APPENDIX 4E

For the year ended 30 June 2018
(previous corresponding period being the year ended 30 June 2017)

Results for Announcement to the market

Gateway Lifestyle Operations Limited ABN 63 605 543 968
One Managed Investment Funds Limited ABN 47 117 400 987 AFSL 297042 as responsible entity for Residential Parks No. 2 Trust ARSN 605 803 414

		2018 $000
Revenues from ordinary operations	Up 8.8% to	129,689
Profit from ordinary activities after tax attributable to securityholders	Down 2.5% to	58,217
Net Profit attributable to securityholders	Down 2.5% to	58,217

Net Tangible Assets	**2018**	**2017**
Net Tangible Assets per Security	$1.59	$1.48

Distributions	**Amount per Security**	**Franked amount per security**	**Record Date**
Interim distribution paid on 15 March 2018	3.75 cents	-	29 December 2017
Final distribution to be paid on 28 September 2018	5.35 cents	-	29 June 2018
Total distribution for the year	**9.10 cents**	**-**	

On 22 June 2018, the Group announced that the Distribution Reinvestment Plan will be suspended until further notice.

The report is based on the 30 June 2018 Annual Report which has been audited.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the accompanying Annual Report.

2018 Annual Report

GATEWAY LIFESTYLE

gatewaylifestyle.com.au

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Gateway Lifestyle Group (the Group) comprises Gateway Lifestyle Operations Limited (ABN: 63 605 593 968) and Residential Parks No.2 Trust (ARSN: 605 803 414) and their controlled entities.

The 2018 Annual Report is a consolidated summary of the Group's operations, performance and financial results for the year ended 30 June 2018.

An electronic version of this report and further information on the Group can be found on the Group's website (www.gatewaylifestyle.com.au).

What we offer our residents

Affordability

Lifestyle

Security

Community

No exit fees

About Gateway Lifestyle

Gateway Lifestyle commenced in 2009 and listed on the ASX in June 2015. The Group has grown the portfolio to 58 residential land lease communities primarily located on the east coast of Australia. We continue to inspire a better lifestyle for over 10,000 residents who now call a Gateway Lifestyle community home.

Gateway Lifestyle remains well positioned to leverage the growing demand from Australia's ageing population for affordable and sustainable living solutions.

Our strategy focuses on building the long-term income streams of the business by providing affordable and sustainable land lease communities that meet the needs of our residents.

Our vision

To operate and create Australia's largest portfolio of residential land lease communities, that inspire a better lifestyle for independent active over 50's.

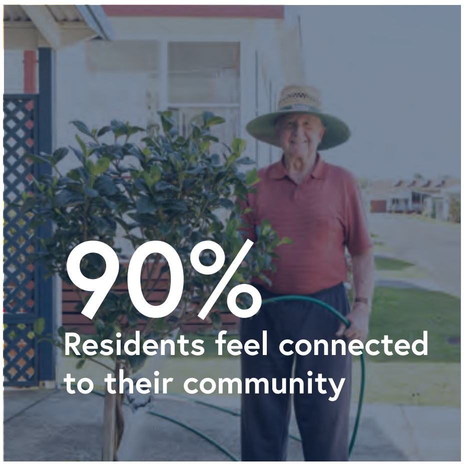
Community Snapshot

7,180
occupied sites

+10,000
residents

Key Metrics

7,180
Long-term occupied sites as at 30 June 2018

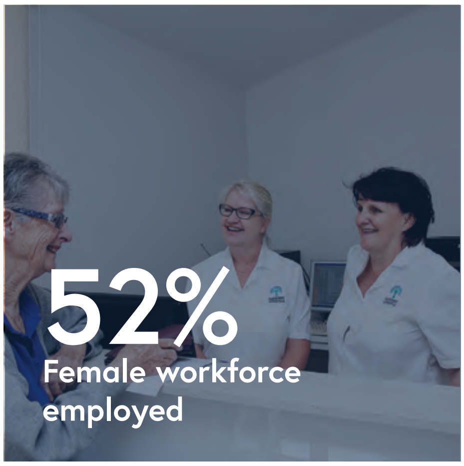


90%
Residents feel connected to their community

85%
Residents would recommend moving into a Gateway Lifestyle community

297
Employees at 30 June 2018

0
Lost Time Injury Frequency Rate



52%
Female workforce employed

$55m
Annualised long-term revenue as at 30 June 2018

641
Net increase in long-term occupied sites in FY18

9.1c
FY18 distribution per stapled security

Letter from the Chairman

Dear Securityholders

Gateway Lifestyle is Australia's largest residential land lease community operator, with 58 communities. Today over 10,000 residents call a Gateway Lifestyle community home.

The Group has had another year of progress with the strategy being focussed on two essential functions: delivering sustainable living solutions for our residents and creating value for our securityholders through the growth of our portfolio of long-term occupied sites. We continue to refine our residential offering to residents, ensuring that we deliver an attractive built-form home at an affordable price, coupled with lifestyle benefits within our communities. At 30 June 2018, our portfolio of long-term occupied sites had increased by approximately 10% to 7,180 delivering annualised rental revenue of over $55 million.

Financial and Business Performance
The Financial Statements accompanying the Annual Report outline the financial performance for the Group for the 2018 financial year. This can be summarised as follows:

- The Group achieved a Statutory profit of $58.2 million;
- Distributable earnings of $40.7 million, an increase of 2.9% on the previous year; and
- Total distribution for the year of 9.1 cents per stapled security, reflecting a payout ratio of 68%

Community operations delivered pleasing results, in line with strategy. The business achieved long term rental growth of 10.2% and a portfolio operating margin of approximately 57%. Over the medium term, we would expect that the portfolio margin will continue to improve as the communities are fully developed, in line with our mature communities that deliver operating margins of approximately 70%.

Capital management activities positioned the Group for the future. The Group's acquisition activity focussed on key over 50's living destinations, with two operating communities acquired in Victor Harbor (South Australia) and greenfield projects at Evans Head (New South Wales) and Yarrawonga (Victoria). These acquisitions have delivered a total of 488 long-term occupied sites and 394 development sites. We also took steps to divest certain non-core properties and direct this recycled capital toward new acquisitions and development activity.

The performance from our development business was disappointing. Whilst the business enjoyed good momentum through H1 FY18, settlement activity in the second half was impacted by moderating residential real estate conditions in certain locations, with an extension of the period from sale to settlement as incoming residents took longer to sell their family home. Margins improved to $106k per new home.

This performance led to a revision of the Group's earnings guidance in early May 2018.

Safety, Environment and Community
The health, safety and wellbeing of our employees and residents is an important focus for the Group. During the year good results were achieved across our communities with no Lost Time Injuries (LTIs) observed for the second year in a row and an associated lost time injury frequency rate of zero reported.

During the year we have had continuing positive engagement with our residents. We undertook our second resident survey to help us better understand the issues that are most important to residents living in our communities. Based on the outcomes of the survey, it was observed that residents overwhelmingly reported that their personal wellbeing was good or great and 85% of residents would recommend moving into a Gateway Lifestyle home to a friend or relative.

Corporate Activity
In June, we received an unsolicited approach from Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively, Hometown) to acquire the Group. This resulted in an ASX release confirming the receipt of a confidential, indicative and non-binding proposal from Hometown on 13 June 2018. This was followed by a similar proposal, albeit at a higher price, from Brookfield Property Group (Brookfield) announced on 21 June 2018, as well as a subsequent revised proposal from Hometown on 25 June 2018.

On 2 July 2018, Hometown announced a conditional off-market takeover offer at $2.25 per security (Offer). On 8 August 2018, Hometown sent Gateway Lifestyle Group securityholders a Bidder's Statement in relation to the Offer.

The Directors have undertaken a detailed review of the Offer and the Bidder's Statement. The outcome of this review, and the Directors' recommendation is contained in a Target's Statement a copy of which was released on the ASX's market announcements platform today.

The Board remains focussed on maximising value for Gateway Lifestyle securityholders. Whilst it has been encouraged by the interest in the business from Hometown, Brookfield and others, the Board has sought to engage with all interested parties in the best interests of securityholders, with a view to optimising the price and certainty of any proposal.

Subject to the ongoing corporate activity, the Group will continue to operate in the ordinary course of business in the best interests of Gateway Lifestyle securityholders.

Board
During the year, Sally Evans joined the Board as an additional independent director (announced 29 March 2018). Sally brings to the Board significant expertise and close to 30 years' experience in private, government and social enterprises.

On behalf of the Board, I would like to thank all our current securityholders for their continued support of Gateway Lifestyle Group and our employees for their hard work and dedication. I would specifically like to thank our residents for choosing Gateway Lifestyle.

Andrew Love
Chairman

Letter from the CEO

Dear Securityholders

During FY18, Gateway Lifestyle has continued to build its portfolio to create Australia's largest portfolio of residential land lease communities inspiring a better lifestyle for independent and active over 50s.

FY18 Financial and Operational Highlights
Key financial and operating metrics for the year ended 30 June 2018, include:

- Portfolio of 58 communities consisting of 7,180 long-term occupied sites, 1,447 development sites and 981 short term sites.
- Distributable earnings increased 2.9% to $40.7 million
- Average weekly rent per long-term site increased by 3.9% to $147.9 per week
- 236 new home settlements at an average incoming site rent of $156.5 per week
- Average profit per new home settlement of $106k
- Acquisition of two operating RLLCs in South Australia for $45.0 million, excluding transaction costs adding 488 occupied sites and 67 development sites
- Acquisitions of two greenfield sites for purpose-built RLLCs in Yarrawonga, Victoria and Evans Head, New South Wales adding 321 development sites
- Divestment of Rainbow Waters, Bass Hill, Acacia Ponds (post year end) and Failford and due diligence well progressed on the divestment of two additional non-core communities.

Operations
Total revenue increased by 13.8% to $68.0 million. Long-term revenue was the key driver, growing by 10.2% to $51.0 million, driven primarily by growth in organic long-term site rent of 3.9% and the contribution from settlements and acquisitions. Operating margin tracked in line with expectations at approximately 57%.

Revaluations across the portfolio resulted in a net fair value increase of $22.2 million. This was driven predominately by the increase in the long-term revenue rental stream and continued cap rate compression, with transactional and corporate activity demonstrating the quality of the long-term income stream.

Development
Following the high level of development activity in the period to 31 December 2017, 2H18 settlement volumes reflected moderating real estate market conditions in

certain locations resulting in an extended period from sale to settlement. The 236 new home settlements in FY18 was in line with the 2 May 2018 trading update of 230 to 240 settlements with the average development margin of $106k, slightly above prior year.

As at 30 June 2018 the Group had on site a total of 98 display homes and 45 on site under construction, which is higher than previously anticipated due to lower than anticipated settlements in 2H18.

Capital management

In FY18 the Group undertook a strategic review of assets, and identified approximately $25 million of non-core assets, principally due to a combination of strategic fit, scale and potential holding returns. We are pleased to have completed the divestment of Bass Hill ($10.4 million), Rainbow Waters ($8 million) and Failford ($1.4 million) and exchanged unconditional contracts for the sale of Acacia Ponds ($5.6 million).

As at 30 June 2018, total investment property assets were $732.9 million and net tangible assets were $1.59 per security. Gearing was 32.4% and we are well advanced on progressing a debt refinancing facility. The Group continued to invest in the development and improvement of the portfolio to support the long-term positioning of the Group. The investment in the portfolio was supported by revaluations that continue to place increasing value on the quality of the long-term income.

As we enter FY19, we will continue to focus on the key value drivers of the business. The Group remains well positioned to execute our strategic plan.

Thank you for your continued support.

Trent Ottawa
Chief Executive Officer

Board

Andrew Love

Independent Chairman

Member of Remuneration and Nomination Committee
Member of the Audit and Risk Management Committee

B.Comm, FCA.

Andrew has over 36 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 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 directorship of listed entities in last three years:
None

Stephen Newton

Director (Independent Non-Executive)

Member of the Audit and Risk Management Committee

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

Stephen is currently a Director of BAI Communications Group, Stockland Property Group, and Viva Energy REIT Group. 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, University of Notre Dame and Newcastle Airport Limited.

Stephen has extensive experience across real estate investment, development and management 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 directorship of listed entities in last three years:
None

Rachel Launders

Director (Independent Non-Executive)

Chair of the Remuneration and Nomination Committee
Member of the Audit and Risk Management Committee

BA, LLB (Hons), FFin, GAICD

Rachel has over 21 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 an education centre for children and young adults with autism in Sydney and Melbourne. Rachel is a Fellow of the Financial Services Institute of Australasia and graduate a member of the Australian Institute of Company Directors.

Former directorship of listed entities in last three years:
None

Sally Evans
Director (Independent Non-Executive)

Member of the Audit and Risk Management Committee

BHSc, MSc, FAICD, GAIST

Sally has close to 30 years' experience in private, government and social enterprises in Australia, New Zealand, the UK and Hong Kong with responsibility extending to the Asia Pacific region. Sally has previously held Directorships on the boards of Opal Aged Care and Blue Cross Aged Care, was an inaugural member of the Aged Care Financing Authority and currently chairs the social enterprise LifeCircle.

Sally was recently appointed to the board of Rest Super and Primary Health Care Limited. Sally is a Fellow of the Australian Institute of Company Directors and a graduate of the Australian Institute of Superannuation Trustees.

Former directorship of listed entities in last three years:
None

Andrew Fay
Director (Independent Non-Executive)

Chair of the Audit and Risk Management Committee
Member of the Remuneration and Nomination Committe

B. AgEc (Hons), AFin

Andrew has over 30 years' experience in the financial services industry. Andrew currently holds the role of non-executive director of ASX listed Pendal Group and Spark Infrastructure. Andrew is also a non-executive director of South Australia Power Networks, JO Hambro Capital Management (a UK funds management company) and National Cardiac Pty Ltd.

Andrew also consults to Dexus 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.

Former directorship of listed entities in last three years:
None

Trent Ottawa
Executive Director and Chief Executive Officer

B.Bus (Accg), ACA

Trent has been involved in the manufacturing home estate 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.

Former directorship of listed entities in last three years:
None

OMIFL Board and Directors

Frank Tearle
Director (Executive)

LLB (Hons) University of Leicester and LLM UTS

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.

Other current directorships
One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust(ASX:GCI), Columbus Investment Services Limited (ACN 095 162 931) as responsible entity of Alternative Investment Trust (ASX:AIQ) and Asia Pacific Data Centre Limited as responsible entity of Asia Pacfic Data Centre Trust (ASX:AJD).

Former directorships (last 3 years)
One Managed Investment Funds Limited as responsible entity of Aventus Retail Property Fund (ASX:AVN) (OMIFL retired as RE on 11 March 2016).

Justin Epstein
Director (Executive)

BComm (Hons), DPFS and is a Fellow of the Financial Services Institute of Australia

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.

Other current directorships
One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust(ASX:GCI), Columbus Investment Services Limited (ACN 095 162 931) as responsible entity of Alternative Investment Trust (ASX:AIQ) and Asia Pacific Data Centre Limited as responsible entity of Asia Pacfic Data Centre Trust (ASX: AJD).

Former directorships (last 3 years)
One Managed Investment Funds Limited as responsible entity of Aventus Retail Property Fund (ASX:AVN) (OMIFL retired as RE on 11 March 2016).

Elizabeth Reddy
Director (Non-Executive)

Dip Law awarded by the NSW Solicitors Admission Board

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.

Other current directorships
One Managed Investment Funds Limited as responsible entity of Agricultural Land Trust (ASX:AGJ), Gryphon Capital Income Trust(ASX:GCI), Columbus Investment Services Limited (ACN 095 162 931) as responsible entity of Alternative Investment Trust (ASX:AIQ) and Asia Pacific Data Centre Limited as responsible entity of Asia Pacfic Data Centre Trust (ASX: AJD).

Former directorships (last 3 years)
One Managed Investment Funds Limited as responsible entity of Aventus Retail Property Fund (ASX:AVN) (OMIFL retired as RE on 11 March 2016).

Management

From left to right: Leanne Nolan; Trent Ottawa; Kodi Krishnan; Owen Kemp

Trent Ottawa
Chief Executive Officer

B.Bus (Accg), ACA

Trent has been involved in the manufacturing home estate 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.

Owen Kemp
Chief Financial Officer

BComm (Banking and Finance), Grad Diploma Accounting, CA

Owen has over 17 years' experience in the accounting and corporate finance fields. Prior to joining Gateway Lifestyle in 2016, Owen was a Director in Ernst & Young's Transaction Advisory Services practice, where over 13 years in Sydney and London he specialised in the corporate finance field, specifically capital raisings and debt financing.

Owen is a member of the Chartered Accountants of Australia.

Leanne Nolan
General Counsel and Company Secretary

(BEc, LLB (Hons), LLM)

Leanne has over 20 years' experience in corporate and commercial law. Prior to joining the Gateway Lifestyle, 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.

Kodi Krishnan
Human Resources Manager

Bachelor of Administrative Studies

Kodi has over 17 years' of HR management experience and commenced with Gateway Lifestyle in November 2015 having previously held the role of HR Director at Alstom Transport. Kodi has a strong background in both operational and strategic HR in medium to large enterprises in the Asia-Pacific region. Additionally, she has specialist experience in project based employment and the alignment and motivation of a geographically dispersed workforce through clear policies and strong corporate communications.

Our Approach to Sustainability

Our approach to operating sustainably is designed to anticipate and respond to the most pressing emerging topics (issues and opportunities) that have the potential to materially impact customers, employees, suppliers and securityholders, as well as the wider community and the environment at large. As such, sustainability considerations are embedded within our core business activities, and are aligned with the priorities set out in the Group's business plan that aims to create sustainable long-term returns for the business and its securityholders.

We have a responsibility to our stakeholders and the broader community to contribute on matters affecting the industry including Government regulatory reform. We participate in sector-related matters through direct submissions and representations to Government, industry bodies, serving on regulatory committees and active participation as a member of the Caravan & Camping Industry Association (CCIA) New South Wales (NSW) and APRA.

In FY17, Getaway Lifestyle invested in better understanding the sustainability-related issues that are material to the business and its stakeholders. The outcomes of this assessment were disclosed in the Gateway Lifestyle FY17 Annual Report. There have been no significant changes during the FY18 reporting period that could potentially affect the Group's previous materiality assessment. This section of the report highlights the Group's efforts to effectively manage those material issues and provide further information regarding its sustainability-related performance and initiatives during the FY18 reporting period

John Anderson - Community Manager, Tweed Shores - CCIA Winner

Vision and Values

Gateway Lifestyle is committed to maintaining the highest ethical standards in the conduct of its business activities. Gateway Lifestyle has adopted a Code of Conduct that applies to all Directors and employees of the Group. The Code of Conduct outlines how the Group expects its representatives to behave and conduct business in the workplace on a range of issues. The Board, as the Group's highest governance body, ensures that Gateway Lifestyle's values and ethical standards are reflected in the Group's operations.

Our vision is to operate and create Australia's largest portfolio of residential land lease communities, that inspire a better lifestyle for independent active over 50's.

To help us achieve our vision, Gateway Lifestyle has developed a business model that aims to:

- Grow the long-term annuity style income stream;
- Develop and operate quality land lease communities;
- Create sustainable living solutions for an aging population; and
- Deliver long term securityholder returns.

CCIA (NSW) Awards of Excellence 2017

- Awarded by CCIA (NSW) Annual Awards Employee of the Year Community Manager John Anderson reflecting his exemplary dedication, passion and commitment to his residents and colleagues. In particular John was recognised for the role he played in the Tweed Shores community affected by the floods following Cyclone Debbie in April 2017.
- Finalist: Best Land Lease Living Community (Albury).

Frameworks and Policies

Gateway Lifestyle responds to enduring and emerging material topics through frameworks and policies that are complementary to the business strategy and form part of the Group's overall approach to risk management. Collectively, they help to guide decisions, manage risk and drive action.

Further details on our corporate governance practices can be found in our Corporate Governance Statement which is available on our website: gatewaylifestyle.com.au under the Investor section.

Material Sustainability Topics

Gateway Lifestyle has identified the most material sustainability topics through an assessment of industry trends, internal reports, information from stakeholder engagement and independent research. The table on page 16 outlines those topics considered material for Gateway Lifestyle and its stakeholders.

Guiding our Approach

Accountability for the Group's sustainability approach starts with the Board and flows through to all employees. The Board has responsibility for considering the social, ethical and environmental impact of the Group's activities, setting standards and monitoring compliance with sustainability policies and practices. Progress against sustainability focus areas is reported on and discussed at the Board level.

