(5,426)	(299)	(5,725)
Trade and other payables - Non-current	(46,220)	(60,131)	(106,351)
Interest bearing liabilities - Non-current	(98,644)	(80,029)	(178,673)
Other liabilities- Non-current	(29)	(2,471)	(2,500)
Deferred tax – Non-current	(2,114)	-	(2,114)
Net assets acquired	53,553	13,266	66,819
Goodwill	118,244	22,115	140,359
Acquisition-date fair value of the total consideration transferred	171,797	35,381	207,178
Representing:			
Cash paid or payable to vendors	117,727	26,163	143,890
Stapled securities issued	54,070	9,218	63,288
	171,797	35,381	207,178
	No.	No.	No.
Number of stapled securities issued for 100% acquisitions	27,035,000	4,609,000	31,644,000

NOTE 39. BUSINESS COMBINATIONS (CONTINUED)

Acquisitions in 2015: Gateway Group and Tasman Group (continued)

The fair value of the stapled securities was calculated by reference to the issue price under the initial public offering.

The following table presents the fair value of assets and liabilities acquired by the Residential Parks No. 2 Trust for the Gateway Lifestyle Group and the RPT2 Group

2015 By acquirer	Restated Gateway Lifestyle Group Fair value \$'000	Restated RPT 2 Group Fair value \$'000
Cash and cash equivalents	3,255	704
Trade and other receivables – Current (note (i))	24,492	14,067
Inventories	6,248	256
Other assets	918	73
Trade and other receivables - Non-current (note (i))	95,026	74,007
Investment Properties (Note 13 (c))	290,507	255,275
Plant and equipment (Note 14)	254	-
Deferred tax assets	1,370	45
Trade and other payables – Current	(57,018)	(23,567)
Interest bearing liabilities – Current	(843)	(27)
Provisions – Current	(732)	(98)
Provisions for contingent liability-Current (Note 22)	(1,295)	-
Current tax payables	(5,725)	(4,636)
Trade and other payables - Non-current	(106,351)	(71,036)
Interest bearing liabilities - Non-current	(178,673)	(171,645)
Other liabilities - Non-current	(2,500)	-
Deferred tax – Non-current	(2,114)	(2,114)
Net assets acquired	66,819	71,304
Goodwill (Note 15)	140,359	85,376
Acquisition-date fair value of the total consideration transferred	207,178	156,680
Note (i): The fair value of trade and other receivables is not materially different to their gross amount. None of the trade other receivables have been impaired and it is expected that the full contractual amounts can be collected.		
Representing:		
Cash paid or payable to vendors	143,890	93,392
Stapled securities issued	63,288	63,288
	207,178	156,680
Acquisition costs expensed to profit and loss	23,973	16,620
Cash used to acquire businesses, net of cash acquired:		
Cash paid to vendor	143,890	93,392
Less: cash and cash equivalents acquired	3,255	704
Net cash used	140,635	92,688

NOTE 39. BUSINESS COMBINATIONS (CONTINUED)

Acquisitions in 2015: Edgewater

In June 2015 RPT 2 Group acquired an additional 20% interest in Edgewater, increasing its ownership interest to 100%. Consideration of \$2.06 million (being \$2.005 million stapled securities and \$0.055 million cash) was paid to the holder of the non-controlling interest. The carrying value of the net assets of Edgewater was \$6.16 million. The following is a schedule of additional interest acquired in Edgewater:

	Restated Gateway Lifestyle Group Fair value \$'000	Restated RPT 2 Group Fair value \$'000
Recognition at the beginning of the financial year	636	-
Consideration paid to the holder of the non-controlling interest and associated costs	-	2,075
Carrying value of the additional interest	-	(1,232)
Amount owed to non-controlling interest	-	(207)
Difference recognised in equity	636	636

