


Ingenia

ANNUAL REPORT

2019




Ingenia Communities Holdings Limited Annual Reports

For the year ended 30 June 2019

Contents

www.ingeniacommunities.com.au

Directors' Report

For the year ended 30 June 2019

The Directors of Ingenia Communities Holdings Limited ("ICH" or the "Company") present their report together with the Company's financial report for the year ended 30 June 2019 (the "current period") and the Independent Auditor's Report thereon. The Company's financial report comprises the consolidated financial report of the Company and its controlled entities, including Ingenia Communities Fund ("ICF" or the "Fund") and Ingenia Communities Management Trust ("ICMT") (collectively, the "Trusts").

The shares of the Company are "stapled" with the units of the Trusts and trade on the Australian Securities Exchange ("ASX") as one security (ASX Code: INA). Ingenia Communities RE Limited ("ICRE" or "Responsible Entity"), a wholly owned subsidiary of the Company, is the responsible entity of the Trusts. In this report, the Company and the Trusts are referred to collectively as the Group.

In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling of the Company and the Trusts is regarded as a business combination. The Company has been identified as the parent for preparing consolidated financial reports.

Directors

The Directors of the Company at any time during or since the end of the current period were:

Non-Executive Directors (NEDs)

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Valerie Lyons	
Andrew McEvoy	
Gary Shiffman	(appointed, effective 4 December 2018)
John McLaren	(appointed Alternate Director to Gary Shiffman, effective 18 February 2019)

Executive Director

Simon Owen	(Managing Director and Chief Executive Officer (MD and CEO))

Company Secretaries

Vanessa Chidrawi	(appointed, effective 6 February 2019)
Natalie Kwok	
Leanne Ralph	(resigned, effective 6 February 2019)

Qualifications, Experience and Special Responsibilities

Jim Hazel – Non-Executive Chairman

Mr Hazel was appointed to the Board in March 2012. Mr Hazel has had an extensive corporate career in both the banking and retirement sectors.

His retirement village operations experience includes being Managing Director of Primelife Corporation Limited (now part of Lend Lease). Other current listed company directorships include Bendigo and Adelaide Bank Limited and Centrex Metals Limited.

He also serves on the Boards of Coopers Brewery Limited and the University of South Australia.

Mr Hazel holds a Bachelor of Economics and is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors. Mr Hazel is a member of the Investment Committee.

Robert Morrison – Non-Executive Deputy Chairman

Mr Morrison was appointed to the Board in February 2013. He brings to the Board extensive experience in property investments, property development, portfolio management and capital raisings as well as institutional funds management.

Mr Morrison is a Founding Partner and Executive Director of alternative investments firm, Barwon Investment Partners, which invests in real estate, private equity and specialised investments on behalf of institutional and wholesale investors.

Mr Morrison's investment experience includes senior portfolio management roles where he managed both listed and unlisted property funds on behalf of institutional investors. Prior executive positions include Head of Property for Asia Pacific and Director of Asian Investments at AMP Limited.

Mr Morrison was previously a Non-Executive Director of Mirvac Funds Management Limited, an Executive Director of AMP Capital Limited and a National Director of the Property Council of Australia.

Mr Morrison holds a Bachelor of Town and Regional Planning (Hons) and a Master of Commerce. Mr Morrison is Chair of the Investment Committee and a member of the Audit and Risk Committee.

Amanda Heyworth – Non-Executive Director

Ms Heyworth was appointed to the Board in April 2012. Ms Heyworth is a professional company director and currently serves on the Boards of several private, University and Government bodies. She previously served as Executive Director of a venture capital fund which specialised in technology investments.

Early in her career, she worked as a Federal Treasury Economist and held management roles in the finance and technology sectors.

Ms Heyworth has strengths in strategy, managing growth and marketing, having worked as a venture capital investor for over a decade. Ms Heyworth has strong finance and accounting credentials.

She has been involved in over 40 capital raisings and M&A transactions and holds a BA (Accounting) with a major in finance, post graduate qualifications in accounting and finance and an MBA from the Australian Graduate School of Management.

Ms Heyworth is Chair of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Directors' Report

For the year ended 30 June 2019 | continued

Valerie Lyons – Non-Executive Director

Ms Lyons was appointed to the Board in March 2017. Ms Lyons has over 30 years' experience in executive, non-executive and advisory roles across the health, aged care and retirement, and finance and superannuation sectors.

Ms Lyons has held CEO and CFO roles in well regarded seniors and disability service organisations including Uniting AgeWell, Villa Maria and Southern Cross Care (Vic) with prior directorships including Health Employees Superannuation Trust Australia (HESTA), Leading Age Services Australia (LASA), Catholic Health Australia (CHA) and Aged and Community Services Australia (ACSA).

Ms Lyons served as a non-executive member, until April 2019, on the Audit & Risk Board committee for the Australian Digital Health Agency (ADHA), a government agency with responsibility for all national digital health services and systems.

Ms Lyons holds a Bachelor of Business Studies (Accounting), is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Governance Institute of Australia and is a member of the Australian Institute of Superannuation Trustees.

Ms Lyons is a member of the Audit and Risk Committee and Remuneration and Nomination Committee.

Andrew McEvoy – Non-Executive Director

Mr McEvoy was appointed to the Board in December 2017. Mr McEvoy has over 20 years' experience in executive and non-executive roles in tourism, digital marketing and e-commerce.

Mr McEvoy's prior roles include Managing Director, Tourism Australia, CEO, South Australian Tourism Commission, and CEO, Life Media and Events for Fairfax Media.

Mr McEvoy is currently Chairman of SeaLink Travel Group (ASX: SLK). He is also a Director of Lux Group and the Chairman of AATS Group of companies (trading as SkyBus) and advocacy group, the Tourism and Transport Forum (TTF).

Mr McEvoy holds a Master of Arts, International Communications and a Bachelor of Arts.

Mr McEvoy is a member of the Remuneration and Nomination Committee and the Investment Committee.

Gary Shiffman – Non-Executive Director

Mr Shiffman is the appointed Nominee Director of Sun Communities, Inc. (NYSE: SUI). He was appointed to the Board in December 2018, in accordance with the Subscription Agreement between Ingenia Communities and Sun Communities entered into in November 2018. Mr Shiffman has over 25 years' experience in executive and non-executive roles in financial and real estate public companies listed on the NYSE and NASDAQ.

Mr Shiffman is currently Chairman and Chief Executive Officer of Sun Communities.

Mr Shiffman has been actively involved in the management, acquisition, construction and development of manufactured housing communities and recreational vehicle resorts over the past thirty years.

Mr Shiffman attended undergraduate studies at Michigan State University and Northwestern University.

John McLaren – Alternate Director to Gary Shiffman

Mr McLaren was appointed an Alternate Director by Gary Shiffman in February 2019. Mr McLaren has over 24 years of experience in executive and non-executive roles in financial and real estate public companies listed on the NYSE.

Mr McLaren is currently President and Chief Operating Officer of Sun Communities, Inc. (NYSE: SUI) and has been actively involved in the management, acquisition, construction and development of manufactured housing communities and recreational vehicle resorts as well as home sales and leasing operations within communities and resorts over the past twenty years.

Mr McLaren holds a Bachelor of Arts degree in Geology from the University of Colorado, Boulder and a Master of Business Administration degree from Regis University, Denver.

Simon Owen – MD and CEO

Mr Owen joined the Group in November 2009 as the Chief Executive Officer.

He led the turnaround of the business and Ingenia's focus on developing and acquiring a leading portfolio of lifestyle and holiday communities which has seen the Groups market capitalisation grow from $30 million to over $800 million today.

Mr Owen brings to the Group in-depth sector experience. He is currently a Director of BIG4 Holiday Parks, Australia's leading holiday parks group representing 180 parks across Australia and is a past member of the Retirement Living Division Council (part of the Property Council of Australia). He is also a past National President of the Retirement Villages Association (now part of the Retirement Living Council), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia, a role he held for four years.

Mr Owen has over 20 years' experience working in ASX listed groups with roles across finance, funds management, mergers and acquisitions, business development and sales and marketing. Prior to joining Ingenia Communities, he was the CEO of Aevum, a formerly listed retirement company.

Mr Owen is a qualified accountant (CPA) with a Bachelor of Business (Accounting) and post graduate diplomas in finance and investment and advanced accounting.

Directors' Report

For the year ended 30 June 2019 | continued

Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Board		Audit & Risk Committee		Remuneration & Nomination Committee		Investment Committee	
	A	B	A	B	A	B	A	B
Jim Hazel	16	16	–	–	–	–	9	8
Amanda Heyworth	16	16	6	6	4	4	–	–
Robert Morrison	16	16	6	6	–	–	9	9
Valerie Lyons	16	16	6	6	4	4	–	–
Andrew McEvoy	16	16	–	–	4	4	9	9
Gary Shiffman	6	6	–	–	–	–	–	–
Simon Owen	16	16	–	–	–	–	–	–

A: Meetings eligible to attend B: Meetings attended

Interests of Directors

Securities in the Group held by directors or their associates as at 30 June 2019 were:

	Issued stapled securities	Rights
Jim Hazel	357,755	–
Amanda Heyworth	129,507	–
Robert Morrison	143,822	–
Valerie Lyons	35,655	–
Andrew McEvoy	14,815	–
Gary Shiffman(1)	23,560,866	–
John McLaren(1)	23,560,866	–
Simon Owen	1,180,528	831,043

(1) The securities held by Mr Shiffman and Mr McLaren are beneficially owned by Sun Communities and represent the same securities.

Mr Shiffman is the appointed Nominee Director of Sun Communities which is entitled to appoint a Director to the Board of ICH, in accordance with the Subscription Agreement between ICH and Sun Communities which was entered into on 7 November 2018. Mr Shiffman appointed Mr McLaren as his Alternate Director effective 18 February 2019.

Company Secretaries

Vanessa Chidrawi (appointed, effective 6 February 2019)

Ms Chidrawi has over 25 years' experience in legal practice and as General Counsel and Company Secretary for various ASX and TSX-listed companies. Ms Chidrawi currently acts as Company Secretary for a number of listed and unlisted Australian companies and brings with her a wealth of experience in governance management, board advisory and capital raising in the listed company space.

Natalie Kwok

Ms Kwok is responsible for the Group's capital transactions, legal and tax functions. Ms Kwok joined Ingenia in May 2012 as the Group Tax Manager and moved into the role of General Manager Acquisitions, Legal and Tax. Ms Kwok has over 15 years' experience in corporate and commercial matters, having worked at PwC, Challenger Financial Services and a commercial law firm. Ms Kwok holds a Bachelor of Law (Honours) and a Bachelor of Commerce, and is a Chartered Accountant and a Solicitor.

Leanne Ralph (resigned, effective 6 February 2019)

Ms Ralph was appointed to the position of Company Secretary in April 2012 and resigned on 6 February 2019. Ms Ralph has over 20 years' experience in Chief Financial Officer and company secretarial roles for various publicly listed and unlisted entities. Ms Ralph is a member of the Governance Institute of Australia and the Australian Institute of Company Directors.

Directors' Report

For the year ended 30 June 2019 | continued

Operating and Financial Review

ICH overview

The Group is an active owner, manager and developer of a diversified portfolio of lifestyle, senior's rental and holiday communities across Australia. The Groups real estate assets at 30 June 2019 were valued at $846.8 million, comprising 35 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group is in the ASX 300 with a market capitalisation of approximately $766 million at 30 June 2019.

The Group's vision is to create Australia's best lifestyle and holiday communities, offering affordable permanent and tourism accommodation with a focus on the seniors demographic. The Board is committed to delivering sustainable long term earnings per security (EPS) growth to security holders while providing a supportive community environment for permanent residents and holidaymakers.

Our Values

At Ingenia we build community on a foundation of integrity and respect, creating a place where people have a sense of connection and belonging. We strive for continuous improvement in our resident, guest and visitor service, to ensure that they receive an amazing experience every day. Whether it's time to live, play, stay or renew, we deliver freedom of choice with a range of industry award winning lifestyle and holiday options.