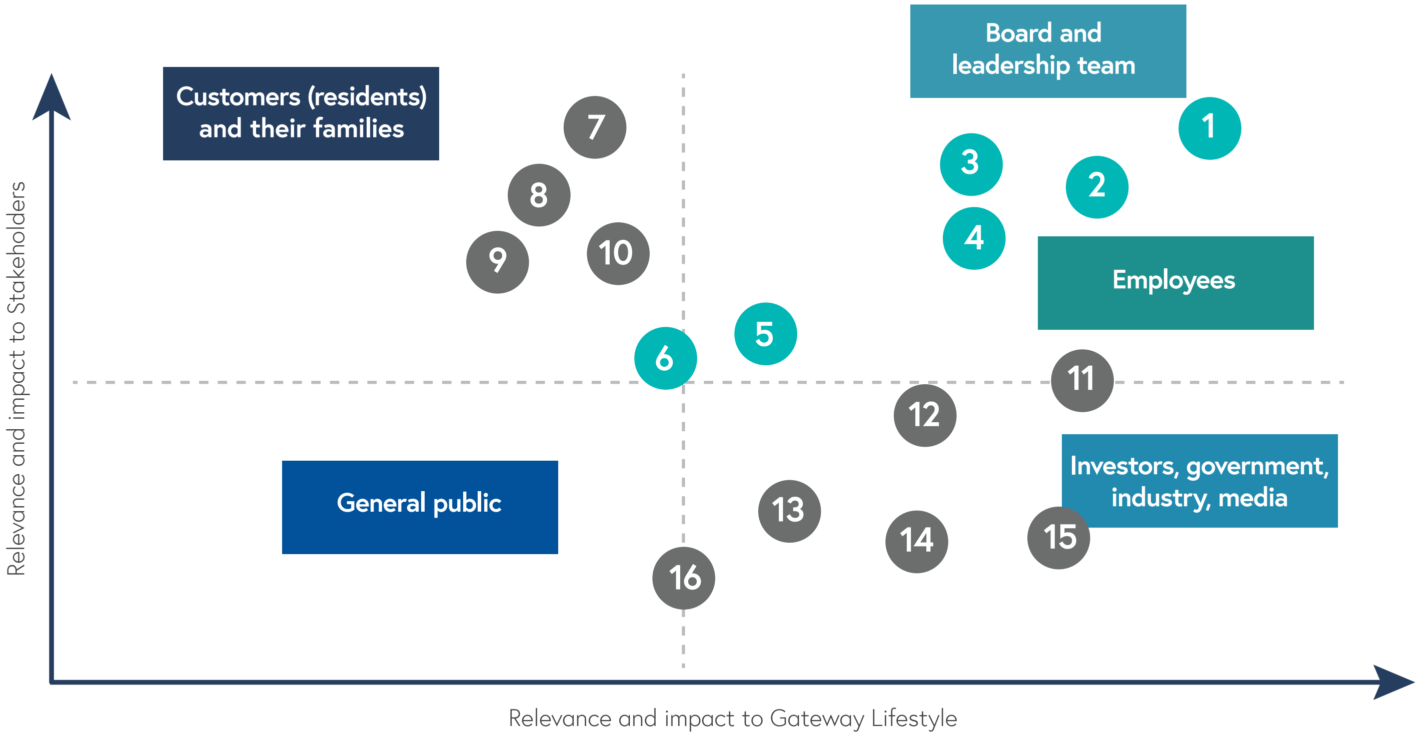
Our Sustainability Principles

Gateway Lifestyle's sustainability approach is based upon the use of the widely accepted global standard for corporate responsibility and sustainable development, the AA1000 Accountability Principles Standard (2008).

In line with AA1000, we have adopted the Standard's three key principles:

- Involving all stakeholders in identifying topics and developing our approach – Inclusivity;
- Evaluating all topics identified to determine the impact they may have on our stakeholders and our operations – Sustainability materiality; and
- Ensuring our decisions, actions and performance, as well as our communication with stakeholders, are responsive to the topics identified – Responsiveness.

Our Approach to Sustainability



Material Issues

1. Strategic focus and direction
2. Company performance
3. Employee training and support
4. Community management
5. Governance and stakeholder relationships
6. Supply chain (major suppliers)
7. Resident security and wellbeing
8. Housing affordability and long-term tenure
9. Health, wellbeing and connectedness
10. Physical infrastructure including amenities, consistency and maintenance
11. Environment including climate change
12. Competitor offering/product
13. Government (funding continuity)
14. Regulatory compliance
15. Media coverage
16. Perception of RLLC industry

Responding to Key Material Issues

Sixteen topics were identified through Gateway Lifestyle's materiality assessment. The following six issues are considered to be highly material to both the Group and its stakeholders:

1 **Strategic focus and direction:** We are focused on maintaining a consistent and healthy financial performance and a strong balance sheet, vital for the future of the Group.

2 **Company performance:** We continue to focus on positioning the Group for growth and delivering sustainable, long-term returns for our securityholders.

3 **Employee training and support:** We recognise that the ability to engage and retain high performing employees is critical to our overall business performance and that employee training and support is a key element in the organisation's development.

As part of our efforts to develop and enhance employee skills, a training workshop was rolled out in FY17 for our Community Managers with the aim of providing those individuals with the skills necessary to better manage our communities. As part of these workshops, Community Managers were also trained on handling different types of behaviours and situations that they might come across as part of their duties. This training program was continued in FY18.

Gateway Lifestyle strives to promote a safe and inclusive work environment for all employees regardless of their gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. As such, in an effort to prevent any incidents of discrimination and bullying, the Group introduced an online course for all new employees.

In FY18, Gateway Lifestyle also conducted an 'Employee Engagement Survey' that provided the opportunity for the Group to measure employee satisfaction and gain insights that can enable positive change. This process has ultimately enabled the Group to identify key challenges as well as opportunities for improvement that can result in a more engaged and satisfied workforce. Based on the survey outcomes, it was observed that our people feel strongly engaged and aligned with the Group's goals and objectives, believe that Gateway Lifestyle provides them with all the tools and resources necessary to perform their responsibilities and that the Group's efforts to ensure that diversity and inclusion, workplace safety, flexible working conditions and sustainable engagement are reflected in our day-to-day operations. The survey outcomes also highlighted some areas for potential improvement that the Group will consider going forward.

At Gateway Lifestyle, the health, safety and well being of employees and our residents is an important focus. We are commited to providing a safe working environment for everyone who works with us. For FY18 the group reported a zero loss time injury and an associated lost time injury frequency rate of zero.

4 **Community management:** Our goal is to create communities that address the long-term needs of our residents.

In FY17, Gateway Lifestyle undertook its inaugural Residents' Survey to help the Group better understand the issues that are most important to residents living in its communities. The survey was designed as a broad-ranging health check on social and environmental factors and perceptions that affect residents' quality of life. Gateway Lifestyle repeated this survey in FY18.

Based on the outcomes of the survey, it was observed that:
- Sense of community, proximity of local amenities and security were cited as factors that residents enjoy about living in their community.
- Residents overwhelmingly reported that their personal wellbeing was good or great.
- 85% of Gateway Lifestyle residents would recommend moving into a Gateway Lifestyle home to a friend or relative.

The survey results also indicated that the feeling of security and community connectedness ultimately stem from the level of engagement by and with the Community Managers and

Creating a thriving Gateway Lifestle community

as such, Community Managers are the drivers for a safe and connected community.

We strive to constantly improve our relationship with our residents and we are developing a resident communication plan to ensure that we are responsive to our residents' needs. In addition, Gateway Lifestyle has opened new community centres at Yamba, Grafton, Aspley, Redlands, Sussex and an extension at Regal Waters in an effort to further support our goal of creating communities that effectively address the needs of residents.

Gateway Lifestyle has also established grievance and complaint mechanisms that allow the Group to effectively address and manage complaints and resolve outstanding disputes. Feedback is encouraged with Gateway Lifestyle being committed to managing any complaints in a timely, fair and transparent manner. Gateway Lifestyle strives to make it easy for people to raise issues and ensure that our employees have the skill and resources to effectively raise, action and report complaints and feedback to build a culture of learning and continuous improvement. .

5 **Governance and stakeholder relationships:** We aim to develop and maintain strong relationships with our key stakeholders in order to understand their needs and concerns. The Group's key stakeholders include our employees, residents, family members, the local economy and the broader society.

Gateway Lifestyle continually engages with stakeholders such as local councils to ensure strong communication throughout the development process.

The Group also actively contributes to sector related discussions and regulatory reforms through participation in industry bodies and through direct submissions and engagements with the government

6 **Supply chain:** We aim to enrich our value chain by developing and maintaining strong relationships through regular and genuine engagement with key stakeholders including our major suppliers.

Other Key Sustainability

Development of environmental reporting: In FY18, an environmental reporting approach was developed in order to help Gateway Lifestyle better understand, improve and communicate its environmental impact. Specifically, the Group has measured the total electricity consumption of all Gateway Lifestyle Community and Corporate Facilities (not including consumption of residents) for the FY18 reporting period. This allowed us to estimate the emissions that make up approximately 70-85% of all Gateway Lifestyle's operational emissions.

Sustainability considerations regarding new acquisitions: Gateway Lifestyle has adopted a diligent process when reviewing new acquisitions prospects. Broadly, the process involves the development of a sustainability checklist that aims to identify all opportunities and further management actions before executing the final phase of site acquisition and development in collaboration with internal departments. Information such as urban design quality, access to transport, pollution, possible opportunities to utilise renewable energy sources, how the community supports resident health and wellbeing as well as equality and diversity considerations are all reviewed as part of the process.

Recycling of electronic waste: In FY18, Gateway Lifestyle introduced the recycling of used electronic equipment and electrical waste in three of its communities in NSW. The Group will continue to explore recycling options that contribute to the sustainability of its operations.

Looking Forward

We intend to establish a cyber risk management plan to improve the security of the business, adopt a procurement process to enrich and maintain the value chain and develop a resident communication plan to better engage with our residents.

In addition, the Group plans to develop a sustainability reporting approach which will allow Gateway Lifestyle to better understand, improve and communicate its environmental, social and wider sustainability-related impacts. We anticipate to be able to report our sustainability-related information in accordance with widely used frameworks such as the Global Reporting Initiative Standards that will allow us to better communicate our approach to sustainability.

Directors' Report

Gateway Lifestyle Group
Directors' report
30 June 2018

The Directors of Gateway Lifestyle Operations Limited (GLOL or the Company) present this 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 year ended 30 June 2018 for:

- Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust and their controlled entities (Gateway Lifestyle Group); and
- Residential Parks. No 2 Trust (RPT2) and its controlled entities (RPT2 Group).

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

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 RPT2 and one share in GLOL. The unit and share are stapled together and cannot be traded separately. Each entity forming part of Gateway Lifestyle Group continues as a separate legal 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.

RPT2 is a managed investment scheme. One Managed Investment Funds Limited (OMIFL) was appointed as the responsible entity for RPT2 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 RPT2 including the preparation of these financial statements. Each reference in these financial statements to 'the Directors' or 'Board of Directors' is a reference to the Directors of GLOL unless otherwise stated.

Directors

The following persons were Directors of Gateway Lifestyle Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

Gateway Lifestyle Operations Limited	
Andrew Love	Chairman (Independent Non-Executive)
Stephen Newton	Director (Independent Non-Executive)
Rachel Launders	Director (Independent Non-Executive)
Andrew Fay	Director (Independent Non-Executive)
Sally Evans	Director (Independent Non-Executive) (appointed 29 March 2018)
Trent Ottawa	Executive Director and Chief Executive Officer
One Managed Investment Funds Limited	
Frank Tearle	Director (Executive)
Justin Epstein	Director (Executive)
Elizabeth Reddy	Director (Non-Executive)

Directors' meetings and attendances at those meetings for FY18 (including meetings of committees or directors) are disclosed on page 21. The qualifications and experience of directors, including current and recent directorships, are detailed on pages 10 to 11.

Company secretary

Leanne Nolan (BEc, LLB (Hons), LLM) was appointed Company Secretary in 2016 to Gateway Lifestyle Operations Limited. 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.

Frank Tearle has held the role of Company Secretary since 2008 for One Management Investment Funds Limited.

Remuneration report

The Remuneration Report is set out on pages 29 to 41 and forms part of the Directors' Report.

Directors' interests

Details of the security holdings of the Directors and Key Management Personnel (KMPs) as at 30 June 2018 can be found on page 40 of the Remuneration Report.

Meetings of Directors

The number of meetings of the Company's Board of Directors (the Board) and Committees held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended
Gateway Lifestyle Operations Limited						
Andrew Love	16	16	4	4	4	3
Stephen Newton	16	15	4[2]	3[2]	4	4
Rachel Launders	16	16	4	4	4	4
Andrew Fay	16	16	4	4	4	4
Sally Evans[1]	7	7	1[2]	1[2]	1	1
Trent Ottawa	16	16	4[2]	4[2]	4[2]	4[2]
One Managed Investment Funds Limited						
Frank Tearle	7	7	-	-	-	-
Justin Epstein	7	7	-	-	-	-
Elizabeth Reddy	7	0	-	-	-	-

1. Sally Evans was appointed to the GLOL Board and as a member of the Audit and Risk Committee on 29 March 2018.
2. Attended as an observer.

Business overview

As at 30 June 2018, Gateway Lifestyle Group comprised 58 residential land lease communities (RLLC) predominately located in New South Wales (37), Queensland (13), Victoria (5), South Australia (2) and the Australian Capital Territory (1).

The Group progressed the long term strategic plan during the year, with long-term occupied sites increasing by 9.8% to 7,180 at 30 June 2018 (30 June 2017:6,539) and annualised long-term rent increasing by 14.0% to $55.2 million (30 June 2017: $48.4 million). The strategic acquisition of the Rosetta and Seachange communities in South Australia and acquisition of two greenfield sites positioned the Group well to take advantage of demand for RLLCs in key locations.

Key financial and operating metrics for the year ended 30 June 2018, include:

- Distributable earnings of $40.7 million, an increase of 2.9% (30 June 2017: $39.6 million)
- 7,180[1] long-term occupied sites (30 June 2017: 6,539)
- Average weekly rent per long-term site of $147.9 per week[1], an increase of 3.9% (30 June 2017: $142.4)
- Annualised long-term rent of $55.2 million (30 June 2017: $48.4 million)
- 236 home settlements (30 June 2017: 241) and 60 committed sales (30 June 2017: 83)
- Average profit per home settlement of $106,000 (30 June 2017: $105,000)
- 98 display homes available for sale and a further 45 display homes under construction on site as at 30 June 2018
- Acquisition of two operating RLLCs in South Australia for $45.0 million, excluding transaction costs
- Two greenfield acquisitions for purpose-built RLLCs in Yarrawonga, Victoria and Evans Head, New South Wales
- Asset recycling program to improve the quality of the portfolio, with the divestment of Rainbow Waters, Bass Hill and Acacia Ponds and due diligence well progressed on two additional non-core communities

Subsequent to 30 June 2018 the following changes to the portfolio have occurred:

- Settlement of the sale of the Bass Hill community on 4 July 2018
- An unconditional contract of sale was exchanged in relation to the Acacia Ponds community, with settlement expected in September 2018
- The two divestments transaction values were consistent with book values as at 30 June 2018

1 Adjusted for the divestment of Bass Hill and Acacia Ponds, 7,034 long-term occupied sites and average weekly rent per long-term site of $148.1.

Review of operations

The net profit after tax for the Group amounted to $58.2 million (30 June 2017: $59.7 million), representing a decrease of $1.5 million.

Distributable earnings increased by $1.1 million or 2.9% to $40.7 million, driven by:

- continued growth in the adjusted Operations EBITDA, which increased by $3.9 million (11.2%) on the prior year
- increase in the average profit per home, offset by a reduction in settlement volume, leading to a $0.3m (1.2%) decrease in Development EBITDA; and
- corporate costs increased $0.3 million to $14.9 million included increased planning and due diligence activity in light of the strategic focus on higher return expansion and greenfield assets.

Finance costs increased by $2.3 million (36.1%) on the prior year, and the Group transitioned to an income tax expense of $1.0 million ($1.1 million benefit in the prior year)

Cash flow conversion for the half improved on the 1H18 result, however the lower than anticipated settlement volume in 2H18 has led to a slower unwind of home inventory. Cash conversion is expected to improve into 1H19 as display home inventory is sold.

Financial operating metrics

Currency: Australian dollars	Unit	30 Jun 2018	30 Jun 2017	Change	Change%
Financial metrics					
Revenue	$million	129.7	119.2	10.5	8.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	$million	46.2	40.6	5.6	13.8
Net profit before tax	$million	59.3	58.7	0.6	1.0
Net profit after tax	$million	58.2	59.7	(1.5)	(2.5)
Distributable earnings[2]	$million	40.7	39.6	1.1	2.9
Operating cash flow[3]	$million	30.9	38.9	(8.0)	(20.6)
Operating cash flow conversion[4]	%	66.9%	95.8%		
Earnings per stapled security	cents	19.32	19.95	(0.63)	(3.2)
Distribution per stapled security	cents	9.10	9.10	-	-
Gearing ratio[5]	%	32.4%	23.4%		
Operational metrics					
Rental revenue	$million	61.9	55.9	6.0	10.7
Long-term site rental revenue	$million	51.0	46.3	4.7	10.2
Long-term occupied sites[6]	No.	7,180	6,539	641	9.8
Average long-term occupied site rental[6]	$/week	147.9	142.4	5.5	3.9
Short-term revenue	$million	10.9	9.6	1.3	13.5
Development revenue	$million	61.6	57.5	4.1	7.1
Average selling price	$'000	261.0	239.0	22.0	9.2
Average profit per settlement	$'000	105.7	104.8	0.9	0.9
Development EBITDA Margin	%	40.5%	43.8%		
Settlements	No.	236	241	(5)	(2.1)
Committed sales	No.	60	83	(23)	(27.7)

1. EBITDA is used to evaluate the performance of the business without the non-cash impact of depreciation and amortisation, impairments, fair value gains or losses and before interests and tax charges.
2. Distributable earnings is net profit after tax, adjusting for non-cash, one-off and non-recurring items and is set out in the reconciliation to distributable earnings below.
3. Operating cash flow is defined as net cash from operating activities before interest, taxation and transactional costs.
4. Operating cash flow conversion is based on Operating cash flow divided by Earnings before interest, taxation, depreciation and amortisation.
5. Gearing ratio is net debt (being borrowings less cash and cash equivalents) as a percentage of total tangible assets.
6. As at 30 June 2018 and 30 June 2017.

Reconciliation of statutory profit after income tax to distributable earnings

Distributable earnings is a non-IFRS measure designed to present, in the opinion of Directors, the results from the ongoing operating activities in a manner consistent with our distribution policy, and reflects underlying performance, and importantly excludes non-cash flow items such as income tax benefits.

Distributable earnings is calculated as statutory net profit after tax, after adjusting for non-cash, one-off and non-recurring items.

Reconciliation of statutory profit after income tax to distributable earnings (continued)

	30 Jun 2018 $'000	30 Jun 2017 $'000	Change	Change%
Profit after income tax	58,217	59,712	(1,495)	(2.5)
add backs:				
Depreciation	388	461		
Net fair value gain	(22,191)	(24,951)		
Income tax expense/(benefit)	1,041	(1,061)		
Amortisation of borrowing costs	762	670		
Security-based payments expense	1,112	796		
One-off items[1,2]	1,402	3,966		
Distributable earnings	**40,731**	**39,593**	1,138	2.9

1. In FY18 One-off items predominantly represent non-cash statutory adjustments, advisory fees relating to corporate activity and capital management services.
2. In FY17 One-off items includes approximately $1.5 million severance and other related costs incurred as a result of restructuring across the business, $1.3m of professional fees related to significant projects in relation to managing legacy taxation matters, revisiting of stapled security arrangements, one-off audit and due diligence services and $0.7m from the disposal proceeds from rezoned land, and the loss on disposal of plant and equipment.

Operations

Long-term site rental revenue increased by 10.2% in the period, from $46.3 million to $51.0 million.

The Group ended the year with 7,180 long-term occupied sites, at an average long-term occupied site rental of $147.9 per site. This equates to annualised long-term rental of $55.2 million.

Short term revenue of $10.9 million increased by 13.5% (30 June 2017: $9.6 million) driven by the full year contribution of Sundown Canberra (acquired in May 2017), in part offset by the decreased revenue from conversion communities.

Operating margin was in line with expectations at 56.9%, with mature assets operating at approximately a 70% margin.

Development

Following the high level of development activity in the period to 31 December 2017, 2H18 settlement volumes were slowed with moderating real estate market conditions in some locations, resulting in an extended period from sale to settlement.

The 236 new home settlements in FY18 (FY17: 241) was in line with the 2 May 2018 trading update revised guidance of 230 to 240 settlements.

As at 30 June 2018, the Group had 60 carried forward committed sales (30 June 2017: 83, 31 December 2017: 52).

As at 30 June 2018 the Group had 98 display homes completed and 45 on site under construction, which is higher than previously anticipated due to lower than anticipated settlements in 2H18. Management continues to target completed home inventory stock of circa 70 homes, and with home orders curtailed in late FY18 this completed home inventory is expected to unwind in 1H19.

Corporate

FY18 corporate costs of $14.9 million (adjusted for non-cash items) are trading directionally in line with expectations, and our platform continues to have capacity for growth. The strategy to focus on higher return expansion and greenfield assets has played out in the corporate cost base, most notably in terms of increases in planning and due diligence costs.

The competitive market for mature assets has continued to intensify, as evidenced by transaction values and more recently corporate activity.

Capital management

In FY18 the Group undertook a strategic review of assets, and identified approximately $25 million of non-core assets, principally due to a combination of strategic fit, scale and potential holding returns. We are pleased to have completed the divestment of Bass Hill ($10.4 million) and Rainbow Waters ($8 million) and exchanged unconditional contracts for the sale of Acacia Ponds ($5.6 million) in line with book values.

With a pipeline of development and conversion sites, this allows the Group to recycle capital to higher returning development projects and focus on the overall quality of the portfolio.

As at 30 June 2018, gearing was 32.4% (30 June 2017: 23.4%) and on a pro forma basis accounting for the divestments noted above, 30.9%.

Cash and cash equivalents as at 30 June 2018 were $7.3 million (FY17: $22.6 million).

Outlook

The ongoing operations and strategic direction of Gateway Lifestyle Group will largely be dependent on the outcome of the corporate activity involving the Group. Details of recent corporate activity are outlined below.

On 12 June 2018, Gateway received an indicative and non-binding proposal by Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively Hometown) to acquire 100% of the issued stapled securities of the Group at an indicative price of $2.10 per security by way of schemes of arrangement (the proposal). Full details can be found in the ASX Announcement release on 13 June 2018. Further details of this are set out below, under "Matters subsequent to the end of the financial year".