NOTE 40. INTERESTS IN CONTROLLED ENTITIES

Entities controlled by Residential Parks No. 2 Trust (head entity within the RPT 2 Group)		Principal place of business / Country of incorporation	Ownership interest	
Acquisition group			2016 %	2015 %
Hammond Village Trust		Australia	100	100
Edgewater Village Trust		Australia	100	100
Acacia Ponds Trust		Australia	100	100
Salamander Bay Trust		Australia	100	100
Gumtrees Trust		Australia	100	100
Beerburum Trust		Australia	100	100
Regal Water Trust		Australia	100	100
Residential Parks Trust	Gateway Group	Australia	100	100
Parklea Trust	Gateway Group	Australia	100	100
Nepean Trust	Gateway Group	Australia	100	100
Aspley Trust	Gateway Group	Australia	100	100
Oaklands Trust	Gateway Group	Australia	100	100
Maroochy Palms Trust	Gateway Group	Australia	100	100
Maroochy Park Holdings Pty Limited	Gateway Group	Australia	100	100
Maroochy River Holdings Pty Limited	Gateway Group	Australia	100	100
Maroochy Palms Holdings Pty Limited	Gateway Group	Australia	100	100
Seed Unit Trust No 4	Gateway Group	Australia	100	100
Harvest LSWM Bass Hill Trust	Gateway Group	Australia	100	100
Gateway Lifestyle Villages Goodna Trust	Gateway Group	Australia	100	100
The Gateway Lifestyle Villages Redland Trust	Gateway Group	Australia	100	100
Grafton Gateway Trust	Gateway Group	Australia	100	100
LSWM Yamba Trust	Gateway Group	Australia	100	100
Tweed Park Trust	Gateway Group	Australia	100	100
Tweed C Trust	Gateway Group	Australia	100	100
Benalla Gateway Trust	Gateway Group	Australia	100	100
Quattro Parks Trust	Gateway Group	Australia	100	100
Quattro Parks NSW Trust	Gateway Group	Australia	100	100
Quattro Parks VIC Trust	Gateway Group	Australia	100	100

NOTE 40. INTERESTS IN CONTROLLED ENTITIES (CONTINUED)

Entities controlled by Residential Parks No. 2 Trust (head entity within the RPT 2 Group)	Acquisition group	Principal place of business / Country of incorporation	Ownership interest	
			2016 %	2015 %
Tasman Lifestyle Continuum Trust	Tasman Group	Australia	100	100
The Retreat Village Trust	Tasman Group	Australia	100	100
Taskers Residential Village Trust	Tasman Group	Australia	100	100
Ocean Breeze Village Trust	Tasman Group	Australia	100	100
Redbank Palms Resort Trust	Tasman Group	Australia	100	100
Lakeland Park Village Trust	Tasman Group	Australia	100	100
Bremer Waters Over 55s Lifestyle Resort Trust	Tasman Group	Australia	100	100
Sea Winds Village Trust	Tasman Group	Australia	100	100
Valhalla Village Trust	Tasman Group	Australia	100	100
Riverside Village Trust	Tasman Group	Australia	100	100
Lorikeet Resort Trust	Tasman Group	Australia	100	100
Myola Lifestyle Resort Trust		Australia	100	-
Cobb Haven Property Trust		Australia	100	-
Beachfront Lifestyle Resort Trust		Australia	100	-
Ulladulla Gateway Trust		Australia	100	-
Homestead Lifestyle Resort Trust		Australia	100	-
Gateway Lifestyle Lake Macquarie Trust		Australia	100	-
Gateway Lifestyle Failford Trust		Australia	100	-
Gateway Lifestyle Birubi Trust		Australia	100	-
Gateway Lifestyle Old Bar Beachfront Trust		Australia	100	-
Gateway Lifestyle Casino Trust		Australia	100	-
Gateway Lifestyle Rainbow Waters Trust		Australia	100	-
Gateway Lifestyle Albury Trust		Australia	100	-
Gateway Lifestyle Manning Point Trust		Australia	100	-
Gateway Lifestyle Redhead Trust		Australia	100	-
Gateway Lifestyle Lakes Entrance Trust		Australia	100	-
Gateway Lifestyle North Haven Trust		Australia	100	-
Terrigal Sands Lifestyle Resort Trust		Australia	100	-