Strategy

The Group's strategy is to grow net operating income, develop lifestyle communities to increase rental contracts on hand and enhance the operational performance of its investment properties.

Using a disciplined investment framework, the Group will: continue to grow its lifestyle and holiday communities business in metropolitan and coastal locations; build out its existing development pipeline; expand development and revenue streams through the joint venture with Sun Communities and funds management platform; acquire existing communities; and recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

- Improve performance of existing assets to drive growth in rental returns;
- Improve resident and guest satisfaction;
- Continue rollout of new rental and tourism cabins;
- Integrate the funds management platform and deliver performance for investors;
- Capitalise on opportunities to expand development pipeline to deliver new rental contracts;
- Focus on sales and marketing to successfully launch new projects and grow rental base;
- Execute the development joint venture business plan, delivering opportunities for capital light growth and additional revenue streams;
- Continue asset recycling to fund growth; and
- Create a sustainable competitive advantage through recruiting, retaining and developing industry leading talent.

FY19 Financial Results

The year to 30 June 2019 has delivered total revenue of $228.7 million, up 21% on prior year. The Group developed and sold 336 turnkey homes (30 Jun 2018: 287 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $67.7 million (30 Jun 2018: $61.5 million).

Statutory profit of $29.3 million, was down 14% on the prior year. The statutory result reflects the reduction in fair value of investment property, driven by the impact of transaction costs on new acquisitions, a reduction of value associated with the realisation of development profits in excess of the value of the new rental contracts created and the fair value movement on financial instruments and financial liabilities.

Directors' Report

For the year ended 30 June 2019 | continued

Underlying profit from continuing operations was $47.2 million which represents an increase of $10.5 million (28%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 59% on prior year, and an improved result from the Ingenia Lifestyle and Holidays segment up 8% from the prior year. Ingenia Gardens EBIT was $10.0 million, down $1.4 million from prior year, driven the by the sale of five Tasmanian Villages in the second half of 2018.

The Group recorded a loss from its investment in the joint venture with Sun Communities of $1.2 million, driven by the expensing of transaction costs on the two acquisitions the joint venture made during the year.

Operating cash flow for the year was $59.3 million, up 26% from the prior year, reflecting growth in lifestyle home settlements, growth in recurring rental income and the impact of new acquisitions made during the year.

ICH grew its investment in lifestyle communities during the year, with a continued focus on progressing the Group's development pipeline to enable further growth in its recurring rental base through the expansion and creation of high-quality communities. In FY19, the Group delivered 30 settlements at its second greenfield development at Plantations, Woolgoolga, NSW.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the sale of Settlers Cessnock in early 1H19, followed by the divestment of Ingenia Lifestyle Rouse Hill and Ingenia Holidays Mudgee in 2H19.

Key Metrics

- Statutory profit of $29.3 million, down 14% on the prior year.
- Underlying profit of $47.2 million, up 28% on the prior year.
- Basic earnings per share (Statutory) of 13.0 cps, down 21% on the prior year (30 Jun 2018: 16.5 cps).
- Basic earnings per share (Underlying) of 21.0 cps, up 19% on the prior year (30 Jun 2018: 17.7 cps).
- Operating cash flows of $59.3 million, up 26% on the prior year.
- Full year distribution of 11.2 cps, up 4.2% on the prior year.

Net asset value is $2.65 per security, up 3% compared with $2.57 at 30 June 2018.

Group Results Summary

Underlying profit for the financial year has been calculated as follows, with a reconciliation to statutory profit:

	30 Jun 2019 $'000	30 Jun 2018 $'000
EBIT	**61,490**	48,759
Share of joint venture loss	**(1,157)**	–
Net finance expense	**(7,582)**	(6,114)
Tax expense associated with underlying profit	**(5,530)**	(5,874)
Underlying profit[1]	**47,221**	36,771
Net (loss)/gain on change in fair value of:		
Investment properties	**(12,468)**	2,116
Acquisition costs	**(6,494)**	(4,396)
Financial liabilities	**(5,400)**	(364)
Other financial instruments	**(2,288)**	198
Other	**(2,290)**	(1,016)
Tax benefit associated with items below underlying profit	**11,032**	934
Statutory profit	**29,313**	34,243

(1) Underlying Profit 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 appropriately reflects underlying performance. Underlying Profit excludes items such as unrealised fair value gains/ (losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives and investment properties). These items are required to be included in statutory profit in accordance with Australian Accounting Standards.

Directors' Report

For the year ended 30 June 2019 | continued

Segment Performance and Priorities

Ingenia Lifestyle and Holidays Operations

At 30 June 2019, Ingenia Lifestyle and Holidays comprised 35 communities that offer an affordable community experience for seniors and tourism guests. Ingenia Lifestyle and Holidays EBIT grew 8% on FY18 to $27.4 million.

During FY19 the Group continued to expand its rental assets by delivering 336 new settlements from its development business and completing the acquisition of Brisbane North Rental Village, Ingenia Holidays Rivershore and Ingenia Holidays Byron Bay for $70.6 million. The Group also undertook the divestment of one non-core asset at Ingenia Holidays Mudgee and the Rouse Hill lifestyle community to support the Group's capital recycling strategy.

Permanent rental income grew by 15% in FY19, as a result of new acquisitions completed in FY18 and FY19, the settlement of new homes, the investment in new rental cabins and rental growth across the portfolio.

Tourism rental income growth of 9% has been driven largely through the FY19 acquisition of Ingenia Holidays Byron Bay and Ingenia Holidays Rivershore, and additional investment in new tourism cabins across the portfolio. The Group's continued focus on leveraging its database and brand position within the tourism market also contributed to improved performance.

Stabilised asset EBIT margin improved slightly on prior year.

The carrying value of the Lifestyle and Holidays investment property at 30 June 2019 is $565.3 million (30 Jun 2018: $449.9 million).

Performance

	30 Jun 2019	30 Jun 2018	Change %
Permanent rental income ($m)	**25.0**	21.7	15%
Annuals rental income ($m)	**4.7**	4.8	(2%)
Tourism rental income ($m)	**38.0**	34.9	9%
EBIT contribution ($m)	**27.4**	25.3	8%
Stabilised margin (%)	**39.3**	39.0	NM

Strategic Priorities

The strategic priorities for Ingenia Lifestyle and Holidays are: investing in new rental and tourism cabins; integrating and optimising newly settled development sites; growing rental returns; leveraging scale efficiencies and driving holiday bookings in non-peak periods.

Ingenia Lifestyle Development

The earnings contribution from development has continued to grow with development now underway at 10 communities and new turnkey settlement volumes up 17% from the prior year, with Ingenia delivering 336 new turnkey settlements in FY19 (30 Jun 2018: 287).

This result reflects increased awareness and interest in the market and Ingenia's investment in the Group's sales and development platform.

During FY19 the Group added to its development pipeline with the acquisition of land adjoining Ingenia Lifestyle Lara and Ingenia Chambers Pines for $8.3 million. The Group currently has a strong development pipeline of 3,713 potential new home sites (30 Jun 2018: 3,244 sites).

The carrying value of the Ingenia Lifestyle Development investment property at 30 June 2019 is $149.4 million (30 Jun 2018: $142.9 million).

Performance

	30 Jun 2019	30 Jun 2018	Change %
New home settlements (#)	**336**	287	17%
Gross new home development profit ($m)	**51.4**	34.8	48%
Other home settlements (#)	**12**	12	–
Gross refurbished home development profit ($m)	**0.5**	0.7	(29%)
EBIT contribution ($m)	**33.4**	21.0	59%
EBIT margin (%)	**28.1**	24.4	4%

Strategic Priorities

The key strategic priorities for Ingenia Lifestyle Development include: delivering an outstanding move in experience for new residents; completing the current development pipeline on time and within budget; continuing the sales and settlement momentum achieved during 2019 and; securing further development approvals for new homes within our current pipeline. The Group will continue to identify future development opportunities and seek to continue to improve margins through building efficiencies and innovation.

Directors' Report

For the year ended 30 June 2019 | continued

Development Joint Venture

The development joint venture forms part of a strategic partnership with Sun Communities which was established in November 2018. The joint venture has acquired two greenfield development sites located in NSW and QLD. The sites have existing development approvals to build lifestyle communities. The joint venture intends to commence development of these sites across the next 12 months. The joint venture strategy is to identify and acquire additional development sites to create a significant portfolio of communities under development.

During FY19, fees generated by Ingenia from the joint venture primarily related to origination fees from the acquisition of two development sites, and asset management fees. The financial performance of the joint venture for the period to 30 June 2019, is attributable to venture establishment costs, fees paid to Ingenia and due diligence costs. The joint venture did not generate any development or operating income FY19.

	30 Jun 2019	30 Jun 2018	Change %
Greenfield properties (#)	2	–	NM
Investment carrying value ($m)	11.6	–	NM
Fee income ($m)	0.8	–	NM
Share of loss from joint venture ($m)	(1.2)	–	NM

Strategic Priorities

The joint venture's objective is to acquire greenfield sites in select key metro and coastal markets with a view to develop new lifestyle communities. The joint venture leverages the expertise and local market knowledge of Ingenia to identify, acquire and develop sites. Once homes are sold, Ingenia will also provide operational services to the lifestyle communities. At completion of development, Ingenia has the right to acquire the joint venture communities at market value. Ingenia generates origination, development and management fees for these services.

Ingenia Gardens

Ingenia Gardens comprises 26 rental communities located across the eastern seaboard and Western Australia. These communities accommodate more than 1,300 residents. During FY18 Ingenia divested the Tasmanian Ingenia Gardens portfolio consisting of five properties. This divestment impacted FY19 results when compared to FY18, however the portfolio continues to perform well with net growth on a like for like basis and occupancy closing at 90.8%.

The carrying value of these assets at 30 June 2019 is $132.1 million (30 Jun 2018: $127.3 million).

Performance

	30 Jun 2019	30 Jun 2018	Change %
Rental communities (#)	26	26	–
Occupancy (%)	90.8	92.4	(2%)
Rental income ($m)	21.7	24.6	(12%)
Catering income ($m)	2.6	3.1	(16%)
EBIT ($m)	10.0	11.4	(12%)
EBIT margin (%)	40.7	40.8	NM

Strategic Priorities

The strategic priorities of Ingenia Gardens are to: increase occupancy rates; grow rents by at least CPI; improve resident retention and referrals; manage the cost base; explore organic growth and expansion opportunities; leverage scale opportunities; increase the take up of the Ingenia Care offering and; ensure that residents are actively engaged.

Capital Management of the Group

The Group has two debt facilities with a combined facility limit of $350.0 million. The weighted average term to maturity of Ingenia's debt at 30 June 2019 is 3.3 years with the first debt expiry in February 2022. As at 30 June 2019, the debt facilities were drawn to $241.0 million.

The Group's Loan to Value Ratio ("LVR") at 30 June 2019 was 29.8%, which is slightly below Ingenia's target LVR range of 30-40%.

The Group intends to fund near term growth through operating cash flows, divestment of non-core assets and drawing on committed debt facilities. The development joint venture Sun Communities will support the acceleration of Ingenia's business plan through joint investment in new greenfield opportunities.

Directors' Report

For the year ended 30 June 2019 | continued

Financial Position

The following table provides a summary of the Group's financial position as at 30 June 2019:

$'000	30 Jun 2019	30 Jun 2018	Change
Cash and cash equivalents	**20,185**	14,450	5,735
Inventory	**35,987**	30,228	5,759
Assets held for sale	**12,835**	28,675	(15,840)
Investment properties	**846,835**	730,437	116,398
Deferred tax asset	**8,026**	2,524	5,502
Other assets	**29,019**	19,527	9,492
Total assets	**952,887**	825,841	127,046
Borrowings	**251,695**	233,321	18,374
Retirement village resident loans	**308**	8,206	(7,898)
Liabilities held for sale	**5,694**	3,875	1,819
Other liabilities	**69,443**	46,566	22,877
Total liabilities	**327,140**	291,968	35,172
Net assets/equity	**625,747**	533,873	91,874

Inventory has increased by $5.8 million reflecting the Group's rapidly growing lifestyle community development business with a record number of contracts and deposits on hand to support this growth.