On 21 June 2018 Gateway received an indicative and non-binding proposal by Brookfield Property Group (Brookfield) to acquire 100% of the issued stapled securities of the Group at an indicative price of $2.30 per security by way of either schemes of arrangement or a recommended takeover bid (the Brookfield Proposal). The indicative price would be reduced by the value of any distributions announced after the 21 June 2018. The Brookfield proposal is subject to a number of conditions including due diligence, entering into a scheme implementation agreement containing customary conditions and Foreign Investment Review Board approval. Full details can be found in the ASX Announcement release on 21 June 2018.

On 24 June 2018, Gateway received a revised confidential, indicative and non-binding proposal from Hometown to acquire 100% of the issued stapled securities of the Group at an indicative price of $2.35 per security by way of scheme of arrangement (the revised Hometown proposal). Full details can be found in the ASX Announcement release on 25 June 2018.

Distributions

The total distribution paid or declared in respect of the FY18 totalled 9.1 cents (FY17: 9.1 cents) per Volume Weighted Security (VWS). RPT2 declared and paid an interim distribution for the six months ended 31 December 2017 of 3.75 cents per stapled security. An estimated distribution of 5.35 cents per stapled security in respect of the six months ended 30 June 2018 was announced on 22 June 2018 with a payment date of 28 September 2018. The September 2018 distribution has a tax deferred component of 47.4% (including CGT discount component), which results in a full year tax deferred component of 51.6%. The distribution payable is within the Group’s distribution policy of 65-85% of distributable earnings.

On 22 June 2018, the Group announced that the Distribution Reinvestment Plan will be suspended until further notice.

Risk

Gateway faces a number of risks throughout the business which have the potential to affect the Group’s achievement of its targeted financial and strategic outcomes. The objective of the Group’s risk management framework is to identify material risks and put in place appropriate strategies to control, or otherwise manage, the impact of these risks.

As part of its strategic planning process Gateway continued to refresh the strategic risk profile of Gateway, including the consideration of both internal and external risks which have the potential to impact Gateway’s strategic objectives. During FY18, the Group reviewed its risk management framework and formally adopted a revised Risk Management Policy and set Gateway’s risk appetite statement to provide further support to Gateway in its decision making and monitoring of risk. Further information on the Group’s risk management framework is detailed in the Gateway Corporate Governance Statement.

At a Group level, Gateway faces several risks that could impact the business and financial outcomes with the nature and potential impact of these risks changing over time. Our risks include broader economic conditions and include but are not limited to:

Risk (continued)

Description of risk	Response
Macro Conditions: downturn in residential property market	Gateway continues to strategically target growth in our long term income stream to mitigate exposure to residential property market conditions. Our business can be impacted by prevailing economic conditions and this may impact the rate of sales of new and pre-loved homes and the timing of settlement of new homes. Gateway is focused on sales strategies and processes to mitigate the risk of slower conversion of sales to settlements.
Regulatory environment: regulatory changes impact our business	Continue to engage with industry bodies and government on policy areas including housing affordability and taxation reform. Focus on good practice to remain well positioned and be prepared for regulatory change.
Growth Pipeline: securing the right development opportunities	Defined process of due diligence across planning, legal, construction and demand issues to maintain discipline in our investment decision making. Evolve product development, affordability and adapt community design to meet our home buyer's expectations and demand.
Capital management: accessing suitable capital for investment and operations	Long term growth is dependent on our ability to access and manage capital. Maintain a quality balance sheet with appropriate levels of gearing and prudent capital management policies. Maintain an appropriate and variable cost structure to enable flexibility in changing market conditions.
Health and Safety & Environment risks: legal and social licence to operate	Initiated health and safety audits for our key development suppliers. At our communities, we have continued with toolbox talks with aids that visually depict health and safety risk and what controls can be put in place to mitigate them. Conduct health and safety data trend analysis with corresponding action plans. Careful consideration is given to our environmental and sustainability impact when planning, and operating, our lifestyle communities.
Market alignment: ability to adapt to meet future resident and societal demands	Undertaken resident surveys to understand resident expectations about the operational, social and behavioural aspects of our communities. Ensuring our communities and our housing product demonstrate value for money and meet the changing demands of Australia's over 50s population.
Systems and Process: investment in control environment	Investment in development, acquisition and divestment feasibility criteria to provide accurate and timely information to support decision making. During FY18 we implemented a new Delegation of Authority across the business.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 4 July 2018, the Group settled the sale of Gateway Lifestyle Bass Hill NSW for a sale price of $10.4 million.

On 23 July 2018 the Group exchanged unconditional contract for the sale of Gateway Lifestyle Acacia Ponds for a sale price of $5.6 million.

Subsequent to year end Gateway has received a further offer from Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively Hometown). On 2 July 2018 Hometown announced its intention to make a conditional, off-market, cash takeover offer for 100% of the stapled securities in Gateway at $2.25 per stapled security (the "Offer"), representing $2.3035 per stapled security before being adjusted for the 5.35 cent distribution for which the ex-date was 28 June 2018. Hometown also indicated that the offer price for the off-market takeover would be increased to $2.30 per stapled security, representing $2.3535 per stapled security subject to execution of a bid implementation agreement by Gateway on terms satisfactory to Hometown. Full details can be found in the ASX Announcement release on 2 July 2018.

On 10 July 2018 Gateway announced that it was not prepared to accept the bid conditions and other provisions of Hometown's bid implementation agreement that was proposed by Hometown on 2 July 2018. Full details can be found in the ASX Announcement release on 10 July 2018.

On 23 July 2018, Hometown lodged its Bidder's Statement with the Australian Securities and Investment Commission and the ASX and served a copy on Gateway Lifestyle. On 7 August Hometown lodged a replacement Bidder's Statement with ASIC and ASX. In its replacement Bidder's Statement dated 7 August 2018, Hometown set out its intention if it acquired more than 50% of all GTY Securities. Full details can be found in the ASX Announcement release on 23 July 2018 and 7 August 2018 (as at the date of the report, Hometown holds 18.2% of the issued capital of the Group).

On 10 August 2018, Hometown confirmed dispatch of its bidder's statement to securityholders. On 16 August 2018, Hometown declared that $2.25 per stapled security its best and final Offer and will not be increased in the absence of a competing proposal.

The Directors have undertaken a detailed review of the Offer and the Bidder's Statement. The outcome of this review, and the Directors' recommendation is contained in a Target's Statement a copy of which was released on the ASX's market announcements platform today.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

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

Stapled securities issued on the exercise of options
There were no stapled securities of Gateway Lifestyle Group issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company 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.

Similar arrangements exist for the directors of the responsible entity of the Trust, although the costs incurred are not directly indemnified from the assets of the Trust.

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.

Officers of the Company who are former partners of Ernst & Young
There are no officers of the Company who were former partners of Ernst & Young.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of either Gateway Lifestyle Group or RPT2 Group, or to intervene in any proceedings to which Gateway Lifestyle Group or RPT2 Group is a party for the purpose of taking responsibility on behalf of Gateway Lifestyle Group or RPT2 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 25 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.

The Directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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 particular significant environmental regulation under the laws of Australia that those obligations are identified and addressed.

Rounding of amounts
Gateway Lifestyle Group and RPT2 Group are entities of a kind referred to Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors of Gateway Lifestyle Group, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Andrew Love	**Trent Ottawa**
Chairman	Executive Director and Chief Executive Officer

20 August 2018
Sydney

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Auditor's Independence Declaration

As lead auditor for the audit of Gateway Lifestyle Group and Residential Parks No. 2 Trust Group for the financial year ended 30 June 2018, 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 Group (comprising of Gateway Lifestyle Operations Limited and the entities it controlled during the financial year, including Residential Parks No. 2 Trust and the entities it controlled during the financial year) and Residential Parks No. 2 Trust Group (comprising Residential Parks No. 2 Trust and the entities it controlled during the financial year).

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
20 August 2018

Renumeration Report

Letter from the Chair of the Remuneration and Nomination Committee

Dear Securityholders,

On behalf of the Board, I am pleased to present Gateway Lifestyle Group's (Group) Remuneration Report (Report) for FY18. The Remuneration Report is designed to demonstrate the link between strategy, performance and remuneration outcomes and covers the remuneration arrangements for our executives and Non-Executive Directors (NEDs) for the financial year ended 30 June 2018.

Introduction

Gateway undertakes regular reviews of its remuneration framework to ensure it aligns Group and individual performance and executive remuneration. The Report details how both Group performance and individual executive performance appropriately link to remuneration outcomes for the 2018 financial year.

The Remuneration and Nomination Committee (RNC) is confident that the remuneration framework is appropriate to support business performance and the delivery of sustainable securityholder value over the short and long-term.

Performance and Remuneration Outcomes in FY18

There has been no increase to fixed remuneration for executive Key Management Personnel (KMP) or to NED fees for FY18.

Short Term Incentives (STI) include a mix of both financial and non-financial performance measures that are strongly linked to core value drivers and key business metrics. In FY18, the RNC introduced an STI performance gateway whereby the Group must achieve its Distributable Earnings guidance for any executive to be eligible to receive an STI award. Although non-financial metrics were met in FY18, financial performance metrics, including the newly introduced performance gateway, were not achieved and as a result, no executive bonuses were paid under the Group's FY18 STI plan.

Long Term Incentive (LTI) awards did not vest in FY18. The first awards under the LTI Plan reach the end of the performance period following the release of FY18 results.

Remuneration Framework

As foreshadowed in the FY17 Remuneration Report, the RNC replaced one of the LTI performance conditions in FY18 with a Distributable Earnings Growth target (50%) to ensure close alignment between absolute financial performance and securityholder outcomes over the long term.

The RNC remains focused on ensuring that the remuneration framework is competitive and rewards executives for meeting or exceeding strategic objectives and facilitating long-term wealth creation for investors. The Company's STI and LTI plans are designed to support these strategic objectives and align remuneration outcomes with Gateway's short-term and long-term goals.

Aside from the aforementioned, there have been no significant changes to the FY18 KMP remuneration structure.

Changes to KMP and Board

During FY18, Sally Evans was appointed as an Independent Non-Executive Director to the Board. Following his resignation, Mike Bosel ceased to be a KMP on 16 May 2018. These changes are set out in the Remuneration Report.

The RNC will continue to welcome engagement and feedback from investors and corporate governance stakeholders around its remuneration policies and outcomes as it continues to look for opportunities to improve and further align the interests of executives and securityholders.

Yours sincerely,

Rachel Launders

Chair of the Remuneration and Nomination Committee

Contents:

1. REMUNERATION REPORT OVERVIEW

This Remuneration Report (Report) outlines the remuneration arrangements for the Key Management Personnel (KMP) of the Company for the financial year ended 30 June 2018 (FY18). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Group is required to prepare a Report in respect of KMP, being those persons who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group, either directly or indirectly. This Report details the remuneration arrangements for the KMP:

- Non-executive directors (NEDs)
- Executive director and senior executives (collectively the executives)

The Board, through its Remuneration and Nomination Committee (RNC) continues to review KMP remuneration arrangements to ensure they align with the Group's strategic objectives. The table below is a summary of FY18 remuneration outcomes:

Executives	FY18 Outcomes
Fixed Remuneration	No increases were made to Fixed Remuneration for the CEO or other executives in FY18.
STI	Based on the financial performance of the Group, there was no STI awarded for FY18.
LTI	Executives were granted Security Rights (Security Rights) during FY18 under the LTI plan framework. The Security Rights may vest dependent upon the performance measures over a three-year performance period. A new LTI performance measure was introduced in relation to the FY18 grant, the Absolute TSR performance measure was replaced with a Distributable Earnings growth metric. The first LTI awards under the LTI Plan reach the end of the performance period and will be tested following the release of FY18 results. No LTI awards vested in FY18.
Non-executive directors	
NED Fees	The maximum aggregate fee pool for NED fees remains unchanged at $750,000. There were no increases to NED fees during FY18. NED fees have not changed since listing of the Group on the ASX in June 2015.

2. INDIVIDUALS COVERED BY THE REMUNERATION REPORT

The table below outlines the KMP movements during FY18:

Name	Title	Period as KMP
Non-executive directors		
Andrew Love	Chair (independent, non-executive)	Full financial year
Stephen Newton	Director (independent, non-executive)	Full financial year
Rachel Launders	Director (independent, non-executive)	Full financial year
Andrew Fay	Director (independent, non-executive)	Full financial year
Sally Evans[1]	Director (independent, non-executive)	Appointed 29 March 2018
Executive director		
Trent Ottawa	Chief Executive Officer & executive director	Full financial year
Senior executives		
Owen Kemp	Chief Financial Officer	Full financial year
Mike Bosel[2]	Chief Operating Officer	Ceased as a KMP on 16 May 2018

1 Sally Evans was appointed to the Board effective 29 March 2018.
2 Mike Bosel resigned as Chief Operating Officer and ceased as a KMP on 16 May 2018.

3. REMUNERATION GOVERNANCE FRAMEWORK

3.1 How does Gateway Lifestyle determine remuneration outcomes?

The remuneration framework sets out the principles for guiding the Group's decisions regarding executive remuneration and is designed to:

- Attract, motivate and retain high performing individuals focused upon achieving the Group's objectives by offering Fixed Remuneration commensurate with the respective roles and responsibilities and accounting for market factors;
- Link "at risk" incentives based on short-term performance goals aligned to the Group strategy and rigorous financial metrics which are set and reviewed annually;
- Align the longer-term "at risk" incentive rewards with expectations and outcomes that align with securityholders' interests which assess performance over a minimum three-year period;
- 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 Group aligned with these objectives.

3.2 Use of remuneration advisers

From time to time, the RNC seeks external independent remuneration advice and engages remuneration consultants who report directly to the RNC.

During the financial year, the Board engaged Guerdon Associates as its independent consultant to provide information on remuneration matters. The Chair of the RNC oversees the engagement of remuneration services for, and payment of, the independent consultant. No remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the *Corporations Act 2001*, were made by Guerdon Associates.

The Board was satisfied that advice received from Guerdon Associates was free from any undue influence by KMP, 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 RNC.

3.3 Clawback of remuneration

In certain circumstances, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

3.4 Associated policies

The Group has adopted several policies to support remuneration framework and governance, including the Securities Trading Policy, Disclosure Policy and the Code of Conduct. These policies are available on the Group's website (www.gatewaylifestyle.com.au).

3.5 Service agreements

The Company has entered into service agreements with executives. The service agreements are ongoing with termination by the Company upon giving between 6 and 12 months' notice or by the executive giving 6 months' notice. In a Company-initiated termination, the Company may make a payment in lieu of notice and provided the executive is not in material breach of these employment arrangements, will receive all the amounts that would have been payable under the STI along with any accrued leave entitlements. Executives are subject to post-employment restraints after their employment with the Company ends.

4. OVERVIEW OF EXECUTIVE REMUNERATION

4.1 Gateway Lifestyle remuneration framework

The remuneration framework is designed to recognise performance during the financial year (Short-Term Incentive (STI)) and maximise securityholder value (Long-Term Incentive (LTI)). The table below outlines each component of executive remuneration in FY18, metrics and the link to strategy and performance.

Remuneration component	At Risk	In support of our strategy
Fixed Remuneration Salary, non-monetary benefits, statutory superannuation, car allowances	No at-risk portion.	Provide a level of fixed compensation which is fair, reasonable and appropriate to attract and retain executives having regard to seniority of the position to lead the Group and achieve its strategic goals
Short-Term Incentive (STI) STI outcome is dependent on a mix of Group and individual performance measures. Robust targets are set that apply to all executives and individual performance is aligned to area of responsibility. Half of the STI outcome is delivered in cash and half as deferred securities, deferred for one year.	CEO: Target 100% of fixed remuneration Group measure: 80% weighting Individual measure: 20% weighting Other executive KMP: Target 80% of fixed remuneration Group measure: 70% weighting Individual measure: 30% weighting	The purpose of the STI is to focus the efforts of the executive KMP on outcomes that are a priority for the Group in the relevant financial year and to achieve challenging performance objectives. Deferring half of the STI outcome into rights to Group securities for one year creates further alignment with the interests of securityholders and extends the focus beyond the short-term. Individual KPIs encourage accountability and consider a broader view of performance and specific strategic priorities.
Long-Term Incentive (LTI) FY16-FY17 Security Appreciation Rights FY18 Security Rights The LTI plan delivers performance rights to executives, subject to a three-year performance period. The FY18 LTI performance measures were: - 50% Relative TSR against the ASX 200 Industrial Accumulation Index; - 50% Distributable Earnings growth measure	CEO: 100% of fixed remuneration Other executive KMP: up to 80% of fixed remuneration	The LTI complements the STI by driving long term performance. The relative TSR performance hurdle is an effective means to align executive remuneration outcomes with the long-term interest of securityholders as it provides an external market performance measure. The Distributable Earnings growth was chosen as it links to the earning performance of the Group over the long term.

4.2 Remuneration Mix (at target)

Executive remuneration is comprised of fixed and variable ("at risk") remuneration consisting of STI and LTI. The graph below sets out the proportion of fixed and variable remuneration mix of maximum incentive payments as a percentage of total remuneration. The majority of the maximum potential executive KMP remuneration is based on performance (with total at risk 66.6% for the CEO and 58.3% for other executive KMP). The remuneration mix is structured so that a substantial portion is delivered through Deferred STI or LTI.

Chief Executive Officer

	Performance-based	
Fixed Remuneration 33.3%	Maximum STI [1] 33.3%	Maximum LTI[2] 33.3%

Other executive KMP

	Performance-based	
Fixed Remuneration 41.7%	Maximum STI [1] 33.3%	Maximum LTI[2] 25%

1 50% of STI is deferred for 12 months
2 Face value of LTI on grant

4.3 Elements of Remuneration

Fixed Remuneration (FR)

What is Fixed Remuneration?	Fixed remuneration consists of base salary plus employer contributions to superannuation funds, monetary benefits such as car allowance and non-monetary benefits.
Link to strategy and performance	Competitive fixed remuneration is paid to ensure that the Group is able to attract and retain suitable executives to deliver the strategic goals. Fixed remuneration is reviewed annually by the RNC considering market data, scope of the executive's role, expected skill, experience and qualification and individual performance.

Short-term incentive (STI)

Description	The STI plan was adopted during FY17 and provides all executives and eligible employees with an opportunity to earn an annual incentive which is delivered in cash and deferred securities. The STI award is determined by the Board following the end of the financial year having regard to both individual and Group performance over the financial year and is subject to Board discretion. Robust targets are set to drive performance and leadership behaviours. A focus beyond the short-term is provided by deferring 50% of the STI into rights to Group securities.
How is the STI linked to performance?	The STI plan ensures remuneration outcomes are strongly linked to performance, including the delivery of financial and non-financial strategic objectives and contributing to the delivery of annual business performance. The STI is designed to motivate and reward executives for contributing to the delivery of annual business performance. Awards are made annually and are aligned to the attainment of Group and individual targets.
How is performance measured for the STI?	During FY18, financial KPIs were given an 80% weighting and included a Distributable Earnings gateway. Non-financial KPIs included health and safety, operations and people and culture measures. For the STI to be awarded during FY18, a performance gateway applied such that the Group must achieve its Distributable Earnings guidance for the FY18 financial year. Actual performance against financial, non-financial and individual measures is assessed at the end of the financial year. In assessing the achievement of measures, the RNC may exercise its discretion to adjust outcomes for significant factors outside the control of managements that contribute positively or negatively to results.
How much of the STI is deferred?	50% of any STI is paid in cash following the end of the STI Performance Period. The remaining 50% is deferred into rights to ordinary securities in the Group (Deferred STI Rights) for nil consideration (subject to securityholder approval being obtained at the next Annual General Meeting in respect of the CEO, where necessary) to strengthen the alignment of executives to the delivery of value to securityholders. The number of Deferred STI Rights granted will be determined by dividing the cash amount to be deferred by the volume weighted average price (VWAP) of securities for the final 30 trading days of the financial year (usually 30 trading days up to 30 June). Once granted, no further performance conditions will apply to Deferred STI Rights and they will vest after 12 months after the end of the STI performance period subject to the executive's continued employment and to the clawback described below.

Long-Term Incentive (LTI)

As foreshadowed in the FY17 Remuneration Report, during FY18 three elements of the LTI Plan were reviewed and the following key changes were made to the FY18 LTI grant:

	FY16/17 LTI Grant	FY18 LTI Grant	Rationale for Change
Type of Instrument	Security Appreciation Rights	Security Rights	Security Rights instrument permitted under LTI Plan, equally rewards security price and distributions, neutralises any capital management bias
Performance Measures	50%: Absolute TSR 50%: Relative TSR	50%: Distributable Earnings (DE) growth 50%: Relative TSR	The DE growth metric is linked to the sustainability of the earnings performance over the long-term
Opportunity Methodology	The numbers of SARs granted was determined by dividing the total grant value by the Black Scholes method	The number of Security Rights granted was determined using 'face value' methodology by dividing grant value by VWAP	Face value methodology simple to understand and not as administratively burdensome

Description

The LTI is an equity-based incentive plan designed to reward executives for performance over a three-year period and align remuneration with creation of securityholder value over the long-term.

How is the LTI linked to performance?

LTI aligns the rewards received by the executives 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.

How is the LTI awarded?

FY16 and FY17 LTI grants were 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.

For FY18 LTI grants were delivered in the form of Security Rights being rights to acquire fully paid ordinary stapled securities in the Group subject to meeting two performance conditions. No consideration is payable upon grant, vesting or exercise of the Security Rights or the SARs. Upon vesting of SARs or Security Rights, securities will automatically be allocated to the executives.

What are the performance measures applied to the LTI?