Entities controlled by Gateway Lifestyle Operations Limited (head entity within the Gateway Lifestyle Group)	Acquisition group	Principal place of business / Country of incorporation	Ownership interest	
			2016 %	2015 %
Gateway Lifestyle Residential Parks Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Residential Parks Realty Pty Limited	Gateway Group	Australia	100	100
Parklea Operations Pty Limited	Gateway Group	Australia	100	100
Nepean Operations Pty Limited	Gateway Group	Australia	100	100
Aspley Operations Pty Limited	Gateway Group	Australia	100	100
Oaklands Ops Pty Limited	Gateway Group	Australia	100	100
Regal Waters Holdings Pty Limited	Gateway Group	Australia	100	100
R & R Retirement Holdings Pty Limited	Gateway Group	Australia	100	100
Regal Waters Retirement Community Pty Limited	Gateway Group	Australia	100	100
Hammond Village Operations Pty Limited	Gateway Group	Australia	100	100
Maroochy Palms Operations Pty Limited	Gateway Group	Australia	100	100
Edgewater Village Operations Pty Limited	Gateway Group	Australia	100	100
Acacia Ponds Village Operations Pty Limited	Gateway Group	Australia	100	100
Salamander Bay Operations Pty Limited	Gateway Group	Australia	100	100
Gumtrees Operations Pty Limited	Gateway Group	Australia	100	100
Beerburum Operations Pty Limited	Gateway Group	Australia	100	100

NOTE 40. INTERESTS IN CONTROLLED ENTITIES (CONTINUED)

Entities controlled by Gateway Lifestyle Operations Limited (head entity within the Gateway Lifestyle Group)	Acquisition group	Principal place of business / Country of incorporation	Ownership interest	
			2016 %	2015 %
Nestle Inn Brisbane Operations Pty Limited	Gateway Group	Australia	100	100
Bass Hill Operations Pty Limited	Gateway Group	Australia	100	100
Goodna Operations Pty Limited	Gateway Group	Australia	100	100
Redland Park Operations Pty Limited	Gateway Group	Australia	100	100
Grafton Gateway Operations Pty Limited	Gateway Group	Australia	100	100
Yamba Operations Pty Limited	Gateway Group	Australia	100	100
Tweed Operations Pty Limited	Gateway Group	Australia	100	100
Chinderah Lakes Operations Pty Limited	Gateway Group	Australia	100	100
Benalla Operations Pty Limited	Gateway Group	Australia	100	100
Quattro Parks Operations Trust	Gateway Group	Australia	100	100
Quattro Parks Operations NSW Trust	Gateway Group	Australia	100	100
Quattro Parks Operations VIC Trust	Gateway Group	Australia	100	100
Gateway Lifestyle Employment Services Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Residential Parks Solutions Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Financial Services Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Beaches of Byron Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Holdings Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Residential Park Holdings Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Operations (NSW) Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Operations (QLD) Pty Limited	Gateway Group	Australia	100	100
Gateway Lifestyle Operations (VIC) Pty Limited	Gateway Group	Australia	100	100
Tasman MHE Holdings Pty Limited	Gateway Group	Australia	100	100
Tasman Lifestyle Continuum Pty Limited	Gateway Group	Australia	100	100
The Retreat Village Pty Limited	Gateway Group	Australia	100	100
Taskers Residential Village Management Pty Limited	Tasman Group	Australia	100	100
Ocean Breeze Village Management Pty Limited	Tasman Group	Australia	100	100
Redbank Palms Resort Pty Limited	Tasman Group	Australia	100	100
Lakeland Park Village Pty Limited	Tasman Group	Australia	100	100
Bremer Waters Over 55s Lifestyle Resort Management Pty Limited	Tasman Group	Australia	100	100
Sea Winds Village Management Pty Limited	Tasman Group	Australia	100	100
Sea Winds Village Pty Limited	Tasman Group	Australia	100	100
Valhalla Village Management Pty Limited	Tasman Group	Australia	100	100
Valhalla Village Pty Limited	Tasman Group	Australia	100	100
The Pines Resort Management Pty Limited	Tasman Group	Australia	100	100
Riverside Village Management Pty Limited	Tasman Group	Australia	100	100
Lorikeet Resort Pty Limited	Tasman Group	Australia	100	100
Tasman Development Management Pty Limited	Tasman Group	Australia	100	100
Ulladulla Operations Pty Limited		Australia	100	-
Homestead Operations Pty Limited		Australia	100	-
Lake Macquarie Operations Pty Limited		Australia	100	-
Failford Operations Pty Limited		Australia	100	-
Birubi Operations Pty Limited		Australia	100	-
Old Bar Beachfront Operations Pty Limited		Australia	100	-
Casino Operations Pty Limited		Australia	100	-
RV Parks Australia Pty Limited		Australia	100	-
Rainbow Waters Operations Pty Limited		Australia	100	-