Assets held for sale represent the carrying value of the Group's investment in Settlers Gladstone and Ingenia Lifestyle Mudgee.

Investment property book value increased by $116.4 million from the prior year. This was primarily due to the acquisition of new communities and development sites, investment in community development and changes in fair value.

Borrowings increased by $18.4 million, partly funding the acquisition and development of lifestyle communities.

Cash Flow

$'000	30 Jun 2019	30 Jun 2018	Change
Operating cash flow	**59,307**	47,230	12,077
Investing cash flow	**(126,393)**	(87,431)	(38,962)
Financing cash flow	**72,821**	45,006	27,815
Net change in cash and cash equivalents	**5,735**	4,805	930

Operating cash flow for the Group was up 26% to $59.3 million, reflecting the contribution from new acquisitions in FY18 and FY19, the growth in recurring net rental income from lifestyle and rental communities, and the cash inflow associated with the increased sale of new lifestyle homes.

Distributions

The following distributions were made during or in respect of the year:

- On 19 February 2019, the Directors declared an interim distribution of 5.4 cps, amounting to $12.5 million which was paid on 27 March 2019.
- On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September 2019.

The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

ICF has entered the Attribution Managed Investment Trust (AMIT) regime.

FY20 Outlook

The Group is well positioned to continue to grow its lifestyle communities business in FY20 with a sector leading development pipeline, increasing consumer awareness and demand and a broader range of capital partnerships.

The priority for existing lifestyle and holiday communities is to improve performance of existing assets by delivering rental growth and investing in new rental homes and tourism cabins within existing communities. The creation of new rent contracts via existing and new development projects will contribute development profits and growth in the rental base.

Directors' Report

For the year ended 30 June 2019 | continued

The joint venture with Sun Communities and the funds management business, expected to settle in 1H20, provide additional opportunities for growth whilst diversifying the Group's revenue streams.

Management continues to explore expansion, development and acquisition opportunities within the seniors' rental market as Ingenia Gardens continues to provide stable recurring cash flows.

The Group will continue to regularly assess market opportunities and the performance of existing assets, divesting and acquiring assets where superior longer-term returns are available.

Significant Changes in the State of Affairs

Changes in the state of affairs during the financial year are set out in the various reports in this Financial Report. Refer to Note 11 for Australian investment properties acquired during the year, Note 17 for details of debt facility, and Note 20 for issued securities.

Events Subsequent to Reporting Date

Final FY19 distribution

On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September 2019. The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

Likely Developments

The Group will continue to pursue strategies aimed at growing its cash earnings, profitability and market share within the senior's rental and tourism industries during the next financial year through:

- Acquiring existing communities;
- Developing greenfield sites and expanding existing lifestyle communities;
- Divesting non-core assets; and
- Integrating and growing the funds management platform.

Detailed information about operations of the Group is included in the various reports in this Financial Report.

Environmental Regulations

The Group has policies and procedures in place to ensure that, where operations are subject to any particular and significant environmental regulation under the laws of Australia, those obligations are identified and appropriately addressed. The Directors have determined that there has not been any material breach of those obligations during the financial year.

Group Indemnities

The Group has purchased various insurance policies to cover a range of risks (subject to specified exclusions) for directors, officers and employees of the Group serving in their respective capacities. Key insurance policies include: directors and officers insurance, professional indemnity insurance and management liability insurance.

Indemnification of Auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, 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 Ernst & Young during or since the reporting period.

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 page 22.

Non-Audit Services

During the year, non-audit services were provided by the Group's auditor, Ernst & Young. The directors are satisfied that the provision of the non-audit services is compatible with, and did not compromise, the independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- the non-audit services were for taxation, regulatory and assurance related work, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit and Risk Committee resolved that the provision of non-audit services during the financial year by Ernst & Young as auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*;
- the Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board policy set out in this Report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditors; and
- the declaration of independence provided by Ernst & Young, as auditor of ICH.

Refer to Note 29 of the financial statements for details on the audit and non-audit fees.

Rounding Amounts

ICH is an entity of the kind referred to in ASIC Instrument 2016/191, and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

Jim Hazel
Chairman
Sydney, 20 August 2019

Directors' Report

For the year ended 30 June 2019 | continued

Message from the Remuneration and Nomination Committee

Dear Security holders,

The Board of ICH (Ingenia) is pleased to present the Remuneration Report for FY19.

Summary of Remuneration Changes in FY19

The Ingenia Remuneration and Nomination Committee (RNC) undertakes regular reviews of its executive remuneration framework to ensure it is "fit for purpose" and aligns executive remuneration with performance outcomes and security holder returns.

There was no change to the basic structure of Executive Key Management Personnel (KMP) remuneration in FY19. This structure comprises:

- Total Fixed Remuneration (TFR), which includes superannuation;
- Short-Term Incentive (STI) based on financial and operating performance for a given financial year. A portion of the STI award is deferred for one year into rights which may vest upon the Board assessing that financial performance has been sustained; and a
- Long-Term Incentive (LTI) which vests after three years subject to total security holder returns, and other financial metrics being achieved.

During FY19, the only KMP to receive an increase in base salary was our COO, Ms Fisher, whose TFR was increased to $400,000 to reflect changes in the size and scope of her role and her importance to the Group.

In recent years, the Board has put a strong focus on STIs as near-term execution was critical while management established and scaled our operating platform. In FY19, we began to shift the focus to LTIs in order to incentivise management to execute long term strategy and deliver security holder returns.

- The overall remuneration of our CEO/MD, Mr Owen, became more heavily leveraged to the security price and longer-term financial outcomes, with an increase in both STI (from 80% to 90% of TFR) and LTI (from 50% to 80% of TFR). These increases were well supported by investors at the 2018 Annual General Meeting (AGM).
- The maximum LTI opportunity for both our CFO Mr Noble and COO Ms Fisher increased from 20% to 30% of base.

Security holders approved the FY19 LTI performance hurdles for the CEO/MD at the 2018 AGM, with these hurdles also applicable to the CFO and COO. These hurdles link LTI outcomes to security holder returns and the achievement of Return on Equity and underlying earnings growth targets.

Non-executive directors receive a fixed fee for board and committee roles. Total remuneration increased from $0.6 million to $0.7 million, principally reflecting the outcome of external benchmarking due to the growth of the business. Sun Communities board nominee Mr Shiffman and his alternate Mr McLaren do not receive board fees.

We continue to be mindful of feedback from investors and are appreciative of the support received for remuneration resolutions at our AGM in November 2018.

Remuneration Outcomes for FY19

Management achieved continued improvement in financial and operating performance in FY19 with strong growth in financial metrics and good progress on building and scaling our operating platform and safety systems. The FY19 result benefited from accretive acquisitions made in FY18 and FY19, funded through the sale of non-core assets and the issue of additional equity. The private placement and capital partnering with Sun Communities announced in November 2018 expanded our capital base but did not materially impact earnings per security in FY19.

This performance was particularly pleasing against the backdrop of a softer housing market. Executive STI awards ranged from 75 to 85 percent of maximum opportunity in FY19. This was slightly lower than the prior year reflecting more demanding targets set in FY19 as well as a more challenging trading market.

Growth in the security price resulted in 66% of FY16 LTI entitlements vesting in October 2018. This is the first time that long-term performance rights have vested since July 2016.

Looking ahead

For FY20, we anticipate:

- Modest increases in executive base salaries, generally aligned with the pay rises granted to our general workforce.
- Continued shift in the mix towards LTIs and a review of LTI metrics to ensure they remain fit for purpose as the business grows.
- Seeking investor approval for the grant of the CEO/MD's FY20 STI and LTI rights at Ingenia's AGM in November 2019.

We recommend Ingenia's Remuneration Report to investors and seek your support for the resolution to adopt the Remuneration Report at Ingenia's AGM on Tuesday 12 November 2019.

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Sydney, 20 August 2019

Directors' Report

For the year ended 30 June 2019 | continued

Remuneration Report (Audited)

Introduction

The Board presents the Remuneration Report for the Group for the year ended 30 June 2019, which forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (**Corporations Act**). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Corporations Act.

Remuneration Governance

Remuneration and Nomination Committee (RNC)

The Board has an established RNC, which is directly responsible for reviewing and recommending remuneration arrangements for non-executive directors (**NEDs**), the Managing Director (**MD**) and Chief Executive Officer (**CEO**) and senior executives who report directly to the CEO.

The RNC comprises the following NEDs:

- Amanda Heyworth (Chair);
- Valerie Lyons; and
- Andrew McEvoy.

The RNC provides oversight for KMP and other executives, ensuring they are set at appropriate levels to access the skills and capabilities the Group needs to operate successfully.

The RNC operates under the delegated authority of the Board for some matters related to remuneration arrangements for both executives and non-executives, and is required to make recommendations to the Board. The RNC also reviews and makes recommendations to the Board on incentive schemes.

The RNC is required to meet regularly throughout the year (a minimum of twice per year), and considers recommendations from internal management and external advisors.

The Board is ultimately responsible for decisions made on recommendations from the RNC.

External Remunerations Advisers

Guerdon Associates, initially engaged in March 2014, provided independent remuneration advice during FY19 in respect of KMP and reviewed the rules of the Group's incentive plan. Guerdon Associates have been commissioned by, engaged with, and addressed reports directly to the Chair of the RNC.

The Board is satisfied that the remuneration advice from Guerdon Associates was made free from undue influence of the KMP in respect of whom the advice related. A declaration of independence from Guerdon Associates was provided to the Board in respect of their engagement and their reports to the RNC.

While remuneration services were received, no remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the Corporations Act, were made by Guerdon Associates.

Details of KMP

KMP for the year ended 30 June 2019 are those persons identified as having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Group, and include any Executive Director or NED of the Group.

KMP of the Group for the year ended 30 June 2019 have been determined by the Board as follows:

KMP	Position
Non-Executive Directors	
Jim Hazel	Chairman of the Board Member – Investment Committee
Robert Morrison	Deputy Chairman of the Board Chair – Investment Committee Member – Audit and Risk Committee
Amanda Heyworth	Chair – Audit and Risk Committee Chair – Remuneration and Nomination Committee
Valerie Lyons	Member – Audit and Risk Committee Member – Remuneration and Nomination Committee

Directors' Report

For the year ended 30 June 2019 | continued

KMP	Position
Andrew McEvoy	Member – Investment Committee Member – Remuneration and Nomination Committee
Gary Shiffman (appointed, effective 4 December 2018)	Non-Executive Director
John McLaren (appointed, effective 18 February 2019)	Alternate Director for Gary Shiffman
Executive Director	
Simon Owen	Managing Director and CEO
Other Executive KMP	
Nicole Fisher	Chief Operating Officer
Scott Noble	Chief Financial Officer

During the prior financial year, Mr Philip Marcus Clark AO was a NED of the Group and Chairman of the Nomination and Remuneration Committee. Mr Clark resigned effective 4 December 2017.

Remuneration of Executive KMP

Remuneration Policy

The Group's Remuneration Policy aims to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating high calibre people.

The structure of remuneration, as explained below, is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of long-term value creation for security holders. The remuneration structures take into account a range of factors, including the following:

- Capability, skills and experience;
- Ability to impact achievement of the strategic objectives of the Group;
- Performance of each individual executive KMP;
- The Group's overall performance;
- The Group's culture;
- Remuneration levels being paid by peers for similar positions; and
- The need to ensure executive continuity and succession.

Link between Remuneration and Performance

The Board aims to ensure alignment between executive KMP remuneration policy and the Group's performance. Executive KMP remuneration packages are structured to align remuneration outcomes with the interests of security holders and the achievement of strategic objectives.

The components of remuneration and their link to Group performance is outlined in the table below.