LTI awards are divided equally into two tranches. For FY16 and FY17 LTI awards, one tranche (50%) subject to a relative TSR performance hurdle and one tranche (50%) subject to an absolute TSR hurdle. At the time the LTI plan was adopted, the Board considered that TSR hurdles effectively align the interests of individual executives with that of Group securityholders, by motivating executives to achieve superior outcomes. TSR takes into account security price and dividend/distribution yield and is therefore a robust and transparent means of measuring securityholder returns.

For FY18 LTI awards, the absolute TSR hurdle was replaced with a distributable earnings growth per security performance hurdle (50%), and the relative TSR performance hurdle has been maintained. The Board considered the introduction of an underlying earnings measure a key metric of the business and linked to sustainability over the long term.

Vesting of the relative TSR component (50%) will be determined by reference to the following vesting schedule:

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%

Vesting of the absolute TSR component (50%) will be determined by reference to the following vesting schedule.

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%

<table>
<tr><td></td><td>Vesting of the distributable earnings component will be determined at the end of the Performance Period as follows:
<table>
<tr><th>Distributable Earnings Growth (CAGR)</th><th>% of Distributable Earnings Component that will Vest</th></tr>
<tr><td>Below threshold</td><td>Nil</td></tr>
<tr><td>At threshold</td><td>25%</td></tr>
<tr><td>Between threshold and maximum</td><td>Pro rata vesting from 25% to 100% on a straight-line basis</td></tr>
<tr><td>At maximum</td><td>100%</td></tr>
</table>
The threshold and maximum distributable earnings growth targets are commercially sensitive. However, the Board will include retrospective disclosure in the Group's Remuneration Report, outlining the relevant targets and actual vesting outcomes following the end of each Performance Period.
There is no re-testing of the performance conditions.
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.</td></tr>
<tr><td>What is the performance period?</td><td>Three financial years.</td></tr>
<tr><td>Why have the current LTI performance hurdles been chosen?</td><td>The Board believes that relative TSR continues to effectively align the interests of individual executives with that of the Group's securityholders, by motivating executives to achieve superior securityholder outcomes relative to competitors for investor capital and it sector peers.
Distributable Earnings growth is a key metric for the Group as an underlying earnings measure and is intended to incentivise the sustainability of earnings performance over the long term.</td></tr>
<tr><td>What is the amount of LTI?</td><td>The CEO has a maximum LTI equal to 100% of fixed remuneration and other executives equivalent to 80% of fixed remuneration.
The number of Security Rights to be granted will be calculated by using the 'face value' methodology, that is by dividing an amount equal to a percentage of the executive's total fixed remuneration by the VWAP for the five trading days following release of the financial year results.</td></tr>
</table>

Conditions relating to GTY incentive plans

<table>
<tr><td>Restrictions</td><td>All executives must comply with the Securities Trading Policy which prohibits executives from using unvested or restricted equity awards as collateral in any financial transactions, including hedging and margin loan arrangements.</td></tr>
<tr><td>Clawback and Board discretion</td><td>The Board had discretion to reduce or clawback LTI or Deferred STI awards in certain circumstances to ensure executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise discretion are broad. Examples include where an executive has acted fraudulently, or a material misstatement of the Group's assets.</td></tr>
<tr><td>Treatment of incentives on cessation of employment</td><td>The Board has the discretion to determine how incentive awards will be treated if an executive ceases their employment. This discretion can be exercised on a case-by-case basis, allowing the Board to ensure the treatment of incentives is appropriate in the circumstances and aligns to securityholder expectations.

Resignation or termination for cause – all unvested awards to lapse
Death, serious injury, disability or illness that prevents continued employment or total permanent disability – all unvested awards to vest immediately
Other circumstances – a pro-rata portion of rights to remain on foot subject to the RNC's discretion to lapse or vest
</td></tr>
<tr><td>Change of control</td><td>The Board has discretion to determine the level of vesting (if any), having regard the proportion of the vesting period that has elapsed and other factors the Board deems appropriate.</td></tr>
<tr><td>Distribution equivalent payment</td><td>On vesting and exercise of LTI or Deferred STI awards, participants will be entitled to receive a distribution equivalent payment in the form of additional securities.
LTI awards or Deferred STI rights will not attract any entitlement to voting or distributions or distribution payments.</td></tr>
</table>

5. ACTUAL REMUNERATION OF EXECUTIVES

Disclosing actual pay provides securityholders with additional information to assist in understanding the cash and other benefits received by executives in FY18. This information differs from the remuneration details prepared in accordance with statutory obligations and accounting standards on page 80 of this report, as those details include the values of performance rights that have been awarded, but which may or may not vest. The information provided below contains non-IFRS information (that is, it has not been prepared in accordance with Australian Accounting Standards). See Statutory and Security-based Reporting (Section 8) of this Report for statutory remuneration disclosures that have been prepared in accordance with the Australian Accounting Standards.

The table below excludes the accounting expenses of equity grants and other long-term benefits such as annual and long service leave awards and sets out the actual value of remuneration received by KMP during FY18.

Actual Remuneration Received in Respect of FY18

Executive	Fixed Remuneration (including superannuation) $A	Other cash $A	Non-monetary benefits $A	Termination benefits $A	STI cash $A	STI Deferred [3] $A[1]	LTI Awards[4] $A[2]	Total $A
T Ottawa	620,049	24,000	-	-	-	-	-	644,049
O Kemp	370,049	18,500	-	-	-	-	-	388,549
Former KMP								
M Bosel[3]	326,939	16,221	-	-	-	-	-	343,160
Total	**1,317,037**	**58,721**	**-**	**-**	**-**	**-**	**-**	**1,375,758**

1 Deferred STI that vested during FY18
2 LTI awards that vested during FY18
3 Mike Bosel ceased to be a KMP on 16 May 2018 but remained as an employee until 31 July 2018.

6. GROUP PERFORMANCE AND FY18 REMUNERATION OUTCOMES

6.1 Overview of Group Performance

The table below sets out information regarding the Group's performance.

	FY18	FY17	FY16
Statutory profit ($M)	58.2	59.7	38.9
Distributable Earnings	40.7	39.6	37.9
Security price as at 30 June ($)	2.33	1.95	2.87
Distribution per security ($)	0.0910	0.0910	0.1088
Gateway TSR %	24.2	(28.9)	47.3

6.2 Performance against STI measures for FY18

The following table sets out the performance conditions for the STI, their rationale and the Group's performance against them for FY18. For the STI to be awarded for FY18, a performance gateway applied such that the Group must achieve the Distributable Earnings guidance for FY18 financial year.

FY18 Scorecard

	Objective	Measurement	Rationale	Status
Financial 80%	Financial Metrics Profitability (75% weighting)	Distributable Earnings	Maintain and enhance operating income streams Maximise MHE profitability and cashflow Effective cost control	Threshold performance level not achieved
	Capital Management (5% weighting)	Gearing Interest Cover Ratio	Appropriate level of gearing and exposure to manage business risk Adequate debt/equity levels to achieve business outcomes	At target
HSE & Workforce 20%	HSE	HSE metrics	Measuring HSE metrics leading and lagging indicators	At target
			Provide a safe workplace for employees and residents	At target
	People & Culture	Attracting the right skills and retaining key staff	Implement performance management system which is linked to reward and Company's performance Develop retention strategy to retain key staff	At target
FY18 performance overview		The Distributable Earnings performance gateway for FY18 was not achieved and therefore no STI was awarded to any executives.		

6.3 Performance against LTI measures for FY18

LTI awarded in FY18	Security Rights were allocated to executives as part of the FY18 GTY LTI Plan. These rights, which have a three-year performance period are subject to performance hurdles as outlined on page 35. The grant of Security Rights for the CEO was approved at the AGM on 28 November 2017.
LTI quantum for FY18	The table below shows FY18 LTI grants. (see table below)
Awards vesting in FY18	Awards have been granted under the GTY LTI Plan from FY16. The first to be tested for vesting subject to performance conditions is the FY16 SARs with the performance period ending on release of FY18 results.

Executive[1]	% of Fixed Remuneration	Grant Date	Security Price at Grant Date	Security Rights Granted	Face Value of Security Rights
T Ottawa	100%	28/11/17	$2.18	296,736	$505,623
O Kemp	80%	06/11/17	$2.00	138,477	$216,412
M Bosel[1]	80%	06/11/17	$2.00	138,477	$216,412

[1] Mike Bosel was granted 138,477 Security Rights which lapsed upon his resignation.

7. NON-EXECUTIVE DIRECTOR REMUNERATION

7.1 NED Fees

NEDs are paid fees for services on the Board and committees and do not receive any performance-related incentives and no retirement benefits are provided other than superannuation contributions. The RNC reviews fees annually and the Board may also seek advice from external advisers when undertaking the review process. The Board has confirmed there will be no increase in NED fees for FY18. There has been no increase to fees to NEDs since listing in 2015.

The table below shows the levels for NEDs (inclusive of superannuation) for FY18.

Fees	Description	Per Annum
Board Fees	Chair	$120,000
	Other non-executive director	$100,000

NEDs may be paid additional or special remuneration to recognise additional responsibilities, including being a member of additional committees. There were no additional fees paid to NEDs during FY18 for being members of the Remuneration and Nomination Committee and the Audit and Risk Management Committee. Following receipt of the unsolicited Hometown approach, the Board approved the payment of additional fees to three non-executive directors (Andrew Love, Andy Fay and Rachel Launders) for special duties associated with thee corporate activity. The details of payment are included in the statutory table at 8.2 below.

The directors of One Managed Investment Funds Limited (OMIFL) do not receive fees from the Group. OMIFL receives fees under the constitution of the RPT2 Trust.

7.2 NED Securities Grant on Listing

No fees were paid to NEDs for FY15, instead each of the NEDs was issued 25,000 stapled securities at the time of listing, with an equivalent value of $50,000. Each of the NEDs entered a voluntary escrow deed for these stapled securities. During the relevant escrow period, the NEDs may only deal with their stapled securities in accordance with the voluntary escrow deed. In addition, the voluntary escrow deeds for the NEDs require forfeiture of their escrow stapled securities for a nominal amount if the director leaves the Group during the escrow period[1].

In accordance with the terms of the voluntary escrow deed, 50% of the escrowed stapled securities held by each of the NEDs were released from escrow on 31 August 2017. The remaining 50% will be released on or about 27 August 2018, subject to the terms of the Escrow Deeds.

[1] Sally Evans was appointed to the Board on 29 March 2018 and did not receive any escrowed stapled securities.

7.3 NED Minimum Security holding

Each NED is encouraged to accumulate a minimum security holding equivalent to one years' base fees over a three-year period from appointment to the Board.

8. STATUTORY AND SECURITY-BASED REPORTING

8.1 Statutory Details of Executives' Remuneration FY18

The table below outlines the remuneration of executives for the year ended 30 June 2018:

		Short-term benefits				Post-employment benefits		Equity-based payments		
		Salary and fees[1]	Other[2]	Salary sacrifice	STI[3]	Superannuation	LTI[4]	Equity settled	Termination payments	Total
		A$	A$	A$	A$	A$	A$	A$	A$	A$
Gateway Lifestyle Group										
Trent Ottawa	2018	613,846	24,000		-	20,049	851,303			1,509,198
	2017	636,102	18,461	-	-	19,616	690,754	-	-	1,364,933
Owen Kemp[8]	2018	359,423	18,500		-	20,049	103,676			501,648
	2017	139,896	7,092	-	-	13,290	20,492	-	-	180,770
Mike Bosel[5]	2018	314,251	16,221			20,049	-			350,521
	2017	101,078	4,960	-	-	9,602	-	-	-	115,640
John Wong[6]	2018	-	-	-	-	-	-	-	-	-
	2017	147,916	4,615	-	-	14,052	-	-	96,796	263,379
Total	**2018**	**1,287,520**	**58,721**	**-**	**-**	**60,147**	**954,979**	**-**	**-**	**2,361,367**
	2017	**1,024,992**	**35,128**	**-**	**-**	**56,560**	**711,246**	**-**	**96,796**	**1,924,722**

1 Salary and fees include accrued annual leave during the financial year
2 Other includes motor vehicle allowance and other allowances
3 The financial performance metrics for FY18 and FY17 STI were not achieved
4 Accounting standards require the estimated valuation of the grants recognised over the three-year period
5 Mike Bosel commenced as KMP on 27 March 2017, he ceased to be a KMP on 16 May 2018 but remained as an employee until 31 July 2018. The remuneration reflects the period he was a KMP in FY17 and FY18. The FY18 grant of Security Rights to Mr Bosel lapsed upon his resignation.
6 John Wong ceased to be a KMP on 9 November 2016 but remained as an employee until 28 February 2017. The remuneration reflects the period he was a KMP
7 Payment in lieu of notice
8 Owen Kemp commenced as KMP on 14 February 2017

8.2 NED Remuneration for FY18

The following table sets out the statutory disclosures required under the *Corporations Act 2001 (Cth)* and in accordance with Australian Accounting Standards remuneration for NEDs for FY18.

		Short-term benefits		Post-employment benefits	Equity	
		Board Fees	Other[1]	Superannuation	Value of share stapled securities	Total
Gateway Lifestyle Group		**A$**	**A$**	**A$**	**A$**	**A$**
Mr A Love	2018	109,589	25,000	10,411	-	145,000
	2017	109,589	-	10,411	-	120,000
Mr A Fay	2018	91,324	20,000	8,676	-	120,000
	2017	91,324	-	8,676	-	100,000
Mr S Newton	2018	95,662	-	4,338	-	100,000
	2017	100,000	-	-	-	100,000
Ms R Launders	2018	91,324	15,000	8,676	-	115,000
	2017	91,324	-	8,676	-	100,000
Ms S Evans	2018	23,523	-	2,235	-	25,758
	2017	-	-	-	-	-
Total	**2018**	**411,422**	**60,000**	**34,336**	**-**	**505,758**
	2017	**392,237**	**-**	**27,763**	**-**	**420,000**

[1] Additional fees for special duties associated with corporate activity, accrued but not paid at 30 June 2018

8.3 Security holding of Key Management Personnel

The following tables detail the number of stapled securities and unvested equity (SARs and Security Rights) held by KMP, either directly or indirectly or beneficially during the reporting period ended 30 June 2018:

*Securities**

	Opening Balance 30 June 2017	Number of escrowed	Acquired during FY18[1]	Disposed of during FY18	Closing Balance 30 June 2018
Mr A J Love	420,046	12,500[2]	50,535	-	**470,581[3]**
Ms R Launders	45,334	12,500[2]	816	-	**46,150**
Mr A Fay	229,163	12,500[2]	100,000	-	**329,163[3]**
Mr S Newton	41,610	12,500[2]	-	-	**41,610**
Ms S Evans[4]	N/A	-	-	-	**-**
Mr T Ottawa	13,075,878	6,437,938[2]	-	(2,250,000)	**10,825,878**
Mr O Kemp	-	-	-	-	**-**
Mr M Bosel[5]	**-**	**-**	**-**	**-**	**-**

1 Includes purchases on market or issued pursuant to participation in Distribution Reinvestment Plan (DRP)
2 50% stapled securities will be released from escrow on the day after release of FY18 results in accordance with the terms of the voluntary escrow deed. Any dealing of the securities by NEDs and Executives are subject to the requirements of Gateway's Securities Trading Policy and a copy of the policy is available at www.gatewaylifestyle.com.au
3 Includes securities owned by spouse
4 Sally Evans commenced as a NED on 29 March 2018
5 Michael Bosel ceased to be a KMP on 16 May 2018, but remained as an employee until 31 July 2018
* Includes securities held directly, indirectly and beneficially by KMP

The number of escrowed securities for each of the KMP is listed in the table above. Each of the KMP has entered a voluntary escrow deed for these stapled securities. Pursuant to the terms of the voluntary escrow deeds, 50% of the escrowed stapled securities were released on 31 August 2017 and the remaining 50% of the escrowed stapled securities will be released on the day after release of FY18 results. During the relevant escrow period, the KMP may only deal with their stapled securities in accordance with the voluntary escrow deed.

LTI (Security Appreciation Rights)

	Grant date	Expiry date	Base price[1]	Balance 30 June 2017	Granted	Exercised	Expired/ forfeited/ other	Balance 30 June 2018	Maximum Fair Value Yet to Vest A$
Mr T Ottawa	18/11/16	17/11/20	$2.34	1,366,465	-	-	-	1,366,465	1,009,272
	18/11/16	17/11/20	$2.48	1,159,682	-	-	-	1,159,682	851,091
Mr O Kemp	28/02/17	27/02/21	$2.48	394,610	-	-	-	394,610	153,523
				2,920,757	-	-	-	2,920,757	2,013,886

[1] Base price represents 5 Day VWAP following release of annual results

LTI (Security Rights)

	Grant date	Expiry date	Security price at grant date	Balance 30 June 2017	Granted	Exercised	Expired/ forfeited/ other	Balance 30 June 2018	Maximum Fair Value Yet to Vest A$
Mr T Ottawa	28/11/17	28/11/20	$2.18	-	296,736			296,736	$505,623
Mr O Kemp	06/11/17	06/11/20	$2.00	-	138,477			138,477	$216,412
Mr. M Bosel	06/11/17	06/11/20	$2.00	-	138,477		(138,477)	-	-
				-	**573,690**		**(138,477)**	**435,213**	**$722,035**

The Group's Securities Trading Policy applies to all directors, executive directors, other executives 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.

8.4 Other Transactions with KMP

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

Annual Financial Report

Gateway Lifestyle Group
Statements of profit or loss and other comprehensive income
For the year ended 30 June 2018

		Gateway Lifestyle Group		RPT2 Group	
		30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Note	$'000	$'000	$'000	$'000
Revenue					
Rent from investment properties	4	61,867	55,925	37,094	34,790
Development revenue	4	61,602	57,531	-	-
Other revenue	4	6,220	5,775	4,118	4,328
Total Revenue		**129,689**	**119,231**	**41,212**	**39,118**
Net fair value adjustments		22,191	24,951	28,899	33,988
Expenses					
Investment property expenses	5	(17,184)	(15,854)	-	-
Development expenses	5	(34,796)	(32,423)	-	-
Sales and marketing expenses		(1,587)	(1,175)	-	-
Employee benefits expenses	5	(22,335)	(23,636)	-	-
Administration expenses		(7,999)	(6,037)	(8,648)	(9,556)
Finance costs	5	(8,721)	(6,406)	(8,604)	(6,391)
Profit before income tax		**59,258**	**58,651**	**52,859**	**57,159**
Income tax benefit/(expense)	6	(1,041)	1,061	770	1,356
Net profit for the year		**58,217**	**59,712**	**53,629**	**58,515**
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year		**58,217**	**59,712**	**53,629**	**58,515**
Profit attributable to securityholders of:					
Gateway Lifestyle Operations Limited		4,588	1,197	-	-
Residential Parks No.2 Trust		53,629	58,515	53,629	58,515
		58,217	59,712	53,629	58,515
Total comprehensive income attributable to security holders of:					
Gateway Lifestyle Operations Limited		4,588	1,197	-	-
Residential Parks No.2 Trust		53,629	58,515	53,629	58,515
		58,217	59,712	53,629	58,515
Earnings per security		**Cents**	**Cents**	**Cents**	**Cents**
Basic earnings per stapled security	33	19.32	19.95	17.80	19.55
Diluted earnings per stapled security	33	19.30	19.95	17.78	19.55

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Gateway Lifestyle Group
Statements of financial position
As at 30 June 2018

		Gateway Lifestyle Group		RPT2 Group	
		30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Note	$'000	$'000	$'000	$'000
Assets					
Current assets					
Cash and cash equivalents	7	7,258	22,593	253	517
Trade and other receivables	8	2,885	5,930	230	654
Inventories	9	29,798	18,314	-	-
Income tax receivable		65	-	65	-
Other current assets	10	2,703	1,439	777	-
		42,709	48,276	1,325	1,171
Non-current assets held for sale	11	21,729	-	17,992	-
Total current assets		64,438	48,276	19,317	1,171
Non-current assets					
Receivables	8	-	-	169,552	175,512
Investment properties	12	711,210	622,807	658,747	563,565
Plant and equipment		337	494	-	-
Intangibles	13	140,919	140,894	85,376	85,376
Deferred tax assets	14	7,979	9,715	-	-
Total non-current assets		860,445	773,910	913,675	824,453
Total assets		**924,883**	**822,186**	**932,992**	**825,624**
Liabilities					
Current liabilities					
Trade and other payables	15	32,293	38,885	20,494	21,335
Deposits held		436	5,516	-	-
Borrowings	16	414	84	75	80
Income tax		-	4,487	-	4,487
Employee benefits		1,354	1,205	-	-
Total current liabilities		34,497	50,177	20,569	25,902
Non-current liabilities					
Trade and other payables	15	25	177	-	-
Borrowings	16	257,121	178,158	257,121	178,158
Derivative financial instruments	17	136	174	136	174
Deferred tax liabilities	18	412	1,171	337	1,169
Employee benefits		87	32	-	-
Total non-current liabilities		257,781	179,712	257,594	179,501
Total liabilities		**292,278**	**229,889**	**278,163**	**205,403**
Net assets		**632,605**	**592,297**	**654,829**	**620,221**
Equity					
Issued capital	19	595,401	583,096	595,551	587,024
Reserves	20	1,238	301	(636)	(636)
Retained earnings/undistributed income		35,966	8,900	59,914	33,833
Total equity		**632,605**	**592,297**	**654,829**	**620,221**

The above statements of financial position should be read in conjunction with the accompanying notes

Gateway Lifestyle Group
Statements of changes in equity
For the year ended 30 June 2018