NOTE 40. INTERESTS IN CONTROLLED ENTITIES (CONTINUED)

Entities controlled by Gateway Lifestyle Operations Limited (head entity within the Gateway Lifestyle Group)	Acquisition group	Principal place of business / Country of incorporation	Ownership interest	
			2016 %	2015 %
Gateway Albury Operations Pty Limited		Australia	100	-
Gateway Manning Point Operations Pty Limited		Australia	100	-
Gateway Redhead Operations Pty Limited		Australia	100	-
Gateway Lakes Entrance Operations Pty Limited		Australia	100	-
Gateway North Haven Operations Pty Limited		Australia	100	-
Terrigal Sands Operations Pty Limited		Australia	100	-

Name	Principal place of business / country of incorporation	Principal activities	Parent Ownership interest		Non-controlling interest Ownership interest	
			2016 %	2015 %	2016 %	2015 %
Edgewater Partnership	Australia	MHE park operator	-	100%	-	-

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	Edgewater	
	2016 \$'000	2015 \$'000
Summarised statement of financial position		
Total assets	-	-
Total liabilities	-	-
Net assets	-	-
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	2,902
Expenses	-	1,096
Profit before income tax expense	-	1,806
Income tax expense	-	-
Profit after income tax expense	-	1,806
Other comprehensive income	-	-
Total comprehensive income	-	1,806
Other financial information		
Profit attributable to non-controlling interests	-	361
Accumulated non-controlling interests at the end of reporting period	-	-

NOTE 41. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee under which each entity guarantees the debts of the others:

Alceon Group No 12 Pty Limited	Lorikeet Resort Holdings Pty Limited
Alceon Group No 2 Pty Limited	Lorikeet Resort Pty Limited
Alceon Group No 22 Pty Limited	Maroochy Palms Holdings Pty Limited
Alceon Group No 26 Pty Limited	Nepean Operations Pty Limited
Alceon Group No 29 Pty Limited	Nestle Inn Brisbane Operations Pty Limited
Alceon Group No 3 Pty Limited	Oaklands Ops Pty Limited
Alceon Group No 31 Pty Limited	Ocean Breeze Village Holdings Pty Limited
Alceon Group No 5 Pty Limited	Ocean Breeze Village Management Pty Limited
Alceon Group No 6 Pty Limited	Parklea Operations Pty Limited
Aspley Operations Pty Limited	Quattro Parks NSW Pty Limited
Bass Hill Operations Pty Limited	Quattro Parks Operations NSW Pty Limited
Beerburum Operations Pty Limited	Quattro Parks Operations VIC Pty Limited
Benalla Operations Pty Limited	Quattro Parks VIC Pty Limited
Bremer Waters Over 55's Lifestyle Resort Holdings Pty Limited	R & R Retirement Holdings Pty Limited
Bremer Waters Over 55s Lifestyle Resort Management Pty Limited	Redbank Palms Resort Holdings Pty Limited
Chinderah Lakes Operations Pty Limited	Redbank Palms Resort Pty Limited
Chinderah Lakes Park Pty Limited	Redland Park Operations Pty Limited
Edgewater Village Operations Pty Limited	Regal Waters Holdings Pty Limited
Gateway Lifestyle Beaches of Byron Pty Limited	Regal Waters Retirement Community Pty Limited
Gateway Lifestyle Employment Services Pty Limited	Riverside Village Holdings Pty Limited
Gateway Lifestyle Financial Services Limited	Riverside Village Management Pty Limited
Gateway Lifestyle Holdings Pty Limited	Salamander Bay Operations Pty Limited
Gateway Lifestyle Investments Holdings Pty Limited	Sea Winds Village Holdings Pty Limited
Gateway Lifestyle Investments Pty Limited	Sea Winds Village Management Pty Limited
Gateway Lifestyle Operations (NSW) Pty Limited	Sea Winds Village Pty Limited
Gateway Lifestyle Operations (QLD) Pty Limited	Taskers Residential Village Holdings Pty Limited
Gateway Lifestyle Operations (VIC) Pty Limited	Taskers Residential Village Management Pty Limited
Gateway Lifestyle Residential Parks Holdings Pty Ltd	Tasman Development Management Pty Limited
Gateway Lifestyle Residential Parks Pty Limited	Tasman Lifestyle Continuum Pty Limited
Gateway Lifestyle Residential Parks Realty Pty Limited	Tasman MHE Holdings Pty Limited
Gateway Lifestyle Residential Parks Solutions Pty Limited	The Pines Lifestyle Resort Pty Limited
Goodna Operations Pty Limited	The Pines Resort Management Pty Limited
Grafton Gateway Operations Pty Limited	The Retreat Village Holdings Pty Limited
Gumtrees Operations Pty Limited	The Retreat Village Pty Limited
Hammond Village Operations Pty Limited	Tweed Operations Pty Limited
Harvest Investment No 4 Pty Limited	Valhalla Village Holdings Pty Limited
Harvest LSWM Investment No 1 Pty Limited	Valhalla Village Management Pty Limited
Lakeland Park Village Holdings Pty Limited	Valhalla Village Pty Limited
	Yamba Operations Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' reports under Class Order 98/1418 (as amended) issued by ASIC.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Gateway Lifestyle Group, they also represent the "Extended Closed Group".