Remuneration component	Link to Group performance
Total Fixed Remuneration (**TFR**)	TFR, inclusive of superannuation, is set with reference to the executive KMP's role, responsibilities and performance and remuneration levels for similar positions in the market.
Short-Term Incentive (**STI**)	STIs are awarded to executive KMP whose achievements, behaviour and focus meet the Group's business plan and individual Key Performance Indicators (**KPIs**) measured over the financial year. Details of the KPIs are explained separately below. The Board maintains sole discretion over the granting of STIs to employees. For achievement of STIs in relation to executive KMP, the payment is: – CEO: 33% cash and 67% deferred equity rights – CFO and COO: 50% cash and 50% deferred equity rights STI equity rights, are deferred for 12 months and vest subject to a Board assessment of underlying earnings growth sustainability and subject to a malus provision. Exercise of STI equity rights is restricted to 12 months post vesting date.

Directors' Report

For the year ended 30 June 2019 | continued

Remuneration component	Link to Group performance
Long-Term Incentive (**LTI**)	LTI equity rights are granted to executive KMP to align their focus with the Group's strategy and overall financial outcomes. The LTI performance conditions are as follows: – Total Shareholder Return (**TSR**), measured over three financial years; – Return on Equity (**ROE**) performance measured in the third year following the LTI grant; – Average Underlying Earnings per Security (**Underlying EPS**) growth over the three financial years. The Board maintains sole discretion over the granting of LTI equity rights. LTI grants are made in equity rights to ensure alignment with security holders' interests. LTIs are subject to a malus provision.

The table below sets out summary information about the Group's earnings and movement in security holder wealth for the five years to 30 June 2019, noting that where applicable, certain amounts have been restated for the security consolidation that occurred in November 2015:

	FY19	FY18	FY17	FY16	FY15
EBIT ($'000)	**61,490**	48,759	32,093	24,200	18,050
Total Underlying Profit ($'000)	**47,221**	36,771	23,521	20,161	17,507
Statutory profit ($'000)	**29,313**	34,243	26,408	24,280	25,722
Underlying (Basic) EPS(1) (cents)	**21.0**	17.7	13.0	13.4	12.8
Statutory (Basic) EPS(1) (cents)	**13.0**	16.5	14.6	16.1	18.8
Underlying ROE	**8.1%**	7.0%	5.4%	5.6%	5.9%
Statutory ROE	**5.0%**	6.5%	6.1%	6.7%	8.6%
Underlying EPS growth (3 year CAGR)	**16.2%**	11.4%	6.4%	25.4%	8.3%
EBIT Growth (3 year CAGR)	**36.5%**	39.3%	38.3%	39.4%	16.2%
Net asset value per security ($)	**2.65**	2.57	2.50	2.45	2.34
Security price at 30 June ($)	**3.24**	3.08	2.60	2.87	2.58
Distributions (cents)	**11.20**	10.75	10.20	9.30	8.10

(1) Basic earnings per security is based on the weighted average number of securities on issue during the period.

Mix of Remuneration Components

Executive remuneration packages include a mix of TFR, STIs and LTIs. The Group aims to reward executives with a mix of remuneration commensurate with their position and responsibilities and aligned with market practice.

The Group's policy is to position remuneration of executive KMP by reference to a range of comparable industry peers and other Australian listed companies of similar size and complexity, whilst also taking into account the individual's competence and the potential impact of incentives.

The remuneration mix the RNC is aiming to achieve for executives for FY19, expressed as a percentage of total remuneration, is detailed below:

Maximum Total Remuneration Available	TFR	Max STI	Max LTI	Max Total REM
Simon Owen (CEO) ($)	682,500	614,250	546,000	**1,842,750**
Percentage (%)	37	33	30	**100**
Nicole Fisher (COO) ($)	400,000	240,000	120,000	**760,000**
Percentage (%)	52	32	16	**100**
Scott Noble (CFO) ($)	400,000	240,000	120,000	**760,000**
Percentage (%)	52	32	16	**100**

Directors' Report

For the year ended 30 June 2019 | continued

Total Fixed Remuneration of Executive KMP

TFR is an annual salary, calculated on a total cost basis to include salary-packaged benefits grossed up for FBT, employer superannuation contributions and other non-cash benefits that may be agreed from time to time.

The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually.

The TFR for each of the executives for FY19 and FY18 is:

KMP	FY19 TFR (p.a.)	FY18 TFR (p.a.)	Movement
Simon Owen (CEO)	$682,500	$682,500	–
Nicole Fisher (COO)	$400,000	$370,000	$30,000
Scott Noble (CFO)	$400,000	$400,000	–

Data ranges for the CEO, CFO and COO FY19 TFR were provided by Guerdon Associates. The RNC determined the appropriate TFR of individual KMP with reference to these data ranges and the individual role, experience and responsibilities. Those recommendations were approved by the Board.

Rights Plan

The current Rights Plan was approved by security holders at the AGM held on 15 November 2016.

The Rights Plan provides for the grant of Rights, which upon a determination by the Board that the performance conditions have been met, will result in the issue of stapled securities in the Group for each Right. The Rights Plan provides for the grant of STI and LTI Rights to both executive KMP and other eligible employees.

Short-Term Incentive Plan (STIP)

Under the FY19 Rights Plan, 33% of the maximum STI for the CEO and 50% for the CFO and COO will be paid in cash, with the balance being a deferred equity element. The deferred equity component is for a period of 12 months and subject to forfeiture where earnings growth is not sustained. The deferral element is rights to INA stapled securities, plus additional stapled securities equal to the value of distributions during the deferral period on a reinvestment basis.

KMP	Maximum STIP (Cash)	Maximum STIP Deferred (Rights)	Total Maximum STIP Available
Simon Owen (CEO)	30% of TFR	60% of TFR	90% of TFR
	$204,750	$409,500	$614,250
Nicole Fisher (COO)	30% of TFR	30% of TFR	60% of TFR
	$120,000	$120,000	$240,000
Scott Noble (CFO)	30% of TFR	30% of TFR	60% of TFR
	$120,000	$120,000	$240,000

The FY19 STI Equity Rights are subject to the following terms and conditions:

- A 'malus' provision during the deferral period, which means that some or all of the STIP Rights may be forfeited if:
  - the Board determines Ingenia's underlying earnings growth is not sustainable; or
  - any of the circumstances set out in the rules of the Rights Plan occur, such as fraud or dishonesty, a breach of obligations or material misstatement of Ingenia's financial statements;
- A one-year deferral period and are eligible to vest on, or following, 1 October 2020;
- From the vesting date the executive may exercise their rights and have the relevant number of Ingenia securities issued in accordance with a prescribed formula;
- No amount is payable by the executive KMP for the issue or transfer of Ingenia securities to the executive KMP.

The STI award is subject to performance conditions that are summarised in the following table. These KPIs have been chosen as they aim to focus individuals on meeting the Group's business plan. The KPIs specific to the executive are outlined below, together with what the Board will consider in determining the achievement of the KPI. Each assessment area is weighted.

The KPIs are set with 'threshold', 'target' and 'stretch' performance levels, with entitlements calculated on a pro-rata basis between these levels.

Directors' Report

For the year ended 30 June 2019 | continued

The weighting of KPIs for each executive KMP is as follows:

KMP	Financial	Health and Safety	Capital Management	Operational	People, Culture, Systems and Process	Total
Simon Owen (CEO)	40%	–	20%	20%	20%	**100%**
Nicole Fisher (COO)	40%	10%	–	30%	20%	**100%**
Scott Noble (CFO)	40%	–	20%	10%	30%	**100%**

The key considerations in assessing performance against the KPIs are:

KPI	Executive	Key Considerations in achievement
Financial	CEO, CFO, COO	EBIT to exceed threshold level.
	CEO, CFO	Underlying profit per security to exceed threshold level.
	COO	Deliver cost management outcomes.
Health and Safety	COO	Champion and demonstrate safe systems of work. Identify hazards and reinforce commitment to safe and efficient work practices.
Capital management	CEO, CFO	Capital available on competitive pricing and flexible terms to fund high quality deal flow and development pipeline.
Operational	CEO, CFO, COO	Achievement of rental growth and operational and sales metrics that deliver on business strategy, established for each executive KMP specific to their area of responsibility.

For FY19 the Board assessed the performance of the CEO, and the CEO assessed the performance of the CFO and COO, against their respective KPIs. The RNC then recommended and the Board approved STIP awards.

The Board approved the FY19 STIP awards as follows:

KMP	Actual STI awarded	Actual STI awarded as a % of maximum STI
Simon Owen (CEO)	$491,400	80%
Nicole Fisher (COO)	$192,000	80%
Scott Noble (CFO)	$192,000	80%

The CEO's maximum potential FY19 STIP deferred equity component was approved by security holders at the AGM held on 13 November 2018. Any FY20 CEO deferred equity component will be subject to security holder approval at the 2019 AGM to be held on 12 November 2019.

Long-Term Incentives

Long Term Incentive Plan (LTIP)

The objective of the Group's LTIP is to align the 'at risk' compensation of executives with long-term security holder returns whilst also acting as a mechanism to retain key talent.

The FY19 LTIP Rights are subject to the following LTIP Performance Conditions:

- 40% based on Relative Total Shareholder Return (**Relative TSR**);
- 30% based on Return on Equity (**ROE**); and
- 30% based on Average Underlying Earnings Per Security growth (**Underlying EPS**)

Refer to page 13 for details of maximum LTIP.

Details on the FY18 LTIP Performance Conditions can be found in the 30 June 2018 Remuneration Report, available on the Groups website.

Directors' Report

For the year ended 30 June 2019 | continued

Relative TSR Performance Condition

The Relative TSR hurdle is growth in Ingenia's TSR relative to growth in the ASX 200 A-REIT index (**Index**), measured over a three-year period ending on 30 September 2021. Total TSR is the growth in the INA security price plus distributions, assuming distributions are reinvested. To minimise the impact of any short-term volatility, Ingenia's TSR will be calculated using the weighted average of the closing security price over the 30 days up to and including the trading day prior to the start of the performance period and the 30 days up to and including the end-trading day of the performance period.

Ingenia must outperform the Index for the LTIP rights to vest. The FY19 LTIP Rights will vest on the following basis:

	Growth rate in INA's Relative TSR	% of Rights that vest
At or Below Threshold	Equal to or less than Index + 1% CAGR	Nil
Between Threshold and Maximum	Between Index + 1% and Index +5% CAGR	10% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	Equal to or greater than Index + 5% CAGR	100%

CAGR: Compound Annual Growth Rate

ROE Performance Condition

The ROE Performance Condition is intended to focus executive KMP on improving medium to long-term return on investment.

ROE is defined as underlying profit divided by weighted average net assets (excluding the impact of asset revaluations on Net Assets between LTI issue date and the LTI vesting date). For FY19, the relevant metric is ROE achieved for FY21 on the following basis:

	ROE	% of Rights that vest
At or Below Threshold	Less than 8%	Nil
Between Threshold and Maximum	Equal to or greater than 8%	30% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	Equal to or greater than 10%	100%

Average Underlying Earning Per Security (EPS) Performance Condition

The Average Underlying EPS Performance Condition is intended to focus executive KMP on improving medium to long-term underlying earnings.

Underlying EPS defined as underlying profit divided by the weighted average number of securities outstanding. The relevant metric is Average Underlying EPS Growth for the period FY19 to FY21, with the FY18 base year Underlying EPS being 17.7 cps.

	Average underlying EPS growth	% of Rights that vest
At or Below Threshold	Equal to or less than 5%	Nil
Between Threshold and Maximum	Between 5% and 10%	10% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	Equal to or greater than 10%	100%

The FY19 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30 day trading period ending on 1 October 2018. The number of LTIP Rights granted in FY19 was calculated by dividing the LTIP award by the security value (as defined above). Each LTI Right vested equals one Ingenia security plus an additional number of Ingenia securities calculated based on the distributions that would have been paid during the relevant period being reinvested.