	Gateway Lifestyle Group					RPT2 Group			
Gateway Lifestyle Group	Issued capital $'000	Treasury stapled securities $'000	Reserves $'000	Retained earnings/ (accumulated losses) $'000	Total $'000	Issued capital $'000	Reserves $'000	Undistributed income $'000	Total $'000
Balance at 1 July 2017	583,421	(325)	301	8,900	592,297	587,024	(636)	33,833	620,221
Profit/(loss) after income tax (expense)/benefit for the year	-	-	-	58,217	58,217	-	-	53,629	53,629
Transfer of transaction costs to retained earnings[1]	3,603	-	-	(3,603)	-	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	3,603	-	-	54,614	58,217	-	-	53,629	53,629
Transactions with security holders in their capacity as security holders:									
Release of securities from escrow	-	175	(175)	-	-	-	-	-	-
Expense relating to equity plans (Note 34)	-	-	1,112	-	1,112	-	-	-	-
Securities issued under Distribution reinvestment plan (DRP)	5,544	-	-	-	5,544	5,544	-	-	5,544
Issue of new securities (net of issue costs)	2,983	-	-	-	2,983	2,983	-	-	2,983
Distributions	-	-	-	(27,548)	(27,548)	-	-	(27,548)	(27,548)
Balance at 30 June 2018	**595,551**	**(150)**	**1,238**	**35,966**	**632,605**	**595,551**	**(636)**	**59,914**	**654,829**

[1] Transaction costs of Gateway Lifestyle Operations Limited relating to prior years

	Gateway Lifestyle Group					RPT2 Group			
Gateway Lifestyle Group	Issued capital $'000	Treasury stapled securities $'000	Reserves $'000	Retained earnings/ (accumulated losses) $'000	Total $'000	Issued capital $'000	Reserves $'000	Undistributed income $'000	Total $'000
Balance at 1 July 2016	583,421	(325)	(494)	(23,567)	559,035	587,024	(636)	2,564	588,952
Profit/(loss) after income tax (expense)/benefit for the year	-	-	-	59,712	59,712	-	-	58,515	58,515
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	59,712	59,712	-	-	58,515	58,515
Transactions with security holders in their capacity as security holders:									
Expense relating to equity plans (Note 34)	-	-	796	-	796	-	-	-	-
Distributions	-	-	-	(27,246)	(27,246)	-	-	(27,246)	(27,246)
Balance at 30 June 2017	**583,421**	**(325)**	**301**	**8,900**	**592,297**	**587,024**	**(636)**	**33,833**	**620,221**

The above statements of changes in equity should be read in conjunction with the accompanying notes

Gateway Lifestyle Group
Statements of cash flows
For the year ended 30 June 2018

		Gateway Lifestyle Group		RPT2 Group	
		30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Rental and other property income		66,629	62,452	-	32,091
Payments to employees and other suppliers		(49,252)	(45,016)	(1,197)	(8,261)
Proceeds from sale of manufactured homes		67,161	60,579	-	-
Purchase of manufactured homes		(53,597)	(39,088)	-	-
Interest received		39	138	1	4,236
Interest and other finance costs paid		(8,507)	(6,402)	(8,302)	(6,393)
Income tax paid		(2,066)	(924)	(325)	(829)
Net cash flows from operating activities	32	20,407	31,739	(9,823)	20,844
Cash flows from investing activities					
Payments for investment properties	12	(59,224)	(46,389)	(53,883)	(33,832)
Payments for improvements and additions to investment properties	12	(40,305)	(29,058)	(39,580)	(32,287)
Payments for plant and equipment and intangibles		(299)	(410)	-	-
Advance of loans from/(to) related parties		-	-	39,746	(2,569)
Proceeds from sale of investment properties		9,224	760	7,608	760
Net cash flows used in investing activities		(90,604)	(75,097)	(46,109)	(67,928)
Cash flows from financing activities					
Proceeds from borrowings		96,398	74,700	96,398	74,700
Repayment of borrowings		(18,756)	-	(17,950)	-
Distributions paid		(22,520)	(27,155)	(22,520)	(27,155)
Repayment of finance leases		(69)	(157)	(69)	(144)
Payments for debt issue costs		(191)	-	(191)	-
Net cash flows from financing activities		54,862	47,388	55,668	47,401
Net increase/(decrease) in cash and cash equivalents		(15,335)	4,030	(264)	317
Cash and cash equivalents at the beginning of the financial year		22,593	18,563	517	200
Cash and cash equivalents at the end of the financial year	7	**7,258**	**22,593**	**253**	**517**

The above statements of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The Group

As permitted by ASIC Class Order 13/1050 'Financial reporting by stapled entities'. The financial statements are a combined report that presents the consolidated financial statements and accompanying notes of both:

- Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust and their controlled entities (Gateway Lifestyle Group as consolidated financial statements of the stapled group); and
- Residential Parks No. 2 Trust and its controlled entities (RPT2 Group).

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

Gateway Lifestyle Group is a stapled ASX listed Australian entity, established and domiciled in Australia. The registered office of the Company and principal place of business for Gateway Lifestyle Group is Level 2, Suite C, 117 Clarence Street, Sydney NSW 2000.

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 Group's operations and its 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 20 August 2018. The Directors have the power to amend and reissue the financial statements.

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.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of those entities.

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

Distributions

Distributions will be paid on 28 September 2018 and funded from available cash reserves at the time

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

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 derivative 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 Group's 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.

Comparatives

Certain comparatives in the statements of profit or loss and other comprehensive income and statements of financial position have been reclassified for consistency with the current period presentation.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group and the RPT2 group only. Supplementary information about the parent entities, Gateway Lifestyle Operations Limited and the Residential Parks No. 2 Trust, are disclosed in Note 29.

Principles of consolidation

The combined financial statements incorporate the assets and liabilities of all subsidiaries of Gateway Lifestyle Group and the RPT2 Group as at 30 June 2018.

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which Gateway Lifestyle Group and the RPT2 Group have control. Gateway Lifestyle Group or the RPT2 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 RPT2 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 RPT2 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.

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 the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where Gateway Lifestyle Group or the RPT2 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 RPT2 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.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Operating segments
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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to Gateway Lifestyle Group or the RPT2 Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rent from investment properties
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. Contingent rentals are recognised as income in the period when earned.

Sale of manufactured homes
Sale of manufactured homes 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.

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

Income tax
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 is 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.

Note 1. Significant accounting policies (continued)

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 Maroochydore 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 Maroochydore 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.

In addition to its own current and deferred tax amounts, the head entity also recognises 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 group.

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 group. 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 the Group's 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 the Group's 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.

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 Group 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

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 less the estimated costs of completion and the estimated costs necessary to make the 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 1. Significant accounting policies (continued)

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 Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group 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 loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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:

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

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

Note 1. Significant accounting policies (continued)

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.

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 Group 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
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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.

Note 1. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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 wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at 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.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-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.

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 share dilution in the computation of diluted earnings per share (further details are given in Note 33).

Note 1. Significant accounting policies (continued)

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.

Contributed equity
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.

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 and the amount of any non-controlling interest in 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 Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its 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)

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 Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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 Group will adopt this standard from 1 July 2018 and the impact of its adoption is not expected to have any material impact on the Group's financial reporting in future periods.

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. 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 judgements 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 Group will adopt this standard from 1 July 2018 and based on the Groups assessment the impact is considered to be insignificant.

AASB 16 Leases

AASB 16 was issued in February 2016 and it replaces AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change

Note 1. Significant accounting policies (continued)

AASB 16 Leases (continued)
in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16 also requires lessees and lessors to make more extensive disclosures than under AASB 117.

AASB 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies AASB 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group will adopt this standard from 1 July 2019.

The Group is currently the lessee of 21 non-cancellable operating leases, which will be included under this new standard. These leases relate to the Group's Sydney and Brisbane offices, which, at 30 June 2018 have future minimum lease payments total of $1,274,000, and fleet vehicles, which have a future minimum lease payments total of $828,000. The Group is also lessee of two finance leases (relating to the land component of investment properties), which are not expected to be materially impacted by the new standard because they are already substantially treated in the matter prescribed by the new standard.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period and are not expected to have a material impact on the Group's future financial reporting.

Note 2. Critical accounting judgements, estimates and assumptions

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.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Monte Carlo model taking into account the terms and conditions upon which the instruments were 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 Group is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether 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 have been 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment indicator exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred consideration
The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Note 3. Segment information

Identification of reportable operating segments

Gateway Lifestyle Group

Gateway Lifestyle Group is organised into two main operating segments:

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

RPT2 Group

RPT2 Group operates only in the manufactured home operations segment.

Basis of measurement of performance by CODM

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors, who are identified as the Chief operating decision makers (CODM), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews net profit after tax (NPAT) and Distributable Earnings. 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.

EBITDA is used by Gateway Lifestyle Group to evaluate the performance of the business without the non-cash impact of depreciation and amortisation, impairments, fair value gains or losses and before interest and tax charges. Distributable Earnings is a non-IFRS measure designed to present, in the opinion of the Directors, the results from the ongoing operating activities in a way that reflects underlying performance. Distributable earnings is Net profit after tax, adjusted for non-cash, one-off and non-recurring items. These items are required to be included in profit after income tax in accordance with Australian Accounting Standards.

Gateway Lifestyle Group and RPT2 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 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 reportable segment revenue and profit is the same as that of Gateway Lifestyle Group as a whole and as disclosed in the consolidated profit or loss and other comprehensive income statement.

Note 3. Segment information (continued)

Segment information

Gateway Lifestyle Group 30 Jun 2018	Manufactured home operations $'000	Manufactured home development $'000	Corporate $'000	Total $'000
Revenue				
Rent from investment properties	61,867	-	-	61,867
Development revenue	-	61,602	-	61,602
Other revenue	6,143	-	77	6,220
Total revenue	**68,010**	**61,602**	**77**	**129,689**
Operating Costs	(29,801)	(36,651)	(17,061)	(83,513)
EBITDA	**38,209**	**24,951**	**(16,984)**	**46,176**
Depreciation and amortisation	-	-	(388)	(388)
Net fair value gains/(losses)	-	-	22,191	22,191
Finance costs	-	-	(8,721)	(8,721)
Profit before income tax	38,209	24,951	(3,902)	59,258
Income tax benefit/(expense)				(1,041)
Profit after income tax				**58,217**
Add back:				
Depreciation and amortisation				388
Net fair value (gains)/losses				(22,191)
Income tax (benefit)/expense				1,041
Amortisation of borrowing costs				762
Security based payment expenses				1,112
One-offs				1,402
Distributable earnings				**40,731**

Gateway Lifestyle Group 30 Jun 2017	Manufactured home operations $'000	Manufactured home development $'000	Corporate $'000	Total $'000
Revenue				
Rent from investment properties	55,925	-	-	55,925
Development revenue	-	57,531		57,531
Other revenue	3,850	-	1,639	5,489
Total revenue	**59,775**	**57,531**	**1,639**	**118,945**
Operating costs	(26,920)	(32,278)	(19,180)	(78,378)
EBITDA	**32,855**	**25,253**	**(17,541)**	**40,567**
Depreciation and amortisation	-	-	(461)	(461)
Net fair value gains/(losses)	-	-	24,951	24,951
Finance costs	-	-	(6,406)	(6,406)
Profit before income tax	32,855	25,253	543	58,651
Income tax benefit/(expense)				1,061
Profit after income tax				**59,712**
Depreciation and amortisation				461
Net fair value (gains)/losses				(24,951)
Income tax (benefit)/expense				(1,061)
Amortisation of borrowing costs				670
Share-based payments expense				796
One-offs				3,966
Distributable earnings				**39,593**

Gateway Lifestyle Group
Notes to the financial statements
30 June 2018

Note 4. Revenue

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Rent from investment properties				
Long-term rental revenue	50,957	46,285	37,094	34,790
Short-term rental revenue	10,910	9,640	-	-
Total rent from investment properties	**61,867**	**55,925**	**37,094**	**34,790**
Development revenue				
Development revenue	**61,602**	**57,531**	**-**	**-**
Other revenue				
Recharges	3,396	2,774	-	-
Other	2,747	2,813	-	91
Interest	77	188	4,118	4,237
Total other revenue	**6,220**	**5,775**	**4,118**	**4,328**

Note 5. Expenses

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Operations expenses				
Direct costs – investment properties	17,184	15,854	-	-
Development expenses				
Costs of manufactured homes sold	34,796	32,423	-	-
Depreciation and amortisation				
Property, plant and equipment	278	349	-	-
Software	110	112	-	-
Total depreciation and amortisation	388	461	-	-
Finance costs				
Interest and finance charges paid/payable	7,959	4,059	7,842	4,043
Borrowing costs	762	2,347	762	2,348
Finance costs expensed	8,721	6,406	8,604	6,391
Rental expense relating to operating leases				
Minimum lease payments	788	668	-	-
Employment benefits expense				
Salaries and wage expense	16,734	18,988	-	-
On-costs	4,280	3,268	-	-
Staff amenities	209	584	-	-
Security-based payment expense	1,112	796	-	-
Total employment expense	22,335	23,636	-	-

Note 6. Income tax expense/(benefit)

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Income tax expense/(benefit)				
Current tax	67	209	62	211
Deferred tax - origination and reversal of temporary differences	977	77	(832)	(426)
Adjustment recognised for prior periods	(3)	(1,347)	-	(1,141)
Aggregate income tax expense/(benefit)	1,041	(1,061)	(770)	(1,356)
Deferred tax included in income tax expense/(benefit) comprises:				
Decrease in deferred tax assets (Note 14)	1,736	503	-	-
Decrease in deferred tax liabilities (Note 18)	(759)	(426)	(832)	(426)
Deferred tax - origination and reversal of temporary differences	977	77	(832)	(426)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate				
Profit before income tax (expense)/benefit	59,258	58,651	52,859	57,159
Tax at the statutory tax rate of 30%	17,778	17,595	15,857	17,148
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Security based payments	334	239	-	-
Transaction costs	-	-	-	-
Other non-deductible costs	44	10	-	-
Other deductible expenses	(485)	(270)	-	-
Non assessable trust income	(16,627)	(17,363)	(16,627)	(17,363)
	1,044	211	(770)	(215)
Adjustment recognised for prior periods	(3)	(1,347)	-	(1,141)
Prior year temporary differences not recognised now recognised	-	75	-	-
Income tax expense/(benefit)	**1,041**	**(1,061)**	**(770)**	**(1,356)**

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Amounts credited directly to equity				
Deferred tax assets (Note 14)	-	-	-	-

Note 7. Cash and cash equivalents

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Cash on hand	73	65	-	-
Cash at bank	7,185	22,528	253	517
	7,258	22,593	253	517

Note 8. Trade and other receivables

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Current				
Trade receivables	981	3,386	-	-
Provision for impairment of receivables	(20)	(28)	-	-
	961	3,358	-	-
Other receivables	1,408	1,002	230	-
GST receivable	516	1,570	-	654
Total current trade and other receivables	**2,885**	**5,930**	**230**	**654**
Non-current				
Related party receivables	-	-	169,409	175,512
Other	-	-	143	-
Total non-current trade and other receivables	-	-	169,552	175,512

Impairment of receivables
The Group has recognised a loss of $20,598 (30 June 2017: $28,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Over 6 months overdue	20	28	-	-

Movements in the provision for impairment of receivables are as follows:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Additional provisions recognised	20	28	-	-

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $307,000 as at 30 June 2018 ($210,000 as at 30 June 2017).

The Group did not consider 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	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
0 to 3 months overdue	70	53	-	-
3 to 6 months overdue	199	124	-	-
Over 6 months overdue	38	33	-	-

Note 9. Inventories

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Manufactured homes				
Completed	15,143	7,784	-	-
Under construction	14,655	10,530	-	-
Total inventories	**29,798**	**18,314**	**-**	**-**

Note 10. Other current assets

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Prepayments	1,693	1,126	-	-
Deposits paid	116	125	-	-
Other assets	894	188	777	-
Total other current assets	**2,703**	**1,439**	**777**	**-**

Note 11. Non-current assets held for sale

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Investment properties	21,729	-	17,992	-
Total non-current assets held for sale	**21,729**	**-**	**17,992**	**-**

During the year the Group reclassified the book value of investment properties held at Bass Hill, Benalla, Healesville and Acacia Ponds. No write-down to the carrying value was made as sales prices are consistent with the amounts recorded at the time where the assets were designated as held for sale.

On 4 July 2018, the Group settled the sale of Gateway Lifestyle Bass Hill NSW for a sale price of $10.4 million and on 23 July 2018 the Group exchanged unconditional contract for the sale of Gateway Lifestyle Acacia Ponds for a sale price of $5.6 million.

Refer to Note 23 for further information on fair value measurement.

Note 12. Investment properties

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Residential land lease communities - at fair value	711,210	622,807	658,747	563,565
Reconciliation				
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:				
Opening fair value	622,807	516,145	563,565	461,167
Acquisitions	59,310	45,181	54,489	36,539
Disposals	(10,454)	(690)	(7,460)	(690)
Net change in fair value	22,282	24,688	28,919	37,641
Capitalised expenditure	38,994	37,483	37,226	28,908
Closing fair value	**732,939**	**622,807**	**676,739**	**563,565**
Less non-current assets held for sale	(21,729)	-	(17,992)	-
Closing fair value	**711,210**	**622,807**	**658,747**	**563,565**

Note 12. Investment properties (continued)

Residential land lease community	Date of purchase	Latest external valuation date	External valuation $'000	Gateway Lifestyle Group Carrying amount 30-Jun-18 $'000	Gateway Lifestyle Group Carrying amount 30-Jun-17 $'000	RPT2 Group Carrying amount 30-Jun-18 $'000	RPT2 Group Carrying amount 30-Jun-17 $'000
Bayside	Dec-09	Jul-18	16,150	16,150	14,250	14,822	12,762
Bass Hill	Aug-10	Nov-17	10,250	10,445	9,681	8,838	7,884
Stanhope Gardens	Sep-11	Jun-18	42,500	42,500	38,500	41,488	37,380
Goodna	Sep-11	Jun-18	8,400	8,400	6,552	8,253	6,459
Nepean Shores	Jun-12	Jun-18	19,400	19,400	18,217	17,072	15,434
Redlands	Aug-12	Jun-18	13,580	13,580	9,850	12,820	9,153
Grafton	Oct-12	Jun-18	11,980	11,980	13,705	10,863	12,455
Aspley	Dec-12	Jun-18	15,000	15,000	15,100	14,567	14,463
Oaklands	Jun-13	Jun-18	22,000	22,000	20,500	20,599	18,890
Yamba Waters	Aug-13	Nov-17	9,500	10,283	9,095	9,566	8,359
Regal Waters	Oct-13	Jun-18	18,000	18,000	15,600	17,611	15,184
Coombabah	Oct-13	Jun-18	21,350	21,350	18,250	20,790	17,666
Maroochy	Dec-13	Jun-18	13,500	13,500	16,000	12,139	14,421
Edgewater	Dec-13	Jun-18	23,100	23,100	18,750	22,147	17,666
Tweed Heritage	May-14	Aug-17	9,750	10,023	9,750	9,382	9,087
Acacia Ponds	May-14	Jul-17	4,650	5,620	4,650	5,016	3,975
Chinderah	May-14	Dec-16	4,200	4,691	4,430	4,129	3,824
Benalla	Jun-14	Jul-15	4,615	2,895	4,000	2,250	3,256
Salamander Bay	Aug-14	Jun-18	13,500	13,500	10,650	12,511	9,751
Healesville	Oct-14	Jun-17	3,350	2,769	3,350	1,888	2,317
The Dunes	Oct-14	Jun-18	8,750	8,750	8,010	8,249	7,485
Snappy Gums	Oct-14	Jun-18	4,350	4,350	4,154	3,953	3,750
Ballarat	Nov-14	Jun-18	5,500	5,500	8,330	3,817	6,329
Greenbank	Nov-14	Jun-18	10,700	10,700	9,994	10,082	9,406
Twin Cedars	Dec-14	Nov-17	5,850	5,889	7,002	5,361	6,398
The Retreat	Apr-14	May-18	18,500	18,500	16,000	18,381	15,930
Taskers	Apr-14	Dec-16	4,900	4,910	4,908	4,902	4,900
Ocean Breeze	Apr-14	Jun-18	4,100	4,100	3,800	4,061	3,756
Redbank	Apr-14	Jun-18	13,200	13,200	11,950	13,104	11,874
Lakeland	Apr-14	May-18	15,350	15,350	13,900	15,282	13,849
Bremer Waters	May-14	Jul-18	18,040	18,040	15,100	17,959	15,021
Sea Winds	Dec-14	Jun-18	11,400	11,400	9,500	11,302	9,391
Valhalla	Nov-14	Jun-18	47,700	47,700	38,750	47,353	38,574
The Pines	Dec-14	Nov-17	7,700	7,767	7,546	7,617	7,418
Riverside	Dec-14	Jun-17	9,000	10,966	9,000	10,911	8,976
Lorikeet	Dec-14	Nov-17	7,000	7,382	6,988	7,148	6,755
Myola	Sep-15	Dec-17	5,850	5,864	5,436	4,279	3,779
Moama	Oct-15	Jun-18	15,450	15,450	14,000	13,768	12,239
Beachfront	Oct-15	Nov-17	13,500	15,115	13,143	13,508	11,268
Ulladulla	Nov-15	Dec-17	9,500	9,783	10,642	9,285	10,084
Homestead	Nov-15	Nov-17	9,000	9,006	8,363	6,633	5,902
Belmont	Nov-15	May-18	14,500	14,500	13,350	13,807	12,525
Failford	Dec-15	Feb-16	1,200	-	1,333	-	1,305
Birubi	Dec-15	Nov-17	7,700	7,897	8,203	6,877	7,009
Old Bar	Feb-16	Jan-16	5,200	5,292	5,221	5,252	5,221
Casino	Mar-16	Nov-17	15,770	16,412	15,067	14,571	13,192
Rainbow Waters	Apr-16	Nov-17	7,500	-	7,000	-	4,987
Albury	Apr-16	Nov-17	11,680	12,360	12,430	7,793	7,741
East Ocean Shores	Apr-16	Nov-17	5,300	5,317	4,668	2,853	2,074
Redhead	Apr-16	Jun-18	20,500	20,500	17,750	19,895	17,045
Lakes Entrance	May-16	Nov-17	3,000	3,004	2,609	2,849	2,437
North Haven	May-16	Nov-17	7,800	7,818	7,509	7,218	6,836
Terrigal Sands	Jul-16	Nov-17	9,500	9,525	8,517	6,138	5,106
Rockhampton	Sep-16	Jun-18	12,400	12,400	10,633	11,449	6,571
Suncoast Ulladulla	Feb-17	Dec-16	3,900	4,368	4,121	3,812	3,620
Sundown Village	May-17	Jun-18	18,500	18,500	17,000	15,465	14,426
Evans Head	Feb-18	-	-	8,154	-	8,102	-
Rosetta	May-18	Mar-18	28,500	28,500	-	28,489	-
Seachange	May-18	Mar-18	18,500	18,500	-	18,463	-
Silverwoods	Apr-18	-	-	4,984	-	-	-
			721,565	732,939	622,807	676,739	563,565

Note 12. Investment properties (continued)

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 the Directors of GLOL 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, or if there is a reason to believe that the fair value of an investment property has materially changed from its carrying value.