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the "Closed Group".

NOTE 41. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of profit or loss and other comprehensive income

	2016 \$'000	Restated 2015 \$'000
Revenue	104,523	2,069
Expenses		
Investment property expenses	44,598	1,985
Manufactured home sale expenses	36,270	361
Employee benefits expense	17,722	1,596
Administration expenses	6,914	153
Net loss on disposal of assets	-	-
Transaction expenses	(217)	8,349
Finance costs	9,728	530
Net fair value loss on investment properties	9,795	350
Other expenses	1,267	-
Profit (loss) before income tax expense	(21,554)	(11,255)
Income tax benefit (expense)	6,591	687
Profit (loss) after income tax expense	(14,963)	(10,568)
Other comprehensive income	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income (loss) for the year	(14,963)	(10,568)
Equity – Retained profits (accumulated losses)		
Retained profits at the beginning of the financial year	(10,568)	-
Adjustment due to business combination adjustment	6,780	-
Loss after income tax benefit	(14,963)	(10,568)
Retained losses at the end of the financial year	(18,751)	(10,568)

Statement of financial position

	30 June 2016 \$'000	Restated 30 June 2015 \$'000
Current assets		
Cash and cash equivalents	17,438	9,655
Trade and other receivables	3,570	11,829
Inventories	7,180	6,616
Other	2,041	2,417
	30,229	30,517
Non-current assets		
Receivables	-	18,211
Investment properties	30,001	37,199
Plant and equipment	701	305
Intangibles	55,362	60,190
Deferred tax	10,215	2,662
	96,279	118,567
Total assets	126,508	149,084

NOTE 41. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position (continued)

	2016 \$'000	Restated 2015 \$'000
Current liabilities		
Trade and other payables	10,462	159,096
Borrowings	-	693
Finance leases	13	-
Income tax	301	1,247
Employee benefits	896	751
Other liabilities	28	-
Provisions	645	515
	<u>12,345</u>	<u>162,302</u>
Non-current liabilities		
Borrowings	(2,435)	528
Inter-entire loan	137,838	-
Finance leases	4	-
Employee benefits	106	-
Other liabilities	69	-
Provisions	1,118	-
	<u>136,700</u>	<u>528</u>
Total liabilities	<u>149,045</u>	<u>162,830</u>
Net assets / (liabilities)	<u>(22,537)</u>	<u>(13,746)</u>
Equity		
Issued capital	(3,928)	(3,178)
Reserves	142	-
Retained losses	(18,751)	(10,568)
Total equity (deficit) (note (i))	<u>(22,537)</u>	<u>(13,746)</u>

Note (i) The Closed Group has received letter of support from the Residential Parks No. 2 Trust.