FY19 LTIP Rights grants will be entitlements to Rights to stapled securities plus additional stapled securities equal to distributions paid during the vesting period. The Board aims to have executive KMP incentivised to grow distributions to security holders. Executives do not receive distributions on securities underlying any Rights that do not vest or remain unexercised.

FY16 LTIP rights were tested on 1 October 2018 resulting in the vesting of 98,317 rights for Mr Owen and Ms Fisher. This represented 66% of rights on issue based on the partial achievement of the TSR condition. The remaining 34% of rights on issue lapsed as the ROE condition and full achievement of the TSR condition was not achieved.

Directors' Report

For the year ended 30 June 2019 | continued

Unvested LTIP Rights held by KMP during the year were:

	Balance 1 July 2018	Granted	Vested	Lapsed	Balance 30 June 2019
Directors					
Simon Owen	453,201	181,417	(81,560)	(41,378)	**511,680**
Executives					
Nicole Fisher	92,714	39,872	(16,757)	(8,501)	**107,328**
Scott Noble	46,890	39,872	–	–	**86,762**
Total	**592,805**	**261,161**	**(98,317)**	**(49,879)**	**705,770**

Summary of LTIPs on Issue to KMP

The following table sets out all LTIPs granted to-date and not vested at 30 June 2019.

KMP	Scheme year	Number of rights granted	Fair value of rights per award at award date	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
Simon Owen	FY19	181,417	$1.22	13-Nov-18(1)	$221,641	01-Oct-21	$166,231
	FY18	205,665	$1.22	14-Nov-17	$251,431	01-Oct-20	$104,763
	FY17	124,598	$1.44	15-Nov-16	$179,843	01-Oct-19	$14,987
Nicole Fisher	FY19	39,872	$1.22	01-Oct-18	$48,712	01-Oct-21	$36,534
	FY18	43,373	$1.17	01-Oct-17	$50,932	01-Oct-20	$21,222
	FY17	24,083	$1.20	01-Oct-16	$28,842	01-Oct-19	$3,004
Scott Noble	FY19	39,872	$1.22	01-Oct-18	$48,712	01-Oct-21	$36,534
	FY18	46,890	$1.17	01-Oct-17	$55,062	01-Oct-20	$22,943
Total		**705,770**			**$885,175**		**$406,218**

(1) Grant date following the 2018 AGM with price based on 30 day VWAP at 1 October 2018 to align with other executives.

Vested rights expire 15 years from the grant date of the LTI Rights and STI Rights.

LTIP – Termination of Employment

The following outlines the treatment of unvested LTIP Rights at the time of termination of employment. This treatment also applies to unvested STIP Rights.

- Where a Participant holding unvested Rights ceases to be an employee of the Group, those Rights immediately lapse.
- Notwithstanding the above, where a Participant holding unvested Rights ceases to be an employee of the Group due to a Qualifying Reason, the Board may determine in its discretion, the treatment of those unvested Rights.
- Qualifying Reason means:
  - the death, total and permanent disablement, retirement or redundancy of the Participant as determined by the Board in its absolute discretion; or
  - any other reason with the approval of the Board.

LTIP – Change in Control

In the event of a change in control, the Board has absolute discretion as to the treatment of unvested LTIP rights. In exercising discretion, the Board will take into account:

- The employee's length of service in relation to each unvested grant;
- Performance to the date of the change in control on any performance measures specified for each grant; and
- Any other factors that the Board considers relevant.

Directors' Report

For the year ended 30 June 2019 | continued

KMP Employment Contracts

MD and CEO

Contract duration	Commenced 1 October 2016, open-ended
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.
Variable remuneration	Eligible for STI of up to 90% for any one year of the fixed annual remuneration, of which 67% is in the form of deferred equity. Eligible for LTI of up to 80% for any one year of the fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the Executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	12 months.
Notice by Executive	12 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of incentives: As outlined above.

COO

Contract duration	Commenced 4 June 2012, open-ended
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.
Variable remuneration eligibility	Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. Eligible for LTI of up to 30% for any one year of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the Executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	6 months.
Notice by executive	6 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of incentives: As outlined above.

CFO

Contract duration	Commenced 1 January, 2018 open-ended
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.
Variable remuneration eligibility	Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. Eligible for LTI of up to 30% for any one year of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the Executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	6 months.
Notice by Executive	6 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of incentives: As outlined above.

Directors' Report

For the year ended 30 June 2019 | continued

Remuneration Tables

The following tables outline the remuneration provided to Executive KMP for FY18 and FY19.

Separate to the numbers outlined below, the Group accrues annual leave and long service leave in accordance with statutory requirements.

		Short-Term				
FY19 Executive KMP	Financial Year	Salary ($)	Super-annuation Benefits ($)	STI Cash[1] ($)	STI Deferred Rights[1] ($)	Total Short-Term ($)
Simon Owen	2019	661,980	20,520	163,800	327,600	1,173,900
Nicole Fisher	2019	379,480	20,520	96,000	96,000	592,000
Scott Noble	2019	379,480	20,520	96,000	96,000	592,000
Total		**1,420,940**	**61,560**	**355,800**	**519,600**	**2,357,900**

				Performance Related	
FY19 Executive KMP	Financial Year	LTI expense ($)	Total ($)	STI & LTI Percent (%)	LTI Percent (%)
Simon Owen	2019	218,847	1,392,747	51%	16%
Nicole Fisher	2019	44,002	636,002	37%	7%
Scott Noble	2019	30,532	622,532	36%	5%
Total		**293,381**	**2,651,281**	**44%**	**11%**

(1) Cash STIs were accrued in the year ended 30 June 2019. Deferred STI rights are expensed evenly over the year of service and vesting period.

		Short-Term				
FY18 Executive KMP	Financial Year	Salary ($)	Super-annuation Benefits ($)	STI Cash[1] ($)	STI Deferred Rights[1] ($)	Total Short-Term ($)
Simon Owen	2018	657,408	20,049	189,394	378,788	1,245,639
Nicole Fisher	2018	325,010	20,049	99,900	99,900	544,859
Scott Noble[2]	2018	380,380	20,049	108,000	108,000	616,429
Total		**1,362,798**	**60,147**	**397,294**	**586,688**	**2,406,927**

				Performance Related	
FY18 Executive KMP	Financial Year	LTI expense ($)	Total ($)	STI & LTI Percent (%)	LTI Percent (%)
Simon Owen	2018	197,478	1,443,117	53%	14%
Nicole Fisher	2018	33,020	577,879	40%	6%
Scott Noble[2]	2018	13,715	630,144	36%	2%
Total		**244,213**	**2,651,140**	**46%**	**9%**

(1) Cash STIs were accrued in the year ended 30 June 2018. Deferred STI rights are expensed evenly over the year of service and vesting period.

(2) Mr Noble was deemed to be a KMP from 1 January 2018, prior to this he was acting CFO. The salary and superannuation disclosed in the above table is for the full year FY18.

Directors' Report

For the year ended 30 June 2019 | continued

Non-Executive Directors' Remuneration

NED Fees

The maximum aggregate fee pool available to NEDs is $1,000,000 as stipulated in the Constitution that was adopted prior to the Group's internalisation in 2012.

Performance-Based Remuneration

NEDs are remunerated by way of cash and mandated superannuation. They do not participate in performance based remuneration plans unless approved by security holders. The Group currently has no intention to remunerate NEDs by any way other than cash benefits.

Equity-Based Remuneration

Directors are eligible to participate in the existing Rights Plan, however there is no current intention to grant any Rights to NEDs under this plan. To this end, all NEDs have self-funded the purchase of Ingenia securities on market thereby aligning their interests with security holders. Details are shown below.

The Board has introduced a policy guideline for NEDs to hold the equivalent of one year's gross fees in Ingenia securities within a period of three years from the date of appointment. Once this hurdle has been met, NEDs are considered compliant with this guideline.

NED Remuneration Table

The following table outlines the remuneration provided to NEDs for FY19 and FY18:

NEDs – Directors' Fees	2019 $	2018 $
Jim Hazel	**187,542**	180,592
Amanda Heyworth	**125,250**	114,167
Robert Morrison	**127,833**	114,158
Valerie Lyons	**101,917**	97,750
Andrew McEvoy	**101,917**	57,750
Gary Shiffman	**–**	–
John McLaren (Alternate)	**–**	–
Philip Clark AO	**–**	35,333
Total	**644,459**	599,750

The FY19 NED base fee (which is inclusive of superannuation guarantee contributions) remained at $99,000 with no increase. Annual fees were increased effective 1 December 2018 as follows:

- Chairman of the Board: from $182,800 to $191,500;
- Deputy Chair of the Board: from an additional $6,200 to an additional $20,000;
- Committee Chairs (ARC, IC and RNC): from an additional $10,500 to an additional $15,000; and
- Committee members receive an addition $2,500 per Committee.

Mr Shiffman is the appointed Nominee Director of Sun Communities which is entitled to appoint a Director to the Board of ICH, in accordance with the Subscription Agreement between ICH and Sun Communities which was entered into on 7 November 2018. Mr Shiffman appointed Mr McLaren as his Alternate Director effective 18 February 2019. As nominees of Sun Communities neither Mr Shiffman or Mr McLaren are remunerated by ICH.

In addition to the above fees, all NEDs receive reimbursement for reasonable travel, accommodation and other expenses incurred while undertaking Ingenia business.

Directors' Report

For the year ended 30 June 2019 | continued

KMP Interests

Securities held directly, indirectly or beneficially by each KMP, including their related parties, were:

	Balance 1 July 2018	Acquisitions	Disposals	Balance 30 June 2019
Directors				
Jim Hazel	344,710	13,045	–	**357,755**
Amanda Heyworth	122,485	7,022	–	**129,507**
Robert Morrison	125,638	66,900	(48,716)	**143,822**
Valerie Lyons	27,957	7,698	–	**35,655**
Andrew McEvoy	14,815	–	–	**14,815**
Gary Shiffman(1)	–	23,560,866	–	**23,560,866**
John McLaren(1)	–	23,560,866	–	**23,560,866**
Simon Owen(2)	1,280,528	–	(100,000)	**1,180,528**
KMP				
Nicole Fisher(3)	314,096	50,842	(73,300)	**291,638**
Scott Noble	6,000	–	–	**6,000**

(1) The securities held by Mr Shiffman and Mr McLaren are beneficially owned by Sun Communities and represent the same securities.
(2) Mr Owen disposed of his shares in FY19 to meet personal tax obligations.
(3) Acquisition of securities by Ms Fisher result from the exercise of her FY16 LTIP and FY17 STIP rights which vested in FY19.

Mr Owen also holds 193,505 vested share rights, that he has not exercised.

Signed in accordance with resolution of the Directors.