Description of valuation techniques used and key inputs to valuation on investment properties

Valuation technique	Significant unobservable inputs	Range 2018	Range 2017	Sensitivity
Capitalisation method	Capitalisation rate applied to historical operating EBITDA	6.25% - 11.9%	6.7% - 11.9%	Capitalisation rate has an inverse relationship to valuation
Direct comparison method	Current market value per site	$44,000 - $117,000	$44,000 - $114,000	Current market value has a direct correlation to valuation

Refer to Note 23 for further information on fair value measurement.

Note 13. Intangibles

	Gateway Lifestyle Group 30 Jun 2018 $'000	Gateway Lifestyle Group 30 Jun 2017 $'000	RPT2 Group 30 Jun 2018 $'000	RPT2 Group 30 Jun 2017 $'000
Goodwill (at cost)	140,359	140,359	85,376	85,376
Software (at cost)	829	694	-	-
Less: accumulated amortisation	(269)	(159)	-	-
Software (written down value)	560	535	-	-
Closing fair value	**140,919**	**140,894**	**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:

Gateway Lifestyle Group	Goodwill $'000	Software $'000	Total $'000
Balance at 1 July 2016	140,359	379	140,738
Additions	-	268	268
Amortisation expense	-	(112)	(112)
Balance at 30 June 2017	**140,359**	**535**	**140,894**
Additions	-	135	135
Amortisation expense	-	(110)	(110)
Balance at 30 June 2018	**140,359**	**560**	**140,919**

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

	Gateway Lifestyle Group 30 Jun 2018 $'000	Gateway Lifestyle Group 30 Jun 2017 $'000	RPT2 Group 30 Jun 2018 $'000	RPT2 Group 30 Jun 2017 $'000
Carrying amount of goodwill allocated to each of the CGUs:				
Operations	90,000	90,000	85,376	85,376
Development	50,359	50,359	-	-
Goodwill at 30 June	**140,359**	**140,359**	**85,376**	**85,376**

Note 13. Intangibles (continued)

Impairment testing

Annual impairment tests were performed in June 2018 and June 2017.

Operations CGU

The recoverable amount of the manufactured home operations CGU, $856,453,000 as at 30 June 2018 (30 June 2017: $779,086,000), has been determined based on a value in use calculation using cash flow projections from Board approved financial budgets extrapolated by senior management to cover a five-year period. The pre-tax discount rate applied to cash flow projections is 7.6% and cash flows beyond the five year-period are extrapolated using a 3.0% growth rate. As a result of the analysis, there is headroom of approximately $52,440,000 (30 June 2017: $68,714,000) and management did not identify an impairment for this CGU.

Development CGU

The recoverable amount of the manufactured home development CGU, $79,867,000 as at 30 June 2018 (30 June 2017: $60,113,000), has been determined based on a value in use calculation using cash flow projections from Board approved financial budgets extrapolated by senior management to cover an eight year period. The pre-tax discount rate applied to cash flow projections is 16.7%. No cash flows are assumed beyond the Year 7 net cash inflows. The Board considers a 7 year period an appropriate timeframe for which to project the execution of the development pipeline. As a result of the analysis, there is headroom of approximately $7,423,000 (30 June 2017: $3,697,000) 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 are most sensitive to the following assumptions:

- Discount rates; and
- 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.

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

- Operations – an increase to 7.9%
- Development – an increase to 19.0%

Growth rate estimates

The long term growth rates used to extrapolate the budgets are based on a pre-tax discount rate of 7.5% and terminal growth rate of 3% for the Operations CGU.

The following reductions in the long term growth rate would result in impairment:

- Operations – a reduction of the terminal growth rate to 2.7%.

Note 14. Deferred tax assets

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Deferred tax asset comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Tax losses	6,445	7,848	-	-
Employee benefits	470	514	-	-
Accrued expenses	198	109	-	-
Deferred consideration payable	-	405	-	-
Provision for doubtful debts	6	8	-	-
Lease incentive liability	16	24	-	-
Property, plant & equipment	18	-	-	-
Expenses deductible over five years for tax purposes	826	807	-	-
	7,979	9,715	-	-
Amounts recognised in equity:				
Transaction costs on issue of stapled securities deductible over five years for tax purposes	-	-	-	-
Deferred tax assets	7,979	9,715	-	-
Movements:				
Opening balance	9,715	10,218	-	-
Credited to profit or loss (Note 6)	(1,736)	(503)	-	-
Credited to equity (Note 6)	-	-	-	-
Transfer in	-	-	-	-
Closing balance	7,979	9,715	-	-

Note 15. Trade and other payables

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Current				
Trade payables	3,694	9,185	137	1,176
Accruals	11,561	10,386	3,734	2,675
Other payables	761	1,295	374	718
Deferred consideration	-	1,225	-	-
Lease incentives	28	28	-	-
Distribution payable	16,249	16,766	16,249	16,766
Total current trade and other payables	**32,293**	**38,885**	**20,494**	**21,335**
Non-current				
Lease incentives	25	53	-	-
Deferred consideration	-	124	-	-
Total non-current trade and other payables	**25**	**177**	**-**	**-**

Deferred consideration
The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Distribution payable
The provision represents distributions declared, being appropriately authorised and no longer at the discretion of Gateway Lifestyle Group, on or before the end of the financial year but not distributed at the reporting date.

Accruals
Accruals relate to amounts not yet billed, but incurred on investment property capital expenditure and operating costs.

Note 16. Borrowings

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Current				
Insurance funding agreement	338	-	-	-
Lease liability	76	84	75	80
Total current borrowings	414	84	75	80
Non-current				
Bank loans	258,398	179,950	258,398	179,950
Borrowing costs	(1,590)	(2,181)	(1,590)	(2,181)
Lease liability	313	389	313	389
Total non-current borrowings	257,121	178,158	257,121	178,158

Refer to Note 22 for further information on financial instruments.

On 9 March 2018 the Group renegotiated the existing syndicated finance facility, increasing it by $30 million to $280 million.

The Group currently has a $280,000,000 syndicated financing arrangement between Australia and New Zealand Banking Group and Commonwealth Bank of Australia Limited. Unamortised borrowing costs of $1,590,000 (30 June 2017: $2,181,000) have been offset against the bank loan in the Gateway Lifestyle Group.

Note 16. Borrowings (continued)

Movement in Borrowings

Gateway Lifestyle Group

	Bank loans $'000	Borrowing costs $'000	Insurance funding $'000	Lease liability $'000
Balance at 1 July 2016	105,250	(2,435)	-	629
Proceeds from borrowings	74,700	-	-	-
Payments made	-	-	-	(156)
Amortisation of borrowing costs	-	254	-	-
Balance at 30 June 2017	**179,950**	**(2,181)**	**-**	**473**
Proceeds from borrowings	96,398	-	1,000	-
Payments made	(17,950)	(191)	(662)	(84)
Amortisation of borrowing costs	-	782	-	-
Balance at 30 June 2018	**258,398**	**(1,590)**	**338**	**389**

RPT2 Group

	Bank loans $'000	Borrowing costs $'000	Insurance funding $'000	Lease liability $'000
Balance at 1 July 2016	105,250	(2,435)	-	629
Proceeds from borrowings	74,700	-	-	-
Payments made	-	-	-	(156)
Amortisation of borrowing costs	-	254	-	-
Balance at 30 June 2017	**179,950**	**(2,181)**	**-**	**473**
Proceeds from borrowings	96,398	-	-	-
Payments made	(17,950)	(191)	-	(84)
Amortisation of borrowing costs	-	782	-	-
Balance at 30 June 2018	**258,398**	**(1,590)**	**-**	**389**

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

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Bank loans	258,398	179,950	258,398	179,950
Lease liability	389	473	388	469
	258,787	**180,423**	**258,786**	**180,419**

Assets pledged as security
The bank loans are secured by a general security deed in respect of all of the assets of the Group and a first ranking real property mortgage in respect of each residential land lease community.

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

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Total facilities				
Bank loans	280,000	250,000	280,000	250,000
Used at reporting date				
Bank loans	258,398	179,950	258,398	179,950
Unused at reporting date				
Bank loans	21,602	70,050	21,602	70,050

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

Note 17. Derivative financial instruments

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Interest rate swap contracts	136	174	136	174

Note 18. Deferred tax liabilities

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Deferred tax liabilities comprise temporary differences attributable to:				
Amounts recognised in profit or loss:				
Excess of fair value over tax cost base of investment properties	337	1,171	337	1,169
Borrowing costs	49	-	-	-
Prepayments	26	-	-	-
Deferred tax liabilities	**412**	**1,171**	**337**	**1,169**
Movements:				
Opening balance	1,171	1,598	1,169	1,595
Credited to profit or loss (Note 6)	(759)	(427)	(832)	(426)
Closing balance	**412**	**1,171**	**337**	**1,169**

Note 19. Issued capital

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 securityholders. Ordinary securities entitle the holder to participate in dividends and the proceeds on a winding up of the Gateway Lifestyle Group in proportion to the number of, and amounts paid on, the shares 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.

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Ordinary securities	595,551	583,421	595,551	587,024
Treasury stapled securities	(150)	(325)	-	-
	595,401	**583,096**	**595,551**	**587,024**

Treasury stapled securities are issued in relation to security-based payments as set out in Note 34.

The following table provides details of securities issued

	Gateway Lifestyle Group			
	30 Jun 2018 No securities	30 Jun 2017 No securities	30 Jun 2018 $'000	30 Jun 2017 $'000
Ordinary stapled securities – issued and fully paid	303,726,580	299,397,735	595,551	583,421
Treasury securities	(75,000)	(125,000)	(150)	(325)
	303,651,580	**299,272,735**	**595,401**	**583,096**

Movements in ordinary securities of the Gateway Lifestyle Group

Details	Date	Securities	Issue price	$'000
Balance	1 July 16	299,397,735		583,421
Balance	30 June 17	299,397,735		583,421
Issue of ordinary stapled securities		1,897,460	1.93	3,660
Issue of ordinary stapled securities		905,676	2.08	1,884
Issue of ordinary stapled securities		1,525,709	1.97	3,000
Transaction costs on issue of securities		-		(17)
Transfer of transaction costs to retained earnings		-		3,603
Balance	30 June 18	**303,726,580**		**595,551**

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group aims 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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In determining the optimal capital structure, the Group takes 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 Group takes into account the relative security of its income flows, the predictability of its expenses, its debt profile, the degree of hedging and the overall level of debt. The Group primarily monitors its capital position through the Gearing Ratio, with a strategy of maintaining the Gearing Ratio in the range of 25%-35%. Additionally, the Group's $280,000,000 multilateral debt facility contains covenants on Loan to Valuation Ratio (LVR) and Interest Cover Ratio (ICR).

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 debt facility provides for a LVR position of 50%. As at 30 June 2018, the Group LVR is 35.8% (30 June 2017: 28.9%) and the Net Debt LVR is 34.8% (30 June 2017: 25.3%). The ICR is defined as the Calculated 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 2.00. ICR is 3.4 as at 30 June 2018 (30 June 2017: ICR is 4.08).

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Note 20. Reserves

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Security-based payments reserve	1,874	937	-	-
Non-controlling interest reserve	(636)	(636)	(636)	(636)
Total reserves	**1,238**	**301**	**(636)**	**(636)**

Security-based payments reserve

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

Non-controlling interest reserve

The reserve is used to recognise the loss arising from the excess of consideration and de-recognition 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.

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
Security-based payments reserve	$'000	$'000
Balance at 1 July 2016	141	-
Security-based payment expense	796	-
Balance at 30 June 2017	**937**	**-**
Release of securities from escrow	(175)	-
Security-based payment expense	1,112	-
Balance at 30 June 2018	**1,874**	**-**
Non-controlling interest reserve	$'000	$'000
Balance at 1 July 2016	(636)	(636)
Balance at 30 June 2017	(636)	(636)
Balance at 30 June 2018	**(636)**	**(636)**

Note 21. Distributions

Details of distributions proposed or being paid during the financial year were as follow:

	30 Jun 2018 $'000	30 Jun 2017 $'000
Final distribution from RPT2 Trust for the year ended 30 June 2018 of 5.35 cents (2017: 5.60 cents) per security.	16,249	16,766
Interim distribution from RPT2 Trust for the year ended 31 December 2017 of 3.75 cents (2016: 3.50 cents) per security	11,299	10,479

Franking credits

	30 Jun 2018 $'000	30 Jun 2017 $'000
Franking credits available for subsequent periods based on a tax rate of 30%	3,770	3,756

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 22. Financial instruments

Financial risk management objectives

The Group's principal financial instruments comprise cash and short-term deposits, receivables, payables, interest bearing liabilities, and other financial liabilities. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The entities' senior management oversee the management of these risks, supported by the Audit and Risk Management Committee.

The Group manages its exposure to these risks primarily through its Treasury Policy. The policy sets guidance on restricting the financial risk taken by the Group, including limits on gearing ratios and liquidity (minimum cash flow requirement as forecasted for the Operating and Development business units). Management reviews actual positions of the Group against these limits on a regular basis. If the actual positions are in breach of the limits, or the forecast is unlikely to be achieved, the Audit and Risk Management Committee will determine whether or not any breach requires immediate rectification.

If it is considered commercially, strategically or practically appropriate, positions outside of the risk management policy may be approved by the Audit and Risk Management Committee and may be maintained where it is considered that the benefits exceed the risks. The adequacy of the financial risk management policy in addressing the risks arising from the Group's financial instruments are reviewed on a regular basis.

Details of the Groups' financial assets and liabilities are set out in the table below:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018 $'000	30 Jun 2017 $'000	30 Jun 2018 $'000	30 Jun 2017 $'000
Financial assets				
Financial assets at amortised cost				
Trade and other receivables	2,885	5,930	230	654
Related party receivables	-	-	169,552	175,512
Total financial assets	**2,885**	**5,930**	**169,782**	**176,166**
Financial liabilities				
Interest-bearing loans and borrowings				
Bank loans	258,398	179,950	258,398	179,950
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments (interest rate swap contracts)	136	174	136	174
Deferred consideration payable	-	1,350	-	-
Other financial liabilities at amortised cost, other than interest (bearing loans and borrowings):				
Trade payables	3,694	9,185	137	1,176
Accruals	11,561	10,386	3,734	2,675
Other payables	761	1,295	374	718
Lease liability	389	473	388	468
Distribution payable	16,249	16,766	16,249	16,766
Insurance funding payable	338	-	-	-
Total financial liabilities	**291,526**	**219,579**	**279,416**	**201,927**

Note 22. Financial instruments (continued)

Interest rate risk
The Group's 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 Group 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.

The Group uses Board 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. Gateway Lifestyle Group'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.

At 30 June 2018, the hedged profile covers 39.2% of the entity's borrowings which is within the limits designated in the Treasury Policy (2017: 56.3%).

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

		30 Jun 2018		30 Jun 2017
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Gateway Lifestyle Group				
Bank loans	2.77%	258,398	2.69%	179,950
Interest rate swaps (fair value)	-	136	-	174
Net exposure to cash flow interest rate risk		**258,534**		**180,124**
RPT2 Group				
Bank loans	2.77%	258,398	2.69%	179,950
Interest rate swaps (fair value)	-	136	-	174
Net exposure to cash flow interest rate risk		**258,534**		**180,124**

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

Note 22. Financial instruments (continued)

The following table demonstrates the sensitivity to a 25 basis points 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:

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Gateway Lifestyle Group						
30 Jun 2018	25	(518)	(518)	(25)	518	518
30 Jun 2017	25	(450)	(450)	(25)	450	450
RPT2 Group						
30 Jun 2018	25	(518)	(518)	(25)	518	518
30 Jun 2017	25	(450)	(450)	(25)	450	450

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

Credit risk
Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in a financial loss to the Group. The major credit risk for the Group is default by tenants, resulting in a loss of rental income. The Group has a disciplined arrears management policy with no material instances of non-payment of rent since inception. An increasing number of the Group's residents are paying their rent via direct debit arrangements, which automates the payment process and reduces the risk of non-payment.

The Group believes that their receivables that are past due do not give rise to any significant credit risk. The Group's 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.

Liquidity risk
The main objective of liquidity risk management is to reduce the risk that the Group does not have sufficient resources available to meet their financial commitments, working capital and planned/unplanned capital expenditure requirements. At 30 June 2018, the Group had undrawn loan facilities of $21,602,000 (30 June 2017: $70,050,000).

The Group 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 Group monitors compliance with loan covenants on a regular basis.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Bank loans	21,602	70,050	21,602	70,050

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 remaining contractual maturity for the financial instrument liabilities of both the Gateway Lifestyle Group and RPT2 Group. 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.

Note 22. Financial instruments (continued)

Gateway Lifestyle Group 30 Jun 2018	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-derivatives						
Non-interest bearing						
Trade payables	-	3,694	-	-	-	3,694
Accruals	-	11,561	-	-	-	11,561
Other payables	-	429	332	-	-	761
Leases liabilities (crown leases)	-	96	132	152	298	678
Distribution payable	-	16,249	-	-	-	16,249
Insurance funding payable	-	338	-	-	-	338
Interest-bearing (variable)						
Bank loans	2.77	7,159	264,641	-	-	271,800
Total non-derivatives		**39,526**	**265,105**	**152**	**298**	**305,081**

Gateway Lifestyle Group 30 Jun 2017	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-derivatives						
Non-interest bearing						
Trade payables	-	9,185	-	-	-	9,185
Accruals	-	10,386	-	-	-	10,386
Other payables	-	1,295	-	-	-	1,295
Leases liabilities (crown leases)	-	102	102	204	-	408
Deferred consideration payable	-	1,225	125	-	-	1,350
Distribution	-	16,766	-	-	-	16,766
Interest-bearing (variable)						
Bank loans	2.69	179	73,766	118,823	-	192,768
Total non-derivatives		**39,138**	**73,993**	**119,027**	**-**	**232,158**

Note 22. Financial instruments (continued)

RPT2 Group 30 Jun 2018	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-derivatives						
Non-interest bearing						
Trade payables	-	137	-	-	-	137
Accruals	-	3,734	-	-	-	3,734
Other payables	-	374	-	-	-	374
Leases liabilities (crown leases)	-	96	132	152	298	678
Distribution payable	-	16,249	-	-	-	16,249
Interest-bearing (variable)						
Bank loans	2.77	7,159	264,641	-	-	271,800
Total non-derivatives		**27,749**	**264,773**	**152**	**298**	**292,972**

RPT2 Group 30 Jun 2017	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-derivatives						
Non-interest bearing						
Trade payables	-	1,176	-	-	-	1,176
Accruals	-	2,675	-	-	-	2,675
Other accruals	-	718	-	-	-	718
Leases liabilities (crown leases)	-	102	102	306	-	510
Distribution payable	-	16,766	-	-	-	16,766
Interest-bearing (variable)						
Bank loans	2.69	179	73,766	118,823	-	192,768
Total non-derivatives		**21,616**	**73,868**	**119,129**	**-**	**214,613**

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

Hedging activities and derivatives

The Group uses interest rate caps to manage interest rate exposure. The interest rate caps are not designated as hedges and are entered into for a term of 5 years. At 30 June 2018, the Group had an interest rate cap agreement and a floating-to-fixed interest rate agreement in place. The interest rate cap agreement had a notional amount of $26,250,000 (2017: $26,250,000) and the floating-to-fixed interest rate agreement had a notional amount of $75,000,000 (2016: $75,000,000) whereby the Group amortises the premium applicable to the face value at each reset for the term of the cap agreement. The decrease in fair value of the interest rate cap of $8,000 (2017: $4,000) has been recognised in net fair value. The movements in fair value of the floating-to-fixed interest rate agreement of $38,000 (2017: $174,000) has been recognised in net fair value.

Fair value of financial instruments

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

Note 23. Fair value measurement

Fair value hierarchy

The following tables detail the assets and liabilities of both Gateway Lifestyle Group and RPT2 Group, 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.