NOTE 42. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2016, the Group settled the acquisition of the MHE Terrigal Sands Resort, a fully converted MHE with 95 occupied sites, for the acquisition price of \$8.5 million (excluding transaction costs).

On 2 September 2016, the Group announced the acquisition of Rockhampton North Retirement Resort, a fully converted MHE with 146 sites in the North Queensland region for \$10.25 million (excluding transaction costs).

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entities' operations, the results of those operations, or the consolidated entities state of affairs in future financial years.

NOTE 43. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Profit (loss) after income tax expense for the year	38,927	(30,773)	54,490	(20,205)
Adjustments for:				
Amortisation	48	-	-	-
Depreciation	100	4	-	-
Net (gain) loss on change in fair value	(1,228)	(125)	(12,188)	(474)
Net (gain) loss on disposal of assets	(1,031)	17	(1,028)	17
Borrowing costs paid	1,854	894	906	876
Equity based payments	142	876	-	-
Transaction costs	(1,343)	26,869	-	18,520
Changes in working capital:				
Decrease (increase) in trade and other receivables	4,555	171	12,995	3,527
Decrease (increase) in inventories	(2,737)	(359)	-	265
Decrease (increase) in deferred tax assets	(6,973)	(764)	(518)	45
Decrease (increase) in prepaid expenses	1,434	-	-	-
Decrease (increase) in other assets	374	(1,551)	58	22
Increase (decrease) in trade and other payables	(3,584)	(25,777)	(3,057)	(25,131)
Increase (decrease) in current tax payable	316	422	905	622
Increase (decrease) in provisions	213	35	(38)	(83)
Increase (decrease) in other liabilities	709	-	612	-
Net cash from (used in) operating activities	31,776	(30,061)	53,137	(21,999)

NOTE 44. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Stapled securities issued under employee share plan	-	1,201	-	-

NOTE 45. EARNINGS PER STAPLED SECURITY/UNIT

	Gateway Lifestyle Group		RPT2 Group	
	2016	Restated 2015	2016	Restated 2015
	\$'000	\$'000	\$'000	\$'000
Earnings per stapled security				
Profit (loss) after income tax	38,927	(30,773)	54,490	(20,205)
Non-controlling interest	-	(361)	-	(361)
Profit (loss) after income tax attributable to the owners of Gateway Lifestyle Group / RPT 2 Group	38,925	(31,134)	54,489	(20,566)

NOTE 45. EARNINGS PER STAPLED SECURITY/UNIT (CONTINUED)

	Number	Number	Number	Number
Weighted average number of stapled securities/units used in calculating basic earnings per stapled security	265,798,521	19,249,455	265,798,521	19,249,455
Adjustments for calculation of diluted earnings per security:				
Options over stapled securities	-	-	-	-
Weighted average number of stapled securities/units shares used in calculating diluted earnings per stapled security	265,798,521	19,249,455	265,798,521	19,249,455
	Cents	Cents	Cents	Cents
Basic/diluted earnings (loss) per stapled security/unit	14.6	(12.3)	20.5	(8.2)

NOTE 46. EQUITY-BASED PAYMENTS

On 15 June 2015, stapled securities were issued as follows:

63,000 stapled securities were issued to employees at an issue price of \$2 per stapled security and a total transactional value of \$126,000.

375,000 stapled securities were issued to key management personnel at an issue price of \$2 per stapled security and a total transactional value of \$750,000. These securities are subject to voluntary escrow arrangements and the relevant KMP is prevented from dealing with these escrowed securities until, in respect of 50%, the day after release of FY17 financial results and for the remaining 50% the day after the FY18 results release date.

62,500 stapled securities were issued to an employee trust at an issue price of \$2 per stapled security and a total transactional value of \$125,000. 25,000 of these stapled securities were forfeited during the year ended 30 June 2016 as the holders ceased to be employees at the relevant release date. The remaining 37,500 stapled securities have been released from escrow on 31 August 2016 in accordance with the terms of the escrow arrangements as notified to the ASX on 18 August 2016.

In the year ended 30 June 2016 an equity-based payment expense of \$75,000 has been recognised in relation to these remaining 37,500 stapled securities.