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Sydney, 20 August 2019

Auditor's Independence Declaration

For the year ended 30 June 2019 | continued

Building a better working world

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Auditor's Independence Declaration to the Directors of Ingenia Communities Holdings Limited

As lead auditor for the audit of the financial report of Ingenia Communities Holdings Limited for the financial year ended 30 June 2019, 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 Ingenia Communities Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
20 August 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Rental income	5(a)	**89,758**	86,520
Lifestyle home sales		**119,060**	85,875
Service station sales		**7,016**	7,356
Food and beverage sales		**4,932**	1,557
Other revenue	5(b)	**7,128**	8,168
Fee income		**814**	–
Revenue		**228,708**	189,476
Property expenses		**(26,869)**	(25,498)
Cost of lifestyle homes sold		**(67,109)**	(50,347)
Employee expenses		**(48,038)**	(43,871)
Administrative expenses		**(7,637)**	(6,513)
Operational, marketing and selling expenses		**(9,801)**	(6,983)
Service station expenses		**(6,153)**	(6,338)
Depreciation and amortisation expense	12(b), 13(b)	**(1,611)**	(1,167)
Operating profit before interest and tax		**61,490**	48,759
Net finance expense	6	**(7,582)**	(6,114)
Operating profit before tax		**53,908**	42,645
Share of joint venture loss	14	**(1,157)**	–
Net (loss)/gain on change in fair value of:			
Investment properties	11(c)	**(18,962)**	(2,280)
Financial liabilities		**(5,400)**	(364)
Other financial instruments		**(2,288)**	198
Other		**(2,290)**	(1,016)
Profit before income tax		**23,811**	39,183
Income tax benefit/(expense)	7	**5,502**	(4,940)
Net profit for the year		**29,313**	34,243
Total comprehensive income for the year net of income tax		**29,313**	34,243
Profit/(loss) attributable to security holders of:			
Ingenia Communities Holdings Limited		**9,686**	(341)
Ingenia Communities Fund	32	**25,662**	25,458
Ingenia Communities Management Trust	32	**(6,035)**	9,126
		29,313	34,243
Total comprehensive income attributable to security holders of:			
Ingenia Communities Holdings Limited		**9,686**	(341)
Ingenia Communities Fund	32	**25,662**	25,458
Ingenia Communities Management Trust	32	**(6,035)**	9,126
		29,313	34,243

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019 | continued

	Note	30 Jun 2019 Cents	30 Jun 2018 Cents
Distributions per security paid[(1)]		**11.1**	10.2
Earnings per security:			
Basic earnings			
Per security	4(a)	**13.0**	16.5
Per security attributable to parent	4(b)	**2.0**	1.8
Diluted earnings per security			
Per security	4(a)	**12.9**	16.5
Per security attributable to parent	4(b)	**1.9**	1.7

(1) Distributions relate to the amount paid during the financial year. A final FY19 distribution of 5.8 cps was declared on 20 August 2019 (payment due on 26 September 2019) resulting in a total FY19 distribution of 11.2 cps.

Consolidated Balance Sheet

As at 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets			
Cash and cash equivalents		**20,185**	14,450
Trade and other receivables	8	**6,194**	7,293
Inventories	9	**35,987**	30,228
Assets held for sale	10(a)	**12,835**	28,675
Other		**38**	38
Total current assets		**75,239**	80,684
Non-current assets			
Trade and other receivables	8	**1,917**	3,698
Investment properties	11	**846,835**	730,437
Plant and equipment	12	**5,018**	4,279
Investment in a joint venture	14	**11,593**	–
Other financial assets		**2,263**	2,263
Intangibles	13	**1,996**	1,956
Deferred tax asset	15	**8,026**	2,524
Total non-current assets		**877,648**	745,157
Total assets		**952,887**	825,841
Current liabilities			
Trade and other payables	16	**52,632**	37,546
Borrowings	17	**765**	501
Retirement village resident loans	18	**308**	8,206
Employee liabilities		**1,961**	1,770
Other financial liabilities	19	**1,100**	–
Derivatives and other financial instruments	27(i)	**70**	73
Liabilities held for sale	10(b)	**5,694**	3,875
Total current liabilities		**62,530**	51,971
Non-current liabilities			
Borrowings	17	**250,930**	232,820
Other financial liabilities	19	**10,800**	6,500
Employee liabilities		**445**	529
Other payables	16	**–**	83
Derivatives and other financial instruments	27(i)	**2,435**	65
Total non-current liabilities		**264,610**	239,997
Total liabilities		**327,140**	291,968
Net assets		**625,747**	533,873
Equity			
Issued securities	20(a)	**900,417**	814,243
Reserves	21	**1,933**	1,393
Accumulated losses	22	**(276,603)**	(281,763)
Total equity		**625,747**	533,873
Attributable to security holders of:			
Ingenia Communities Holdings Limited		**35,112**	10,827
Ingenia Communities Fund		**523,621**	449,799
Ingenia Communities Management Trust		**67,014**	73,247
		625,747	533,873
Net asset value per security ($)		**$2.65**	$2.57

Consolidated Cash Flow Statement

For the year ended 30 June 2019

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash flows from operating activities			
Rental and other property income		**107,444**	102,118
Property and other expenses		**(93,300)**	(81,425)
Proceeds from sale of lifestyle homes		**131,629**	94,439
Purchase of lifestyle homes		**(75,909)**	(59,806)
Proceeds from sale of service station inventory		**7,810**	8,091
Purchase of service station inventory		**(7,086)**	(7,134)
Proceeds from resident loans	18(b)	**10**	594
Repayment of resident loans	18(b)	**(2,420)**	(767)
Interest received		**121**	95
Borrowing costs paid		**(8,992)**	(8,975)
	33	**59,307**	47,230
Cash flows from investing activities			
Purchase and additions of plant and equipment		**(2,180)**	(2,506)
Purchase and additions of intangible assets		**(390)**	(372)
Payments for acquisition of investment properties		**(78,836)**	(51,214)
Additions to investment properties		**(65,988)**	(66,081)
Proceeds from sale of investment properties		**32,172**	32,742
Investment in joint venture		**(12,750)**	–
Other		**1,579**	–
		(126,393)	(87,431)
Cash flows from financing activities			
Proceeds from issue of stapled securities		**89,391**	4,414
Payments for security issue costs		**(3,217)**	–
Finance lease payments		**(699)**	(639)
Distributions to security holders		**(24,295)**	(21,104)
Proceeds from borrowings		**136,706**	120,223
Repayment of borrowings		**(124,705)**	(57,688)
Payments for debt issue costs		**(360)**	(200)
		72,821	45,006
Net increase in cash and cash equivalents		**5,735**	4,805
Cash and cash equivalents at the beginning of the year		**14,450**	9,645
Cash and cash equivalents at the end of the year		**20,185**	14,450

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

		Attributable to security holders					
		Ingenia Communities Holdings Limited					
	Note	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000	ICF & ICMT $'000	Total Equity $'000
Carrying amount 1 Jul 2018		**11,216**	**1,393**	**(1,782)**	**10,827**	**523,046**	**533,873**
Net profit		–	–	9,686	9,686	19,627	29,313
Total comprehensive income for the year		**–**	**–**	**9,686**	**9,686**	**19,627**	**29,313**
Transactions with security holders in their capacity as security holders:							
Issue of securities	20(a)	1,769	–	–	1,769	84,405	86,174
Share based payment transactions	21	–	800	142	942	–	942
Payment of distributions to security holders	22	–	–	–	–	(24,295)	(24,295)
Transfer from reserves to issued securities	21	–	(260)	–	(260)	–	(260)
Other		–	–	12,148	12,148	(12,148)	–
Carrying amount 30 June 2019		**12,985**	**1,933**	**20,194**	**35,112**	**590,635**	**625,747**
Carrying amount 1 Jul 2017		**11,131**	**1,074**	**(1,711)**	**10,494**	**505,238**	**515,732**
Net (loss)/profit		–	–	(341)	(341)	34,584	34,243
Total comprehensive income for the year		**–**	**–**	**(341)**	**(341)**	**34,584**	**34,243**
Transactions with security holders in their capacity as security holders:							
Issue of securities	20(a)	85	–	–	85	4,322	4,407
Share based payment transactions	21	–	660	270	930	–	930
Payment of distributions to security holders	22	–	–	–	–	(21,098)	(21,098)
Transfers from reserves	21	–	(341)	–	(341)	–	(341)
Carrying amount 30 Jun 2018		**11,216**	**1,393**	**(1,782)**	**10,827**	**523,046**	**533,873**

Notes to the Financial Statements

For the year ended 30 June 2019

1. Summary of significant accounting policies

a. The Group

The financial report of Ingenia Communities Holdings Limited (the "Company") comprises the consolidated financial report of the Company and its controlled entities, including Ingenia Communities Fund ("ICF" or the "Fund") and Ingenia Communities Management Trust ("ICMT") (collectively, the "Trusts"). The shares of the Company are stapled with the units of the Trusts and trade on the Australian Securities Exchange ("ASX") effectively as one security. Ingenia Communities RE Limited ("ICRE"), a wholly owned subsidiary of the Company, is the Responsible Entity of the Trusts. In this report, the Company and the Trusts are referred to collectively as the Group.

The constitutions of the Company and the Trusts require that, for as long as they remain jointly quoted on the ASX, the number of shares in the Company and of units in each trust shall remain equal and those security holders in the Company and unitholders in each trust shall be identical.

The stapling structure will cease to operate on the first to occur of:

- the Company or either of the Trusts resolving by special resolution in accordance with its constitution to terminate the stapling provisions; or
- the commencement of the winding up of the Company or either of the Trusts.

The financial report as at and for the year ended 30 June 2019 was authorised for issue by the Directors on 20 August 2019.

b. Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report complies with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

As permitted by Instrument 2015/838, issued by the Australian Securities and Investments Commission, the financial statements and accompanying notes of the Group have been presented in the attached combined financial report.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated as permitted by Instrument 2016/191.

The financial report is prepared on a historical cost basis, except for investment properties, retirement village resident loans, derivative financial instruments, other financial assets and other financial liabilities, which are measured at fair value.

Where appropriate, comparative amounts have been restated to ensure consistency of disclosure throughout the financial report.

c. Adoption of New and Revised Accounting Standards

The Group applies, for the first time, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*.

i. AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for reporting periods beginning on or after 1 January 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted AASB 9 using the modified retrospective method of adoption. The effect of adopting AASB 9 was not material for the Group.

Except for certain trade receivables, under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Current and non-current financial assets and liabilities within the scope of AASB 9 financial instruments are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. The application of the standard does not have any material impact on the Group's financial statements.

The fair value of financial instruments actively traded in organised financial markets are determined by reference to quoted market bid prices at close of business on balance sheet date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another substantially similar instruments; discounted cash flow analysis; option pricing models; making use of available and supportable market data and keeping judgemental inputs to a minimum.

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The effect of adopting AASB 9 was not material for the Group.

Under AASB 139, trade and other receivables was held as loan and other receivables, this is now recognised as amortised cost under AASB 9. The principal is deemed to be the amount resulting from the transaction in the scope of AASB 15. The Group determines that the trade receivables do not include a significant financing component and, hence, there is no interest to be recognised.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

AASB 9 requires the Group's account for impairment losses for financial assets by replacing AASB 139 incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The Group previously applied impairment assessments which incorporated historical experiences, which resulted in similar impairment expectations under the forward looking ECL approach.

ii. AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* is applicable to reporting periods beginning on or after 1 January 2018. The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue – at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine if, how much, and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

The Group adopted AASB 15 using the modified retrospective method of adoption. The effect of adopting AASB 15 was not material for the Group.

The Group's contracts with customers for the sale of lifestyle homes within the Lifestyle and Holidays segment generally include one performance obligation. Revenue from the sale of lifestyle homes is recognised at the point in time when control of the lifestyle home is transferred to the customer, on settlement of the home. The adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Service station sales, food and beverage revenue represents the revenue earned from the provision of products and services to customers and generally includes only one performance obligation. The Group has concluded that the revenue from service station, food and beverage sales should be recognised at the point in time when control of the assets is transferred to the customer. Therefore, the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Deferred management fee income is calculated as the expected fee on a resident's ingoing loan, revenue is recognised over time based on the Group's contractual right to receive payment. Revenue is measured based on the resident's expected tenure, together with any share of capital appreciation that has occurred up to the reporting date. The adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Government incentives are recognised where there is reasonable assurance the incentive will be received, and attached conditions complied with. When the incentive relates to an expense item, it is recognised as income on a systematic basis over the periods that the incentive is intended to compensate.

Generally, the Group receives short-term advances from its customers. Prior to the adoption of AASB 15, the Group presented these advances as Deposits or Unearned Income in the statement of financial position. Upon the adoption of AASB 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Revenue from rent, interest and distributions are within scope of standards other than AASB 15, and therefore the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

d. Principles of Consolidation

The Group's consolidated financial statements comprise the Company and its subsidiaries (including the Trusts). Subsidiaries are all those entities (including special purpose entities) over which the Company or the Trusts have the power to govern the financial and operating policies, so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Intercompany balances and transactions, including dividends and unrealised gains and losses from intragroup transactions, have been eliminated.

Subsidiaries are consolidated from the date on which the parent obtains control. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are carried at cost in the parent's financial statements.