Note 23. Fair value measurement (continued)

Gateway Lifestyle Group 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Non-current assets held for sale	-	10,445	11,284	21,729
Investment properties	-	-	711,210	711,210
Total assets	**-**	**10,445**	**722,494**	**732,939**
Liabilities				
Derivative financial instruments	-	136	-	136
Lease liabilities (crown leases)	-	-	389	389
Deferred consideration payable	-	-	-	-
Total liabilities	**-**	**136**	**389**	**525**

Gateway Lifestyle Group 30 Jun 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment properties	-	-	622,807	622,807
Total assets	**-**	**-**	**622,807**	**622,807**
Liabilities				
Derivative financial instruments	-	174	-	174
Lease liabilities (crown leases)	-	-	473	473
Deferred consideration payable	-	-	1,350	1,350
Total liabilities	**-**	**174**	**1,823**	**1,997**

RPT2 Group 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Non-current assets held for sale	-	8,838	9,154	17,992
Investment properties	-	-	658,747	658,747
Total assets	**-**	**8,838**	**667,901**	**676,739**
Liabilities				
Derivative financial instruments	-	136	-	136
Lease liabilities (crown leases)	-	-	388	388
Total liabilities	**-**	**136**	**388**	**524**

RPT2 Group 30 Jun 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment properties	-	-	563,565	563,565
Total assets	**-**	**-**	**563,565**	**563,565**
Liabilities				
Derivative financial instruments	-	174	-	174
Lease liabilities (crown leases)	-	-	469	469
Total liabilities	**-**	**174**	**469**	**643**

During the year, the Group reclassified (transferred) $21,729,000 from Investment properties to Non-current assets held for sale. Of these Non-current assets held for sale, $10,445,000 relating to the Bass Hill property has been classified within Level 2 of the fair value hierarchy as the contract for sale had been exchanged at 30 June 2018, a directly observable input.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 23. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within Level 2 and Level 3

Non-current assets held for sale
Non-current assets held for sale are carried at their market value assessed at the time where the assets were designated as held for sale. The fair value of assets held for sale is designated within level 2 of the fair value hierarchy when contracts have been exchanged for the subject assets. Level 3 assets are those being actively marketed but no contracts have been exchanged at year end.

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 RLLC. 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.

Derivative financial instruments - 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.

Lease liabilities
The fair value of other liabilities and lease liabilities is estimated using a discounted cash flow (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.

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.

Level 3 assets and liabilities
Movements in level 2 and 3 assets and liabilities during the current and previous financial year are set out below:

	Level 2		Level 3				
Gateway Lifestyle Group	**Non-current assets held for sale**	**Derivative financial instruments**	**Non-current assets held for sale**	**Invest-ment properties**	**Lease liabilities (crown lease)**	**Deferred consider-ation payable**	**Total**
Asset/(liability)	**$000**	**$000**		**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 Jul 2016	-	13	-	516,145	(632)	(1,764)	513,762
Additions	-	-	-	45,181	-	-	45,181
Disposals	-	-	-	(690)	-	-	(690)
Revaluation increments	-	-	-	24,688	-	-	24,688
Capitalised expenditure	-	-	-	37,483	-	-	37,483
Payments made/(received)	-	-	-	-	164	644	808
Re-measurement recognised in profit or loss	-	(187)	-	-	-	(230)	(417)
Balance at 30 Jun 2017	-	(174)	-	622,807	(468)	(1,350)	620,815
Transfer to Level 2/(from Level 3)	10,445	-	11,284	(21,729)	-	-	-
Additions	-	-	-	59,310	-	-	59,310
Disposals	-	-	-	(10,454)	-	-	(10,454)
Revaluation increments	-	-	-	22,281	(4)	-	22,277
Capitalised expenditure	-	-	-	38,995	-	-	38,995
Payments made	-	-	-	-	-	1,350	1,350
Re-measurement recognised in profit or loss	-	38	-	-	-	-	38
Balance at 30 Jun 2018	**10,445**	**(136)**	**11,284**	**711,210**	**(472)**	**-**	**732,331**
Total gains/(losses) for the year included in profit or loss that relate to level 2 and 3 assets held at the end of the year	**-**	38		22,281	(4)	-	**22,315**

Note 23. Fair value measurement (continued)

RPT2 Group *Asset/(liability)*	Level 2 Non-current assets held for sale $000	 Derivative financial instruments $000	Level 3 Non-current assets held for sale $000	 Investment properties $'000	 Lease liabilities (crown lease) $'000	 Total $'000
Balance at 1 Jul 2016	-	13	-	461,167	(632)	460,548
Additions	-	-	-	36,539	-	36,539
Disposals	-	-	-	(690)	-	(690)
Revaluation increments	-	-	-	37,641	-	37,641
Capitalised expenditure	-	-	-	28,908	-	28,908
Payments made	-	-	-	-	164	164
Re-measurement recognised in profit or loss	-	(187)	-	-	-	(187)
Balance at 30 Jun 2017	-	(174)	-	563,565	(468)	562,923
Transfer to Level 2/(from Level 3)	8,838	-	9,154	(17,992)	-	-
Additions	-	-	-	54,489	-	54,489
Disposals	-	-	-	(7,460)	-	(7,460)
Revaluation increments	-	-	-	28,919	(4)	28,915
Capitalised expenditure	-	-	-	37,226	-	37,226
Payments made	-	-	-	-	-	-
Re-measurement recognised in profit or loss	-	38	-	-	-	38
Balance at 30 Jun 2018	**8,838**	**(136)**	**9,154**	**658,747**	**(472)**	**676,131**
Total gains/(losses) for the year included in profit or loss that relate to level 2 and 3 assets held at the end of the year	-	38		28,919	(4)	28,953

Note 23. Fair value measurement (continued)

The unobservable inputs and sensitivities related to Level 3 assets and liabilities are as follows:

Description	Unobservable inputs	Range 2018	Range 2017	Sensitivity
Investment Properties				
Capitalisation method	Capitalisation rate applied to historical operating EBITDA	6.25% - 11.9%	6.7% - 11.9%	Capitalisation rate has an inverse relationship to valuation
Direct comparison method	Current market value per site	$44,000 - $117,000	$44,000 - $114,000	Current market value has a direct correlation to valuation
Lease liabilities – Crown lease				
DCF Method	Discount rate	9.2% - 11.5%	9.2% - 11.5%	Discount rate has an inverse relationship to valuation
Deferred consideration payable				
DCF Method	Discount rate	-	6.3%	Discount rate has an inverse relationship to valuation

Note 24. Key management personnel disclosures

Key management personnel
In addition to the Directors, the following personnel also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly:

Owen Kemp	Chief Financial Officer (appointed on 14 February 2017)
Mike Bosel	Chief Operating Officer (appointed on 27 March 2017, ceased being a KMP 16 May 2018)
John Wong	Executive Director, Chief Financial Officer and Company Secretary (resigned on 9 November 2016)

Compensation
The aggregate compensation made to Directors and other members of KMP of the Group is set out below:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$	$	$	$
Short-term employee benefits	1,817,664	1,452,357	-	-
Post-employment benefits	94,482	84,323	-	-
Termination benefits	-	96,796	-	-
Security-based payments	954,979	711,246	-	-
	2,867,125	**2,344,722**	**-**	**-**

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation is paid by the Trust to the Directors as KMP.

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$	$	$	$
Audit services (Ernst & Young)				
Audit or review of the financial statements	428,000	435,000	342,400	348,000
Other services (Ernst & Young)				
Modelling assistance	-	53,000	-	-
Other services	36,500	26,000	29,200	20,800
	464,500	**514,000**	**371,600**	**368,800**

Note 26. Contingent liabilities

Gateway Lifestyle Group has $148,000 of bank guarantees on issue as at 30 June 2018 (30 June 2017: nil).

Note 27. Commitments

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Capital commitments				
Committed at the reporting date but not recognised as liabilities payable:				
Investment properties	2,752	-	-	-
Lease commitments (operating)				
Committed at the reporting date but not recognised as liabilities payable:				
Within one year	1,004	645	-	-
One to five years	1,099	1,385	-	-
	2,103	2,030	-	-
Lease commitments (finance)				
Committed at the reporting date and recognised as liabilities payable:				
Within one year	97	93	97	93
One to five years	322	378	322	378
Greater than 5 years	256	300	255	300
Total commitments	675	771	674	771
Less: Future finance charges	(286)	(298)	(286)	(302)
Net commitment recognised as liabilities	389	473	388	469
Representing:				
Lease liability (current)	76	84	75	80
Lease liability (non-current)	313	389	313	389
	389	473	388	469
Lessor commitments				
Lease liability (current)	187	-	30,337	38,885
Lease liability (non-current)	200	-	31,556	40,441
Total lessor commitments	**387**	**-**	**61,892**	**79,326**

Operating lease commitments include 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 28. Related party transactions

Responsible entity
The responsible entity of RPT2 Group is One Managed Investments Funds Limited (OMIFL).

Subsidiaries
Interests in subsidiaries are set out in Note 31.

Key management personnel
Disclosures relating to KMP are set out in Note 25 and the Remuneration Report included in the Directors' Report.

Transactions with related parties
The following transactions occurred with related parties:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$	$	$	$
Fees paid or payable to One Managed Investment Funds Limited:				
Responsible entity fee	455,244	391,263	455,244	391,263
Custodian service fee	344,585	372,301	344,585	372,301
Other transactions:				
Leasehold rent received from related parties [1]	-	-	37,093,720	34,790,424

1. Leasehold rent received from related parties for RPT2 Group represents rent for investment properties paid by operating entities in the Gateway Lifestyle Group to property owning entities in the RPT2 Group for the full twelve month period.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$	$	$	$
Current receivables				
Gateway Lifestyle Operations Limited	-	112,148	-	-
Non-current receivables				
Gateway Lifestyle Operations Limited	-	-	169,408,891	175,512,374
Current payable				
Gateway Lifestyle Operations Limited	-	-	-	-

Loans receivable (current and non-current) from and loans payable (current and non-current) to Gateway Lifestyle Operations Limited are subject to a revolving inter-company loan facility that expires in December 2026, with interest payable in arrears on a quarterly basis at the 90-day Bank Accepted Bill rate published by the Reserve Bank plus 3%. The amount of the facility that is interest bearing is 60% of Gateway Lifestyle Operation Limited’s net asset value less non-debt liability. Interest charged for the year ended 30 June 2018 is $4,115,776 (30 June 2017: $4,236,259).

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

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

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Statement of financial position				
Total current assets	4,314	7,184	519,942	472,980
Total assets	62,017	66,622	803,688	756,726
Total current liabilities	(78,497)	(83,318)	(17,391)	(17,148)
Total liabilities	(78,572)	(83,318)	(274,643)	(195610)
Net assets	**(16,555)**	**(16,696)**	**529,045**	**561,116**
Issued shares/units	33	(3,570)	595,608	587,080
Reserves	67	67	-	-
Accumulated losses/trust deficiency	(16,655)	(13,193)	(66,563)	(25,964)
Total equity/(deficit)	**(16,555)**	**(16,696)**	**529,045**	**561,116**

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Statement of profit or loss and other comprehensive income				
Profit/(loss) after income tax	141	(762)	(13,051)	(10,596)
Total comprehensive income	141	(762)	(13,051)	(10,596)

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 2018 and 30 June 2017.

Capital commitment

The parent entities had no capital commitments as at 30 June 2018 and 30 June 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:
- Investments in subsidiaries and joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2018 %	RPT2 Group Ownership interest 30 Jun 2017 %
Entities controlled by Residential Parks No. 2 Trust (head entity within the RPT2 Group)			
Acacia Ponds Trust	Australia	100%	100%
Aspley Trust	Australia	100%	100%
Beachfront Lifestyle Resort Trust	Australia	100%	100%
Beerburrum Trust	Australia	100%	100%
Benalla Gateway Trust	Australia	100%	100%
Bremer Waters Over 55's Lifestyle Resort Trust	Australia	100%	100%
Cobb Haven Property Trust	Australia	100%	100%
Edgewater Village Trust	Australia	100%	100%
Gateway Lifestyle Albury Trust	Australia	100%	100%
Gateway Lifestyle Anna Bay Trust	Australia	100%	100%
Gateway Lifestyle Birubi Trust	Australia	100%	100%
Gateway Lifestyle Canberra Trust	Australia	100%	100%
Gateway Lifestyle Casino Trust	Australia	100%	100%
Gateway Lifestyle Failford Trust	Australia	100%	100%
Gateway Lifestyle Lake Macquarie Trust	Australia	100%	100%
Gateway Lifestyle Lakes Entrance Trust	Australia	100%	100%
Gateway Lifestyle Manning Point Trust	Australia	100%	100%
Gateway Lifestyle North Haven Trust	Australia	100%	100%
Gateway Lifestyle Old Bar Beachfront Trust	Australia	100%	100%
Gateway Lifestyle Rainbow Waters Trust	Australia	100%	100%
Gateway Lifestyle Redhead Trust	Australia	100%	100%
Gateway Lifestyle Rockhampton Trust	Australia	100%	100%
Gateway Lifestyle Victor Harbor Trust	Australia	100%	-
Gateway Lifestyle Villages Goodna Trust	Australia	100%	100%
Gateway Lifestyle Villages Redland Trust	Australia	100%	100%
Grafton Gateway Trust	Australia	100%	100%
Gumtrees Trust	Australia	100%	100%
Hammond Village Trust	Australia	100%	100%
Harvest LSWM Bass Hill Trust	Australia	100%	100%
Homestead Lifestyle Resort Trust	Australia	100%	100%
Lakeland Park Village Trust	Australia	100%	100%
Lorikeet Resort Trust	Australia	100%	100%
LSWM Yamba Trust	Australia	100%	100%
Maroochy Palms Trust	Australia	100%	100%
Myola Lifestyle Resort Trust	Australia	100%	100%
Nepean Trust	Australia	100%	100%
Oaklands Trust	Australia	100%	100%
Ocean Breeze Village Trust	Australia	100%	100%
Parklea Trust	Australia	100%	100%
Quattro Parks NSW Trust	Australia	100%	100%
Quattro Parks Operations NSW Trust	Australia	100%	100%
Quattro Parks Operations Trust	Australia	100%	100%
Quattro Parks Operations VIC Trust	Australia	100%	100%
Quattro Parks Trust	Australia	100%	100%
Quattro Parks VIC Trust	Australia	100%	100%
Redbank Palms Resort Trust	Australia	100%	100%
Regal Waters Trust	Australia	100%	100%
Residential Parks Trust	Australia	100%	100%
Riverside Village Trust	Australia	100%	100%
Salamander Bay Trust	Australia	100%	100%

Note 31. Interests in subsidiaries (continued)

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2018 %	RPT2 Group Ownership interest 30 Jun 2017 %
Sea Winds Village Trust	Australia	100%	100%
Seed Unit Trust No 4	Australia	100%	100%
Taskers Residential Village Trust	Australia	100%	100%
Tasman Lifestyle Continuum Trust	Australia	100%	100%
Terrigal Sands Lifestyle Resort Trust	Australia	100%	100%
The Gateway Lifestyle Villages Redland Trust	Australia	100%	100%
The Pines Lifestyle Resort Trust	Australia	100%	100%
The Retreat Village Trust	Australia	100%	100%
Tweed C Trust	Australia	100%	100%
Tweed Park Trust	Australia	100%	100%
Ulladulla Gateway Trust	Australia	100%	100%
Valhalla Village Trust	Australia	100%	100%

Name		Principal place of business/ Country of incorporation	Gateway Lifestyle Group Ownership interest 30 Jun 2018 %	Ownership interest 30 Jun 2017 %
Entities controlled by Gateway Lifestyle Operations Limited (head entity within the Gateway Lifestyle Group)				
Acacia Ponds Village Operations Pty Limited	1	Australia	100%	100%
AG No. 1 Pty Limited	1	Australia	100%	100%
AG No. 2 Pty Limited	1	Australia	100%	100%
AG No. 3 Pty Limited	1	Australia	100%	100%
AG No. 5 Pty Limited	1	Australia	100%	100%
AG No. 6 Pty Limited	1	Australia	100%	100%
AG No. 11 Pty Limited	1	Australia	100%	100%
AG No. 12 Pty Limited	1	Australia	100%	100%
AG No. 22 Pty Limited	1	Australia	100%	100%
AG No. 26 Pty Limited	1	Australia	100%	100%
AG No. 29 Pty Limited	1	Australia	100%	100%
AG No. 31 Pty Limited	1	Australia	100%	100%
Aspley Operations Pty Limited	1	Australia	100%	100%
Bass Hill Operations Pty Ltd	1	Australia	100%	100%
Beerburrum Operations Pty Ltd	1	Australia	100%	100%
Benalla Operations Pty Ltd	1	Australia	100%	100%
Birubi Operations Pty Limited	1	Australia	100%	100%
Bremer Waters Over 55's Lifestyle Resort Holdings Pty Limited	1	Australia	100%	100%
Bremer Waters Over 55's Lifestyle Resort Management Pty Limited	1	Australia	100%	100%
Casino Operations Pty Limited	1	Australia	100%	100%
Chinderah Lakes Operations Pty Ltd	1	Australia	100%	100%
Chinderah Lakes Park Pty Ltd	1	Australia	100%	100%
Edgewater Village Operations Pty Limited	1	Australia	100%	100%
Failford Operations Pty Limited	1	Australia	100%	100%
Gateway Albury Operations Pty Limited	1	Australia	100%	100%
Gateway Lakes Entrance Operations Pty Limited	1	Australia	100%	100%
Gateway Lifestyle Beaches of Byron Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Employment Services Pty Ltd	1	Australia	100%	100%

Note 30. Interests in subsidiaries (continued)

Name		Principal place of business/ Country of incorporation	Gateway Lifestyle Group Ownership interest 30 Jun 2018 %	Ownership interest 30 Jun 2017 %
Gateway Lifestyle Financial Services Limited	1	Australia	100%	100%
Gateway Lifestyle Holdings Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Investments Holdings Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Investments Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Operations (Canberra) Pty Limited	1	Australia	100%	100%
Gateway Lifestyle Operations (NSW) Pty Limited	1	Australia	100%	100%
Gateway Lifestyle Operations (Qld) Pty Limited	1	Australia	100%	100%
Gateway Lifestyle Operations (VIC) Pty Limited	1	Australia	100%	100%
Gateway Lifestyle Residential Parks Holdings Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Residential Parks Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Residential Parks Realty Pty Ltd	1	Australia	100%	100%
Gateway Lifestyle Residential Parks Solutions Pty Ltd	1	Australia	100%	100%
Gateway Manning Point Operations Pty Limited	1	Australia	100%	100%
Gateway North Haven Operations Pty Limited	1	Australia	100%	100%
Gateway Redhead Operations Pty Limited	1	Australia	100%	100%
Gateway Rockhampton Operations Pty Limited	1	Australia	100%	100%
Gateway Ulladulla Operations Pty Limited	1	Australia	100%	100%
Goodna Operations Pty Ltd	1	Australia	100%	100%
Grafton Gateway Operations Pty Ltd	1	Australia	100%	100%
Gumtrees Operations Pty Ltd	1	Australia	100%	100%
Hammond Village Operations Pty Limited	1	Australia	100%	100%
Harvest Investment No.4 Pty Ltd	1	Australia	100%	100%
Harvest LSWM Investment No. 1 Pty Ltd	1	Australia	100%	100%
Homestead Operations Pty Limited	1	Australia	100%	100%
Lake Macquarie Operations Pty Limited	1	Australia	100%	100%
Lakeland Park Village Holdings Pty Limited	1	Australia	100%	100%
Lakeland Park Village Pty Limited	1	Australia	100%	100%
Lorikeet Resort Holdings Pty Limited	1	Australia	100%	100%
Lorikeet Resort Pty Limited	1	Australia	100%	100%
Maroochy Palms Holdings Pty. Ltd.		Australia	100%	100%
Maroochy Palms Operations Pty Limited	1	Australia	100%	100%
Maroochy River Holdings Pty Limited		Australia	100%	100%
Maroochydore Park Holdings Pty Limited		Australia	100%	100%
Nepean Operations Pty. Limited	1	Australia	100%	100%
Nestle Inn Brisbane Operations Pty Ltd	1	Australia	100%	100%
Oaklands Ops Pty Limited	1	Australia	100%	100%
Ocean Breeze Village Holdings Pty Limited	1	Australia	100%	100%
Ocean Breeze Village Management Pty Limited	1	Australia	100%	100%
Old Bar Beachfront Operations Pty Limited	1	Australia	100%	100%
Parklea Operations Pty. Limited	1	Australia	100%	100%
Quattro Parks NSW Pty Ltd	1	Australia	100%	100%
Quattro Parks Operations NSW Pty Ltd	1	Australia	100%	100%
Quattro Parks Operations VIC Pty Ltd	1	Australia	100%	100%
Quattro Parks VIC Pty Ltd	1	Australia	100%	100%
R & R Retirement Holdings Pty. Ltd.	1	Australia	100%	100%
Rainbow Waters Operations Pty Limited	1	Australia	100%	100%

Note 30. Interests in subsidiaries (continued)

Name		Principal place of business/ Country of incorporation	Gateway Lifestyle Group Ownership interest 30 Jun 2018 %	Ownership interest 30 Jun 2017 %
Redbank Palms Resort Holdings Pty Limited	[1]	Australia	100%	100%
Redbank Palms Resort Pty Limited	[1]	Australia	100%	100%
Redland Park Operations Pty Ltd	[1]	Australia	100%	100%
Regal Waters Holdings Pty Limited	[1]	Australia	100%	100%
Regal Waters Retirement Community Pty. Ltd.	[1]	Australia	100%	100%
Riverside Village Holdings Pty Limited	[1]	Australia	100%	100%
Riverside Village Management Pty Limited	[1]	Australia	100%	100%
RV Parks Australia Pty Ltd		Australia	100%	100%
Salamander Bay Operations Pty Limited	[1]	Australia	100%	100%
Sea Winds Village Holdings Pty Limited	[1]	Australia	100%	100%
Sea Winds Village Management Pty Limited	[1]	Australia	100%	100%
Sea Winds Village Pty. Limited	[1]	Australia	100%	100%
Taskers Residential Village Holdings Pty Limited	[1]	Australia	100%	100%
Taskers Residential Village Management Pty Limited	[1]	Australia	100%	100%
Tasman Development Management Pty Ltd	[1]	Australia	100%	100%
Tasman Lifestyle Continuum Pty Limited	[1]	Australia	100%	100%
Tasman MHE Holdings Pty Limited	[1]	Australia	100%	100%
Terrigal Sands Operations Pty Limited	[1]	Australia	100%	100%
The Pines Lifestyle Resort Pty Limited	[1]	Australia	100%	100%
The Pines Resort Management Pty Limited	[1]	Australia	100%	100%
The Retreat Village Holdings Pty Limited	[1]	Australia	100%	100%
The Retreat Village Pty Limited	[1]	Australia	100%	100%
Tweed Operations Pty Ltd	[1]	Australia	100%	100%
Ulladulla Operations Pty Limited	[1]	Australia	100%	100%
Valhalla Village Holdings Pty Limited	[1]	Australia	100%	100%
Valhalla Village Management Pty Limited	[1]	Australia	100%	100%
Valhalla Village Pty. Limited	[1]	Australia	100%	100%
Yamba Operations Pty Ltd	[1]	Australia	100%	100%

[1] These subsidiaries are party to a deed of cross guarantee in Note 31.