A total of 100,000 stapled securities were issued to the non-executive directors at an issue price of \$2 per stapled security and a total transactional value of \$200,000. Each of the non-executive directors has entered into a voluntary escrow deed for the stapled securities. 50,000 of these stapled securities will be released from escrow on the first trading day after release of the preliminary final report for the year ended 30 June 2017. The remaining 50,000 of these stapled securities will be released on the first trading day after release of the preliminary final report for the year ended 30 June 2018. In addition the voluntary escrow deeds require forfeiture of the escrowed stapled securities for a nominal amount if the non-executive Director leaves the Company during the escrow period. None of these stapled securities have been forfeited during the year ended 30 June 2016.

The value of these stapled securities will be recognised as an expense evenly over the three years ending 30 June 2018.

In the year ended 30 June 2016 an equity-based payment expense of \$66,667 has been recognised in relation to these 100,000 stapled securities.

There were no other stapled securities issued in relation to equity-based payments during the year.

NOTE 46. EQUITY-BASED PAYMENTS (CONTINUED)

Executive LTI plan

During the year ended 30 June 2016, the Board of the Company adopted a Long Term Incentive Plan for Executive Key Management Personnel. Grants of security appreciation rights under this plan made to the CEO and CFO on 27 June 2016 are subject to approval at the 2016 Annual General Meeting. For further detail of the Long Term Incentive Plan see the Remuneration Report.

DIRECTORS' DECLARATION

The Directors of Gateway Lifestyle Operations Limited declare that:

1. In the opinion of the Directors:

- (a) the financial statements and the notes of Gateway Lifestyle Group and RPT2 Group for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Gateway Lifestyle Group's and RPT2 Group's consolidated financial position as at 30 June 2016 and of their consolidated performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;
- (c) there are reasonable grounds to believe that the Gateway Lifestyle Group and RPT2 Group will be able to pay their debts as and when they become due and payable; and
- (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 41 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

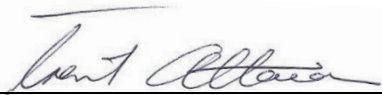
2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

This declaration is made in accordance with a resolution of the Board of Directors of Gateway Lifestyle Operations Limited pursuant to the Corporations Act 2001.



Andrew Love
Chairman

19 September 2016
Sydney



Trent Ottawa
Chief Executive Officer

19 September 2016
Sydney

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Independent auditor's report to the stapled security holders of Gateway Lifestyle Group and the unitholders of Residential Parks No. 2 Trust Group

Gateway Lifestyle Group comprises of Gateway Lifestyle Operations Limited and the entities it controlled at year's end or from time to time during the financial year and Residential Parks No. 2 Trust and the entities it controlled at year's end or from time to time during the financial year ("Gateway Group" or "the Group").

Residential Parks No. 2 Trust Group comprises of Residential Parks No. 2 Trust and the entities it controlled at year's end or from time to time during the financial year ("Trust Group").

Report on the financial report

We have audited the accompanying financial report of the Gateway Group and the Trust Group, which comprises the consolidated statements of financial position as at 30 June 2016, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declarations of the Gateway Lifestyle Group.

Directors' responsibility for the financial report

The directors of Gateway Lifestyle Operations Limited and the directors of One Managed Investment Funds Limited, the Responsible Entity of Residential Parks No. 2 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 Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the 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 Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls relevant to the Gateway Lifestyle Group and Residential Parks No. 2 Trust Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gateway Lifestyle Group and Residential Parks No. 2 Trust Group's internal controls. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)



Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Gateway Lifestyle Group and Residential Parks No.2 Trust Group is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Gateway Lifestyle Group and Residential Parks No.2 Trust Group's financial positions as at 30 June 2016 and of their performance for the year 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.

Report on the remuneration report

We have audited the Remuneration Report of Gateway Lifestyle Operations Limited included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Gateway Lifestyle Operations Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Conroy'.