The Company was incorporated on 24 November 2011. In accordance with Accounting Standard AASB 3 Business Combinations, the stapling of the Company and the Trusts was regarded as a business combination. Under AASB 3, the stapling was accounted for as a reverse acquisition with ICF "acquiring" the Company and the Company subsequently being identified as the ongoing parent for preparing consolidated financial reports. Consequently, the consolidated financial statements are a continuation of the financial statements of the Trusts, and include the results of the Company from the date of incorporation.

e. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value aggregate of the consideration transferred, at acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed and included in other expenses.

When the Group acquires a business, it assesses financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the acquired subsidiary's net assets, the difference is recognised in profit or loss.

f. Assets Held for Sale

Components of the entity are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property, which are carried at fair value.

The liabilities of an asset classified as held for sale are presented separately from other liabilities on the face of the balance sheet.

Details of assets and liabilities held for sale are given at Note 10.

g. Dividends and Distributions

A liability for any dividend or distribution declared on or before the end of the reporting period is recognised on the balance sheet, in the reporting period to which the dividend or distribution pertains.

h. Foreign Currency

Functional and presentation currencies:

The presentation currency of the Group, and functional currency of the Company, is the Australian dollar.

Translation of foreign currency transactions:

Transactions in foreign currency are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange prevailing at the balance date. All differences in the consolidated financial report are taken to the statement of comprehensive income, with the exception of differences on foreign currency borrowings designated as a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment at which time they are recognised in the statement of comprehensive income.

A non-monetary item that is measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value was determined.

i. Leases

Finance leases where the Group is lessee, transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Finance leases where the Group is lessor, transfer away from the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease. A finance lease receivable is recognised on inception at the present value of the minimum lease receipts. Finance lease receipts are apportioned between the interest income and reduction in the lease receivable, so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest is recognised as income in the statement of comprehensive income.

Leases of investment properties are classified as finance leases under AASB 140 Investment Properties.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the term of the lease.

j. Plant and Equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment require replacing at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

k. Financial Assets and Liabilities

Current and non-current financial assets and liabilities within the scope of AASB 9 financial instruments are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. The application of the standard does not have any material impact on the Group's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

The fair value of financial instruments actively traded in organised financial markets are determined by reference to quoted market bid prices at close of business on balance sheet date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another substantially similar instruments; discounted cash flow analysis; option pricing models; making use of available and supportable market data and keeping judgemental inputs to a minimum.

l. Impairment of Non-Financial Assets

Assets other than investment property and financial assets carried at fair value are tested for impairment whenever events or circumstance changes 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets excluding goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet and cash flow statements comprise cash at bank, cash in hand, and short term deposits that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

n. Trade and Other Receivables

Trade and other receivables are recognised initially at original invoice amount, and subsequently adjusted for ECL. An allowance is recognised by analysing the age of outstanding balances and applying historical default percentages. Historical loss rates are adjusted to reflect current and forward-looking observable data affecting the ability of customers to settle their debts.

o. Inventories

The Group holds inventory in relation to the acquisition and development of lifestyle homes, as well as service station fuel and supplies within the Ingenia Lifestyle and Holidays segment.

Inventories are held at the lower of cost and net realisable value.

Costs of inventories comprise all acquisition costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory includes work in progress and raw materials used in the production of lifestyle home units.

Net realisable value is determined based on an estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

p. Derivative and Financial Instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the contract is entered, and are subsequently remeasured to fair value.

q. Investment Property

Land and buildings have the function of an investment and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated.

Investment property includes property under construction, tourism cabins and associated amenities.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at fair value, reflecting market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period they arise, including the corresponding tax effect.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability, or the most advantageous market in its absence. In determining the fair value of certain assets, recent market offers have been taken into consideration.

It is the Group's policy to have all investment properties independently valued at intervals of not more than two years. It is the policy of the Group to review the fair value of each investment property every six months and revalue investment properties to fair value when their carrying value materially differs to their fair values.

In determining fair values, the Group considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data such as recent comparable transactions. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable.

r. Intangible Assets

An intangible asset arising from software development expenditure is recognised only when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during its development. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employee time spent on projects.

Following the initial recognition of expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. Amortisation is over the period of expected future benefit.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

The Group's policy applied to capitalised development costs is as follows:

Software and associated development to capitalised development costs (assets in use)

- Useful life: Finite amortisation method using seven years on a straight-line basis; and
- Impairment test: Amortisation method reviewed at each financial year-end; closing carrying value reviewed annually for indicators of impairment.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed, as incurred. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds, and the carrying amount of the asset. They are recognised in profit or loss when the asset is derecognised.

Intangible assets acquired separately, are initially recognised at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, acquired intangible assets are carried at cost less any accumulated amortisation and impairment losses.

s. Trade and Other Payables

Trade and other payables are carried at amortised cost, and due to their short-term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised when the Group becomes obliged to make future payments in respect of the purchase of the goods and services.

t. Provisions, Including Employee Benefits

General:

Provisions are recognised when: the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Wages, salaries, annual leave and sick leave:

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within twelve months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave:

The liability for long service leave is recognised and measured as the present value of expected future payments 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 employees departing, and period of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

u. Retirement Village Resident Loans

The loans are repayable on the departure of the resident, and classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the statement of comprehensive income. The fair value of the obligation is measured as the ingoing contribution plus the resident's share of capital appreciation to reporting date. Although the expected average residency term is more than ten years, these obligations are classified as current liabilities, as required by Accounting Standards. This is because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date.

This liability is stated net of accrued deferred management fees at reporting date, as the Group's contracts with residents require net settlement of those obligations.

Refer to Notes 1(cc) and 27(k) for information regarding the valuation of retirement village resident loans.

v. Borrowings

Borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate 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.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement to more than twelve months after reporting date.

Borrowing costs are expensed as incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case, they are capitalised as part of the acquisition cost of that asset.

w. Issued Equity

Issued and paid up securities are recognised at the fair value of the consideration received by the Group. Any transaction costs arising on issue of ordinary securities are recognised directly in equity as a reduction of the security proceeds received.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

x. Revenue

Revenue from rent, interest and distributions is recognised to the extent it is probable that the economic benefits will flow to the Group, and can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Interest income is recognised as the interest accrues, using the effective interest rate method.

Rental income from investment properties is recognised on a straight-line basis over the lease term. Fixed rental increases that do not represent direct compensation for underlying cost increases or capital expenditures are recognised on a straight-line basis until the next market review date. Rent paid in advance is recognised as unearned income.

Deferred management fee income is calculated as the expected fee on a resident's ingoing loan, allocated pro-rata over the resident's expected tenure, together with any share of capital appreciation that has occurred at reporting date.

Revenue from the sale of lifestyle homes is recognised at the point in time when control of the lifestyle home is transferred to the customer, on settlement of the home.

Service station sales, food and beverage revenue represents the revenue earned from the provision of products and services to external parties. Sales revenue is only recognised at the point in time when control of the assets is transferred to the customer.

Government incentives are recognised where there is reasonable assurance the incentive will be received, and attached conditions complied with. When the incentive relates to an expense item, it is recognised as income on a systematic basis over the periods that the incentive is intended to compensate.

y. Share-Based Payment Transactions

Certain Group senior executives receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group does not have any cash-settled share-based payment transactions in the financial year.

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves in equity, over the period the performance and service conditions are fulfilled. The cumulative expense recognised for these transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period, and is recognised in employee expenses.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

When the terms of an equity-settled transaction are modified, the minimum expense recognised is the expense as if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation. Any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding rights is reflected as additional share dilution in the computation of diluted earnings per share.

z. Income Tax

Current income tax:

The Company, ICMT and their subsidiaries are subject to Australian income tax.

Under the current tax legislation, ICF and its subsidiaries are not liable to pay Australian income tax if their taxable income (including any assessable capital gains) is fully distributed to security holders each year. Tax allowances for building and fixtures depreciation are distributed to security holders via the tax-deferred component of distributions.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date.

The subsidiaries that previously held the Group's foreign properties may be subject to corporate income tax and withholding tax in the countries they operate. Under current Australian income tax legislation, security holders may be entitled to receive a foreign tax credit for this withholding tax.

ICF has entered the Attribution Managed Investment Trust (AMIT) regime.

Deferred income tax:

Deferred income tax represents tax (including withholding tax) expected to be payable or recoverable by taxable entities on differences between tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised through continuing use, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Income taxes related to items recognised directly in equity are not recognised against income.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

Tax consolidation:

The Company, ICMT, and their respective subsidiaries have formed a tax consolidation group with the Company or ICMT being the head entity. The head and controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. Each tax consolidated group has applied a group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members therein.

In addition to its own current and deferred tax amounts, the head entity of each tax consolidated group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses, and unused tax credits assumed from entities in their respective 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 Group.

aa. Goods and Services Tax (GST)

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of the acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to the tax authority, is included in the balance sheet as an asset or liability.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the tax authorities, are classified as operating cash flows.

bb. Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture with Sun Communities is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within the statement of comprehensive income.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

cc. Fair Value Measurement

The Group measures financial instruments, such as derivatives, investment properties, resident loans, certain non-financial assets and non-financial liabilities, at fair value at each balance sheet date. Refer to Note 28.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions market participants use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use, or by selling it to another market participant that would use the asset in its best use.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

The Group uses valuation techniques that are appropriate in the circumstances, and for which sufficient data are available to measure fair value – maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation at the end of the reporting period. This is based on the lowest level input that is significant to the fair value measurement as a whole.

The Group's Audit and Risk Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and resident loans, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities. Selection criteria include market knowledge, experience and qualifications; reputation; independence; and whether professional standards are maintained.

On a six month basis, management presents valuation results to the Investment Committee as well as the Audit and Risk Committee once approved. This includes a review of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy (see Note 27).

dd. Earnings Per Share (EPS)

Basic EPS is calculated as net profit attributable to members of the Group, divided by the weighted average number of ordinary securities, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, divided by the weighted average number of ordinary securities and dilutive potential ordinary securities, adjusted for any bonus element.

ee. Pending Accounting Standards

AASB 16 *Leases* is applicable to reporting periods beginning on or after 1 January 2019. The Group has not early adopted this standard. This standard provides requirements for classification, measurement, and disclosure of all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee must now measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments) and payments made in optional periods, if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The Group is currently the lessee of non-cancellable operating leases, which will be included under this new standard. These leases relate to the Group's Sydney and Brisbane offices, lease of assets and other premises which have future minimum lease payments totalling $3,013,000 at 30 June 2019.

The Group is also the lessee of five finance leases (relating to the land component of investment properties), which is not impacted by the new standard as they are already treated in the manner 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.

ff. Current Versus Non-Current Classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised, or intended to be sold, or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

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

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

2. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgement in the process of applying its 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 below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Valuation of investment property

The Group has investment properties and assets held for sale with a combined carrying amount of $859,670,000 (30 Jun 2018: $759,112,000) (refer Note 10 and Note 11), and combined retirement village resident loans of $6,002,000 (30 Jun 2018: $12,081,000) (refer Note 10 and Note 18) which together represent the estimated fair value of the Group's property business.

These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation assumption for properties to be developed reflect sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates. The valuation assumptions for deferred management fee villages reflect average length of stay, unit market values, estimates of capital expenditure, contract terms with residents, discount rates and projected property growth rates.