Note 31. Deed of cross guarantee

Gateway Lifestyle Operations Limited and those entities disclosed in Note 30 are party to a deed of cross guarantee under which each company guarantees the debts of the others.

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 ASIC Corporations Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the Corporations Instrument, 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'.

Statement of profit or loss and other comprehensive income	30 Jun 2018 $'000	30 Jun 2017 $'000
Revenue		
Rent from investment properties	53,846	49,896
Development revenue	54,324	52,473
Other revenue	6,813	10,135
Total Revenue	**114,983**	**112,504**
Net fair value adjustments	(5,447)	(7,909)
Expenses		
Investment property expense	(45,581)	(45,068)
Development expense	(30,053)	(29,862)
Sales and marketing expense	(1,729)	(1,122)
Employee benefits expense	(20,577)	(21,061)
Administration expense	(5,425)	(2,702)
Finance costs	(43)	(4,250)
Profit or (loss) before income tax	**6,128**	**530**
Income tax (expense)/benefit	(2,308)	(216)
Net profit for the year	**3,820**	**314**
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	**3,820**	**314**

Equity Retained profits	30 Jun 2018 $'000	30 Jun 2017 $'000
Accumulated losses at the beginning of the financial year	(24,160)	(25,073)
Profit after income tax (expense)/benefit	3,820	314
Adjustment due to business combination adjustment	-	599
Adjustment due to transfer of transaction costs from securities issued	(3,603)	-
Accumulated losses at the end of the financial year	**(23,943)**	**(24,160)**

Note 31. Deed of cross guarantee (continued)

Statement of financial position	30 Jun 2018 $'000	30 Jun 2017 $'000
Current assets		
Cash and cash equivalents	6,845	20,198
Trade and other receivables	1,083	4,955
Inventories	26,193	15,084
Other current assets	1,922	1,425
	36,043	41,662
Non-current assets held for sale	2,852	-
Total current assets	38,895	41,662
Non-current assets		
Investment properties	38,057	49,293
Plant and equipment	337	494
Intangibles	108,109	108,084
Deferred tax	7,480	9,716
Total non-current assets	153,983	167,587
Total assets	**192,878**	**209,249**
Current liabilities		
Trade and other payables	10,738	16,166
Borrowings	338	4
Deposits held	389	5,316
Employee benefits	1,236	1,206
Total current liabilities	12,701	22,692
Non-current liabilities		
Trade and other payables	202,060	213,620
Deferred tax	75	-
Employee benefits	206	33
Total non-current liabilities	202,341	213,653
Total liabilities	**215,042**	**236,345**
Net liabilities	**(22,164)**	**(27,096)**
Equity		
Issued capital	(95)	(3,874)
Reserves	1,874	938
Accumulated losses	(23,943)	(24,160)
Total deficiency in equity	**(22,164)**	**(27,096)**

The closed group has received a letter of support from the Residential Parks No. 2 Trust due to the deficiency in equity.

Note 32. Reconciliation of profit after income tax to net cash from operating activities

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Profit after income tax (expense)/benefit for the year	58,217	59,712	53,629	58,515
Adjustments for:				
Depreciation and amortisation	388	461	-	-
Net (gain) loss on change in fair value	(22,574)	(24,951)	(29,190)	(33,988)
Net loss/(gain)on disposal of assets	383	(46)	291	(91)
Amortisation of Borrowing costs	762	-	762	-
Equity based payments	1,112	796	-	-
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	6,021	(1,669)	(33,726)	122
Increase in inventories	(11,484)	(8,961)	-	-
Decrease in deferred tax assets	1,737	504	-	-
(Increase)/decrease in prepayments	(567)	98	(358)	-
Decrease in other operating assets	32	565	-	-
(Decrease)/increase in trade and other payables	(3,432)	5,522	4,153	(1,618)
Decrease in provision for income tax	(4,552)	(2,061)	(4,552)	(1,760)
Decrease in deferred tax liabilities	(759)	(427)	(832)	(426)
Increase/(decrease) in other provisions	203	(181)	-	90
(Decrease)/increase in other operating liabilities	(5,080)	2,377	-	-
Net cash from operating activities	**20,407**	**31,739**	**(9,823)**	**20,844**

Non-cash investing and financing activities

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Non-cash investing (outflow)/inflow				
Acquisition of investment property	(3,000)	-	(3,000)	-
Non-cash financing (outflow)/inflow				
Payment of distributions	(5,544)	-	(5,544)	-
Issue of securities under the distribution reinvestment plan	5,544	-	5,544	-
Issue of securities in part consideration of investment property acquired	3,000	-	3,000	-
	3,000	-	3,000	-

Note 33. Earnings per stapled security

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	$'000	$'000	$'000	$'000
Profit after income tax	58,217	59,712	53,629	58,515
Profit after income tax attributable to security holders	58,217	59,712	53,629	58,515

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Number	Number	Number	Number
Weighted average number of ordinary stapled securities in calculating basic earnings per stapled security	301,349,468	299,339,658	301,349,468	299,339,658
Effects of dilution from:				
Security appreciation rights	-	-	-	-
Security rights	227,406	-	227,406	-
Weighted average number of ordinary stapled securities in calculating diluted earnings per stapled security	301,576,874	299,339,658	301,576,874	299,339,658

	Gateway Lifestyle Group		RPT2 Group	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	Cents	Cents	Cents	Cents
Basic earnings per stapled security (based on stapled securities outstanding)	19.32	19.95	17.80	19.55
Diluted earnings per stapled security (based on stapled securities outstanding)	19.30	19.95	17.78	19.55

Note 34. Security-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 KMP 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, 50% of these stapled securities were released from escrow on 31 August 2017, the remaining 50% of these stapled securities will be released 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.

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 the stapled securities were released from escrow on 31 August 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 2018 (2017: nil).

The value of these stapled securities will be recognised as an expense evenly over the three years ending 30 June 2018. During the year an equity-based payment expense of $66,667 (2017: $66,667) has been recognised in relation to the 100,000 stapled securities.

Executive LTI plan
During the year ended 30 June 2017, the Board of the Company adopted a Long-term Incentive Plan for Executives. During the financial year, two grants of share appreciation rights (SARs) were awarded to the CEO, which were approved at the 2016 Annual General Meeting. In addition, the CFO received an award of SARs in February 2017.

During the year ended 30 June 2018, the Board of the Company issued Security Rights (SRs) to Executives and employees. One grant of SRs were awarded to the CEO, which were approved at the 2017 Annual General Meeting. In addition, the CFO and selected employees received an award of SRs in November 2017.

Set out below are summaries of SARs (2017) and SRs (2018) granted under the plan and still outstanding:

Grant date	Expiry date	Exercise price $	Balance at the start of the year	Granted	Exercised	Expired/ forfeited /other	Balance at the end of the year
					Number of SARs/SRs		
18 Nov 2016	17 Nov 2020	2.3437	1,366,465	-	-	-	1,366,465
18 Nov 2016	17 Nov 2020	2.4825	1,159,682	-	-	-	1,159,682
28 Feb 2017	27 Feb 2021	2.4825	394,610	-	-	-	394,610
6 Nov 2017	6 Nov 2024	2.0200	-	569,733	-	(138,477)	431,256
28 Nov 2017	28 Nov 2024	2.0200	-	296,736	-	-	296,736
			2,920,757	**866,469**	**-**	**(138,477)**	**3,648,749**

The weighted average security price during the financial year was $2.02 (2017: $2.21).

Grant date	Expiry date	Share price at grant date $	Exercise price $	Expected volatility[1] %	Dividend yield %	Risk-free interest rate %	Fair value at grant date $
18 Nov 2016	17 Nov 2020	2.22	2.34	28.35	4.16	2.46	1,009,271
18 Nov 2016	17 Nov 2020	2.22	2.48	27.14	4.16	2.46	851,091
28 Feb 2017	27 Feb 2021	2.14	2.48	27.54	4.41	2.58	153,523
6 Nov 2017	6 Nov 2024	2.00	-	25.18	4.20	2.46	890,379
28 Nov 2017	28 Nov 2024	2.18	-	25.18	4.20	2.43	505,623

1. Annualised standard deviation of the log change in adjusted daily close price of Gateway shares over 1 year

Note 35. Events after the reporting period

On 4 July 2018, the Group settled the sale of Gateway Lifestyle Bass Hill NSW for a sale price of $10.4 million.

On 23 July 2018 the Group exchanged unconditional contract for the sale of Gateway Lifestyle Acacia Ponds for a sale price of $5.6 million.

Subsequent to year end Gateway has received a further offer from Hometown Australia Holdings Pty Ltd and Hometown America Communities Limited Partnership (collectively Hometown). On 2 July 2018 Hometown announced its intention to make a conditional, off-market, cash takeover offer for 100% of the stapled securities in Gateway at $2.25 per stapled security (the "Offer"), representing $2.3035 per stapled security before being adjusted for the 5.35 cent distribution for which the ex-date was 28 June 2018. Hometown also indicated that the offer price for the off-market takeover would be increased to $2.30 per stapled security, representing $2.3535 per stapled security subject to execution of a bid implementation agreement by Gateway on terms satisfactory to Hometown. Full details can be found in the ASX Announcement release on 2 July 2018.

On 10 July 2018 Gateway announced that it was not prepared to accept the bid conditions and other provisions of Hometown's bid implementation agreement that was proposed by Hometown on 2 July 2018. Full details can be found in the ASX Announcement release on 10 July 2018.

On 23 July 2018, Hometown lodged its Bidder's Statement with the Australian Securities and Investment Commission and the ASX and served a copy on Gateway Lifestyle. On 7 August Hometown lodged a replacement Bidder's Statement with ASIC and ASX. In its replacement Bidder's Statement dated 7 August 2018, Hometown set out its intention if it acquired more than 50% of all GTY Securities. Full details can be found in the ASX Announcement release on 23 July 2018 and 7 August 2018 (as at the date of this report, Hometown holds 18.2% of the issued capital of the Group).

On 10 August 2018, Hometown confirmed dispatch of its bidder's statement to securityholders. On 16 August 2018, Hometown declared that $2.25 per stapled security its best and final Offer and will not be increased in the absence of a competing proposal.

The Directors have undertaken a detailed review of the Offer and the Bidder's Statement. The outcome of this review, and the Directors' recommendation is contained in a Target's Statement a copy of which was released on the ASX's market announcements platform today.

Gateway Lifestyle Group
Directors' declaration
30 June 2018

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 2018 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 2018 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 31 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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 2018.

This declaration is made in accordance with a resolution of the Board of Directors of Gateway Lifestyle Operations Limited

Andrew Love
Chairman

Trent Ottawa
Executive Director and Chief Executive Officer

20 August 2018
Sydney

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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 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 Audit of the Financial Report

Opinion

We have audited the financial report of Gateway Group and Trust Group, which comprises:

- the Group and Trust Group's consolidated statements of financial position as at 30 June 2018;
- the Group and Trust Group's consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

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

a) giving a true and fair view of the Group and Trust Group's financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Goodwill impairment testing (the Group)

Why significant	How our audit addressed the key audit matter
Goodwill of $140.4m represents 15% of the total assets of the Group at 30 June 2018. As disclosed in Note 13 of the financial report, the Goodwill impairment testing undertaken by the Group involved critical accounting estimates and assumptions, specifically judgments concerning forecast cash flows, long term growth rates and discount rates. Accordingly, we considered this to be a key audit matter.	Our audit procedures included the following: ► Considered whether the impairment testing model used by the Group was prepared in accordance with the requirements of Australian Accounting Standards. ► Assessed the cash flow forecasts which were based on the Group's 2019 cash flow projections, by considering the key assumptions including comparisons with current year performance and the historical accuracy of previous forecasts. ► Tested the mathematical accuracy of the Group's impairment model. ► Assessed the discount rates, growth rates and the terminal growth rates applied in the Group's impairment model, with involvement from our valuation specialists. ► Evaluated the sensitivity analysis conducted by the Group focusing on the Cash-Generating Units where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. ► Assessed the adequacy of the financial report disclosures contained in Note 13.

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2. Valuation of investment properties (the Group and Trust Group)

Why significant	How our audit addressed the key audit matter
The investment property assets of the Group and Trust Group consist of 58 Manufactured Home Estates (MHE) which represent 79% of the Group's total assets and 73% of the Trust Group's total assets at 30 June 2018. These assets are carried at fair value. As disclosed in Note 12 to the financial report, fair value is determined by the directors with reference to external independent property valuations or internal directors' valuations. Independent valuations are conducted on a rotational basis across the portfolio over a three year period or when the directors consider there to be reason to believe that the fair value of a MHE has materially changed from its carrying value. We considered this a key audit matter due to the number of judgments required in determining fair value. As disclosed in Note 23 of the financial report, these judgments include assessing the capitalisation rate, and estimating future maintainable operating earnings based on historical and forecast financial information. Minor changes in certain assumptions can lead to significant changes in the valuation.	Our audit procedures included the following: ▸ We involved our real estate valuation specialists to assess the valuation methodologies adopted, the competence, qualifications and objectivity of the external valuers and those responsible for the internal directors' valuations. They assessed the assumptions used in the external and internal directors' valuations; and a broader assessment of the capitalisation rates used across the portfolio. ▸ Tested the accuracy of the data used in a sample of the external and internal directors' valuations by comparing inputs including the net operating income used in the valuations to actual financial performance. ▸ Assessed whether any pervasive or site specific factors impacted the MHE valuations individually or collectively since the last external independent valuation. ▸ Assessed the adequacy of the disclosures relating to the sensitivity of the key assumptions as detailed in Note 23 to the financial report.

3. Recoverability of deferred tax assets (the Group)

Why significant	How our audit addressed the key audit matter
Deferred tax assets amount to $8.0m for the Group at 30 June 2018, of which $6.4m relates to unutilised tax losses. As disclosed in Note 1 to the financial report, the Group evaluated the recoverability of these deferred tax assets by reference to forecast future taxable income against which these deferred tax assets can be utilised. We considered recoverability of deferred tax assets to be a key audit matter due to the complexity of the tax arrangements within the Group and the level of judgment involved in forecasting taxable income in future years.	Our audit procedures included the following: ▸ Tested the mathematical accuracy of the calculation of the amount of deferred tax assets recorded. ▸ Evaluated the Group's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits based on cash flow projections and business plans. This included an assessment of the historical accuracy of the Group's forecasts of future taxable income, and consistency with the cash flow forecast assessed in addressing the goodwill impairment KAM. ▸ Involved our taxation specialists to analyse and assess the assumptions used to determine tax positions relevant to the deferred tax assets.

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

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 other information. The other information comprises the information in the Annual Report of the Group and Trust Group for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Trust Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Trust Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Trust Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Trust Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group and Trust Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 33 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Gateway Lifestyle Operations Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Gateway Lifestyle Operations Limited 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.

Ernst & Young

Ernst & Young

Mark Conroy

Mark Conroy
Partner
Sydney
20 August 2018

Securityholder Information

The securityholder information set out below was applicable as at 30 July 2018

Distribution of security holdings

	Number of holders of Stapled Securities	%	Number of Stapled Securities	% issued capital
1 to 1,000	404	17.6	183,824	0.1
1,001 to 5,000	871	38.1	2,654,929	0.9
5,001 to 10,000	396	17.3	2,989,468	1.0
10,001 to 100,000	520	22.7	13,799,901	4.6
100,001 and over	98	4.3	277,423,020	93.4

Top 20 securityholders as at 30 July 2018

As at 30 July 2018, there were 297,051,142 stapled securities on issue and the top 20 securityholders as at 30 July 2018 is set out in the table below. There is no on-market buy-back currently.

	Stapled Securities	
	Number of securities held	% of total Stapled Securities issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,768,754	19.78
J P MORGAN NOMINEES AUSTRALIA LIMITED	49,053,796	16.51
CITICORP NOMINEES PTY LIMITED	47,578,365	16.02
HOMETOWN AUSTRALIA HOLDINGS PTY LTD	28,739,204	9.67
NATIONAL NOMINEES LIMITED	16,910,589	5.69
UBS NOMINEES PTY LTD	7,931,874	2.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,541,807	2.54
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-A/C 2	6,292,970	2.12
BNP PARIBAS NOMINEES PTY LTD	6,079,708	2.05
BOND STREET CUSTODIANS LIMITED	4,148,201	1.40
BNP PARIBAS NOMS PTY LTD	3,617,887	1.22
PEPPER INVESTMENT HOLDINGS PTY LTD	3,041,476	1.02
NEWECONOMY COM AU NOMINEES PTY LIMITED	2,718,838	0.92
BRISPOT NOMINEES PTY LTD	2,598,814	0.87
BUONCOMPAGNI INVESTMENTS PTY LIMITED	2,508,970	0.84
MR STEPHEN CRAIG JERMYN	2,500,000	0.84
UBS NOMINEES PTY LTD	2,200,000	0.74
J K M SECURITIES PTY LIMITED	2,000,000	0.67
SCJ PTY LIMITED	1,500,000	0.50
CITICORP NOMINEES PTY LIMITED	1,335,085	0.45
Total for the Top 20 securityholders	**257,066,338**	**86.54**
Balance of register	**39,984,804**	**13.46**
Grand total	**297,051,142**	**100.00**

Substantial securityholders

As disclosed in substantial holding notices lodged with the ASX as at 30 July 2018

	Stapled Securities		
	Date of change	Number of securities held	% of total stapled Securities issued
Hometown Australia and related entities	**13/06/2018**	**55,283,893**	**18.2**
Massachusetts Financial Services Company	**09/04/2018**	**21,413.280**	**7.1**
UBS Group AG	**12/06/2018**	**18,128,688**	**6.0**
SAS Trustee Corporation	**01/09/2016**	**16,316,948**	**5.4**
Challenger Limited	**07/11/2017**	**15,978,526**	**5.3**
Wavestone Capital Pty Limited	**07/11/2017**	**15,927,575**	**5.3**
Morgan Stanley	**18/07/2018**	**15,570,442**	**5.1**
Mitsubishi UFJ Financial Group, Inc.	**18/07/2018**	**15,570,442**	**5.1**

Voting Rights

Subject to the Constitutions of Gateway Lifestyle Operations Limited and Residential Parks No. 2 Trust and to any rights or restrictions for the time being attached to any class or classes of shares, units or stapled securities:

- on a show of hands, each Member present in person or by proxy, attorney or representative has one vote;
- on a poll, each Member has:
  - in the case of a resolution of Gateway Lifestyle Operations Limited, one vote for each share in Gateway Lifestyle Operations Limited held; and
  - in the case of a resolution of Residential Parks No. 2 Trust, one vote for each unit in Residential Parks No. 2 Trust held.

Escrowed Securities

Class	Expiry date	Number of stapled securities
Stapled securities	FY18 release date	6,675,438

FY release date refers to the first trading day after the release of the Annual Report for the financial year ended then.

Corporate Directory

Head Office

Gateway Lifestyle Group

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E investor@gatewaylifestyle.com.au

Corporate Website

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Directors

Andrew Love (Chairman)
Rachel Launders
Stephen Newton
Andrew Fay
Sally Evans
Trent Ottawa (Chief Executive Officer)

Directors of OMIFL

Frank Tearle
Justin Epstein
Elizabeth Reddy

Registered Office of OMIFL

Level 11, 20 Hunter Street, Sydney, NSW, 2000, Australia

Company Secretary

Leanne Nolan

ASX Code

GTY

Registry

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Auditors

Ernst & Young

The EY Centre, 200 George Street, Sydney NSW 2000, Australia

Solicitors

Herbert Smith Freehills

ANZ Tower, 161 Castlereagh Street, Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia

Disclaimer

This Annual Report has been prepared by the Company and contains summary information about the Group's activities.

One Managed Investments Funds Limited (ACN 117 400 987 (AFSL 297042) (OMIFL) is the responsibility entity of the Residential Parks No 2 Trust (ARSN 605 803 414). The information in this Annual Report was not prepared by OMIFL. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information cannot be warranted or guaranteed by OMIFL. The information in the Annual Report is of a general background nature and does not purport to be complete or contain all the information security holders would require to evaluate their investment in GTY. Past performance information is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. Forward-looking statements, opinions and estimates provided in this report are inherently uncertain and are based on assumptions and estimates which are subject to change without notice, as are statements about market and industry trends, which are based on interpretation of market conditions.

Actual results and performance may vary materially because events and actual circumstances frequently do not occur as forecast and future results are subject to known and unknown risk such as changes in market conditions and in regulations. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based and not place reliance on such statements. Information in this report, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information, you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

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