Mark Conroy
Partner
Sydney
19 September 2016

CORPORATE INFORMATION

Directors

Andrew Love (Chairman)
Rachel Launders
Stephen Newton
Andrew Fay
Trent Ottawa (Chief Executive Officer)
John Wong (Chief Financial Officer)

Company Secretary

John Wong
Leanne Nolan

Registered Office

Gateway Lifestyle Group
Suite 303, 7-9 Irvine Place, Bella Vista NSW 2153, Australia

Principal place of business

Gateway Lifestyle Group
Suite 303, 7-9 Irvine Place, Bella Vista NSW 2153, Australia

Share register

Link Market Services Limited
Level 12, 680 George Street, Sydney, NSW, 2000, Australia
Telephone: +61 1300 554 474
Fax +61 2 9287 0303
Fax +61 2 9287 0309 (for proxy voting)

Solicitors

Herbert Smith Freehills
ANZ Tower, 161 Castlereagh Street, Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia

Auditors

Ernst & Young
The EY Centre, 200 George Street, Sydney NSW 2000, Australia

Corporate Website

<http://www.gatewaylifestyle.com.au>

SECURITYHOLDER INFORMATION

The securityholder information set out below was applicable as at 13 September 2016.

DISTRIBUTION OF QUOTED EQUITY SECURITIES

Analysis of number of equitable security holders by size of holding:

	Number of holders of Stapled Securities	%	Number of Stapled Securities	%
1 to 1,000	230	10.1	96,646	0.0
1,001 to 5,000	657	28.8	2,059,678	0.7
5,001 to 10,000	489	21.5	3,756,309	1.3
10,001 to 100,000	790	34.7	21,589,055	7.2
100,001 and over	113	4.9	271,896,047	90.8
	2,279		299,397,735	

EQUITY SECURITYHOLDERS

Twenty largest quoted equity securityholders

The names of the twenty largest securityholders of quoted equity securities are listed below:

	Number held	Stapled Securities % of total stapled Securities issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,798,163	21.31
J P MORGAN NOMINEES AUSTRALIA LIMITED	45,242,458	15.11
NATIONAL NOMINEES LIMITED	35,105,476	11.73
CITICORP NOMINEES PTY LIMITED	23,511,171	7.85
UBS NOMINEES PTY LTD	15,347,595	5.13
BNP PARIBAS NOMS PTY LTD	14,362,131	4.80
OTTAWA & CO PTY LTD	12,796,401	4.27
CITICORP NOMINEES PTY LIMITED	6,857,522	2.29
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,569,503	1.86
BUONCOMPAGNI INVESTMENTS PTY LIMITED	4,708,970	1.57
J K M SECURITIES PTY LIMITED	4,000,000	1.34
PEPPER INVESTMENT HOLDINGS PTY LTD	3,041,476	1.02
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	2,801,671	0.94
PEPPER INVESTMENT HOLDINGS PTY LTD	2,610,000	0.87
MIRRABOOKA INVESTMENTS LIMITED	1,581,000	0.53
BNP PARIBAS NOMS (NZ) LTD	1,507,372	0.50
GOLP INVESTMENTS PTY LTD	1,411,936	0.47
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,364,889	0.46
NETWEALTH INVESTMENTS LIMITED	1,343,418	0.45
WARBONT NOMINEES PTY LTD	1,213,414	0.41
Total	248,174,566	82.9
Balance of register	51,223,169	17.1
Grand total	299,397,735	100.0

SUBSTANTIAL SECURITYHOLDERS

Substantial securityholders¹ in the group are set out below:

	Date of change	Stapled Securities	
		Number of securities held	% of total stapled Securities issued
National Australia Bank Limited	5/9/2016	16,134,893	5.39
IOOF Holdings Limited	2/9/2016	29,216,482	9.89
SAS Trustee Corporation	1/9/2016	16,316,948	5.45
Paradice Investment Management Pty Ltd	31/8/2016	24,958,388	8.34
Commonwealth Bank of Australia	17/2/2016	14,549,909	5.83

VOTING RIGHTS

Gateway Lifestyle Group only has stapled securities on issue. Each stapled security carries the right to vote at any members' meeting.

SECURITIES SUBJECT TO VOLUNTARY ESCROW

Class	Expiry date	Number of stapled Securities
Stapled securities	FY 17 release date	6,675,440
Stapled securities	FY 18 release date	6,675,438

FY release date refers to the first trading day after release of the preliminary final report for the financial year then ended.

1. Percentage of issued equity held as at the date notice provided

SECURITYHOLDER INFORMATION

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