In forming these assumptions, the Group considered information about recent sales activity, current market rents, discount rates, capitalisation rates for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

ii. Valuation of inventories

The Group has inventory in the form of lifestyle homes and service station fuel and supplies, which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time of estimation, the amount the inventories are expected to realise and the estimated costs of completion. Key assumptions require the use of management judgement, and are continually reviewed.

iii. Valuation of retirement village resident loans

The fair value of the retirement village resident loans is calculated by reference to the initial loan amount plus the resident's share of any capital gains in accordance with their contracts, less any deferred management fee income accrued to date by the Group as operator. The key assumption for calculating capital gain and deferred management fee income components is the value of the dwelling being occupied by the resident. This value is determined by reference to the valuation of investment property, as referred to above.

iv. Calculation of deferred management fees (DMF)

Deferred management fees are recognised by the Group over the estimated period of time the property will be leased by the resident, and accrued DMF is realised upon the departure of the resident. DMF is based on various inputs, including the initial price of the property, estimated length of stay of the resident, various contract terms, and projected price of property at time of re-leasing.

b. Critical Judgements in Applying The Entity's Accounting Policies

There were no judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial report.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information

a. Description of Segments

The Group invests predominantly in rental properties located in Australia with four reportable segments:

- Ingenia Lifestyle and Holidays – comprising long-term and tourism accommodation within lifestyle communities;
- Ingenia Lifestyle Development – comprising the development and sale of lifestyle homes;
- Ingenia Gardens – rental villages;
- Fuel, Food & Beverage Services – consists of the Group's investment in service station operations and food & beverage activities attached to Ingenia Lifestyle and Holiday communities;
- Corporate & Other – comprises investment in development joint venture, deferred management fee village and corporate overheads.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and determining the allocation of resources. Other parts of the Group are neither an operating segment nor part of an operating segment.

b. 2019

	Lifestyle & Holidays Operations $'000	Lifestyle Development $'000	Ingenia Gardens $'000	Fuel, Food & Beverage Services $'000	Corporate & Other $'000	Total $'000
Segment revenue						
External segment revenue	71,722	119,063	24,639	11,950	1,334	**228,708**
Total revenue	**71,722**	**119,063**	**24,639**	**11,950**	**1,334**	**228,708**
Segment underlying profit						
External segment revenue	71,722	119,063	24,639	11,950	1,334	**228,708**
Property expenses	(17,772)	(989)	(6,788)	(686)	(634)	**(26,869)**
Cost of lifestyle homes sold	–	(67,109)	–	–	–	**(67,109)**
Employee expenses	(20,821)	(11,959)	(6,474)	(2,631)	(6,153)	**(48,038)**
Administrative expenses	(3,105)	(661)	(378)	(51)	(3,442)	**(7,637)**
Operational, marketing and selling expenses	(2,001)	(4,428)	(828)	(1,755)	(789)	**(9,801)**
Service station expenses	–	–	–	(6,153)	–	**(6,153)**
Depreciation and amortisation expense	(625)	(508)	(140)	(49)	(289)	**(1,611)**
Earnings before interest and tax	**27,398**	**33,409**	**10,031**	**625**	**(9,973)**	**61,490**
Share of loss of a joint venture	–	–	–	–	(1,157)	**(1,157)**
Net finance expense	–	–	–	–	(7,582)	**(7,582)**
Income tax expense	–	–	–	–	(5,530)	**(5,530)**
Underlying profit/(loss)	**27,398**	**33,409**	**10,031**	**625**	**(24,242)**	**47,221**
Net (loss)/gain on change in fair value of:						
Investment properties	(21,651)	–	2,820	–	(131)	**(18,962)**
Financial liabilities	–	–	–	–	(5,400)	**(5,400)**
Other financial instruments	–	–	–	–	(2,288)	**(2,288)**
Other	(1,200)	–	–	–	(1,090)	**(2,290)**
Income tax benefit	–	–	–	–	11,032	**11,032**
Profit/(loss) after tax	**4,547**	**33,409**	**12,851**	**625**	**(22,119)**	**29,313**
Segment assets						
Segment assets	571,131	186,740	134,616	348	47,217	**940,052**
Assets held for sale	2,662	–	–	–	10,173	**12,835**
Total assets	**573,793**	**186,740**	**134,616**	**348**	**57,390**	**952,887**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information (continued)

c. 2018

	Lifestyle & Holidays Operations $'000	Lifestyle Development $'000	Ingenia Gardens $'000	Fuel, Food & Beverage Services $'000	Corporate & Other $'000	Total $'000
Segment revenue						
External segment revenue	65,072	85,879	27,984	8,986	1,555	**189,476**
Total revenue	**65,072**	**85,879**	**27,984**	**8,986**	**1,555**	**189,476**
Segment underlying profit						
External segment revenue	65,072	85,879	27,984	8,986	1,555	**189,476**
Property expenses	(15,321)	(601)	(7,850)	(496)	(1,230)	**(25,498)**
Cost of lifestyle homes sold	–	(50,347)	–	–	–	**(50,347)**
Employee expenses	(19,628)	(9,162)	(7,090)	(1,270)	(6,721)	**(43,871)**
Administrative expenses	(2,576)	(793)	(609)	(27)	(2,508)	**(6,513)**
Operational, marketing and selling expenses	(1,838)	(3,606)	(915)	(431)	(193)	**(6,983)**
Service station expenses	–	–	–	(6,338)	–	**(6,338)**
Depreciation and amortisation expense	(362)	(403)	(109)	(19)	(274)	**(1,167)**
Earnings before interest and tax	**25,347**	**20,967**	**11,411**	**405**	**(9,371)**	**48,759**
Net finance expense	–	–	–	–	(6,114)	**(6,114)**
Income tax expense	–	–	–	–	(5,874)	**(5,874)**
Underlying profit/(loss)	**25,347**	**20,967**	**11,411**	**405**	**(21,359)**	**36,771**
Net (loss)/gain on change in fair value of:						
Investment properties	(2,468)	–	2,260	–	(2,072)	**(2,280)**
Financial liabilities	–	–	–	–	(364)	**(364)**
Other financial instruments	–	–	–	–	198	**198**
Other	(152)	–	(886)	–	22	**(1,016)**
Income tax benefit	–	–	–	–	934	**934**
Profit/(loss) after tax	**22,727**	**20,967**	**12,785**	**405**	**(22,641)**	**34,243**
Segment assets						
Segment assets	459,742	170,155	129,283	356	37,630	**797,166**
Assets held for sale	22,325	–	–	–	6,350	**28,675**
Total assets	**482,067**	**170,155**	**129,283**	**356**	**43,980**	**825,841**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

4. Earnings per security

	30 Jun 2019	30 Jun 2018
a. Per Security		
Profit attributable to security holders ($'000)	**29,313**	34,243
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**224,872**	207,329
Dilutive securities (thousands):		
Long-term incentives	**1,237**	690
Short-term incentives	**265**	119
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**226,374**	208,138
Basic earnings per security (cents)	**13.0**	16.5
Dilutive earnings per security (cents)	**12.9**	16.5
b. Per Security Attributable to Parent		
Profit attributable to security holders ($'000)	**4,402**	3,630
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**224,872**	207,329
Dilutive securities (thousands)		
Long-term incentives	**1,237**	690
Short-term incentives	**265**	119
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**226,374**	208,138
Basic earnings per security (cents)	**2.0**	1.8
Dilutive earnings per security (cents)	**1.9**	1.7

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

5. Revenue

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Rental income		
Residential rental income – Ingenia Gardens	**21,717**	24,569
Residential rental income – Lifestyle and Holidays	**25,008**	21,748
Residential rental income – Settlers	**–**	123
Annuals rental income – Lifestyle and Holidays	**4,680**	4,792
Tourism rental income – Lifestyle and Holidays	**38,023**	34,922
Commercial rental income – Lifestyle and Holidays	**330**	366
Total rental income	**89,758**	86,520
b. Other Revenue		
Catering income	**2,598**	3,084
Accrued deferred management fee	**219**	636
Utility recoveries	**1,705**	1,747
Ancillary lifestyle park income	**1,580**	1,117
Commissions and administrative fees	**179**	351
Government incentives	**195**	188
Sundry income	**652**	1,045
Total other revenue	**7,128**	8,168

6. Net finance expense

	30 Jun 2019 $'000	30 Jun 2018 $'000
Interest income	**(121)**	(95)
Debt facility interest paid or payable	**7,307**	5,853
Finance lease interest paid or payable(1)	**396**	356
Net finance expense	**7,582**	6,114

(1) Finance leases relate to certain investment properties and are long term in nature.

Interest costs of $3,004,000 have been capitalised into investment properties associated with development assets (30 Jun 2018: $3,836,000)

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

7. Income tax expense

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Income tax expense		
Current tax	**3,556**	18
(Increase)/decrease in deferred tax asset	**(9,058)**	4,922
Income tax (benefit)/expense	**(5,502)**	4,940
b. Reconciliation between tax expense and pre-tax profit		
Profit before income tax	**(23,811)**	(39,183)
Less amounts not subject to Australian income tax	**25,662**	25,458
	1,851	(13,725)
Income tax expense at the Australian tax rate of 30% (30 Jun 2018: 30%)	**(555)**	4,118
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Prior period income tax return true-ups	**(859)**	87
Movements in carrying value and tax cost base of investment properties	**(1,839)**	–
Other	**(2,249)**	735
Income tax (benefit)/expense	**(5,502)**	4,940

c. Tax consolidation

Effective from 1 July 2011, ICH and its Australian domiciled wholly owned subsidiaries formed a tax consolidation group with ICH being the head entity. Under the tax funding agreement the funding of tax within the tax group is based on taxable income as if that entity was not a member of the tax group.

Effective from 1 July 2012, ICMT and its Australian domiciled owned subsidiaries formed a tax consolidation group with ICMT being the head entity. Under the tax funding agreement the funding of tax within the tax group is based on taxable income as if that entity was not a member of the tax group.

Upon entering into the ICMT tax consolidated group, the tax cost bases for certain assets were reset resulting in income tax benefits being recorded.

8. Trade and other receivables

	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Trade and other receivables	**2,389**	2,161
Prepayments	**2,993**	2,609
Deposits	**812**	2,523
Total current trade and other receivables	**6,194**	7,293
Non-current		
Other receivables	**1,917**	3,698

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

9. Inventories

	30 Jun 2019 $'000	30 Jun 2018 $'000
Lifestyle homes		
Completed	**19,320**	15,616
Display homes	**1,895**	4,869
Under construction	**14,455**	9,435
Fuel, food and beverage supplies	**317**	308
Total inventories	**35,987**	30,228

The lifestyle home balance includes:

- 99 new completed homes (30 Jun 2018: 93)
- 18 refurbished/renovated/annuals completed homes (30 Jun 2018: 11)
- 9 display homes (30 Jun 2018: 24)
- Lifestyle homes under construction includes 84 partially completed homes at different stages of development (30 Jun 2018: 88). It also includes demolition, site preparation costs and buybacks on future development sites.

10. Assets and liabilities held for sale

a. Summary of Carrying Value – Assets

The following are the carrying values of assets held for sale:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Investment properties held for sale:		
Gladstone, South Gladstone, QLD	**10,173**	–
Mudgee Valley, Mudgee, NSW	**2,662**	–
Cessnock, Cessnock, NSW	**–**	6,350
Rouse Hill, Rouse Hill, NSW	**–**	22,325
Total assets held for sale	**12,835**	28,675

b. Summary of Carrying Amounts – Liabilities

The following is a summary of the carrying amounts of the loans associated with investment properties held for sale:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Net resident loans – Gladstone	**5,694**	–
Net resident loans – Cessnock	**–**	3,875
Total resident loans	**5,694**	3,875

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties

a. Summary of Carrying Amounts

	30 Jun 2019 $'000	30 Jun 2018 $'000
Completed properties	**697,447**	587,524
Properties under development	**149,388**	142,913
Total carrying amount	**846,835**	730,437

b. Movements in Carrying Amounts

	Note	30 Jun 2019 $'000	30 Jun 2018 $'000
Carrying amount at the beginning of the year		**730,437**	693,473
Acquisitions[1]		**85,543**	50,386
Expenditure capitalised		**69,611**	66,636
Net change in fair value:			
Investment property		**(16,758)**	(1,651)
Resident loans		**(2,204)**	(993)
Transfer to assets held for sale	10(a)	**(12,835)**	(28,675)
Disposals		**(6,959)**	(48,739)
Carrying amount at the end of the year		**846,835**	730,437

(1) Acquisition cost includes $79.2 million of consideration and a $6.3 million gross up for a finance lease.

Fair value hierarchy disclosures for investment properties have been provided in Note 28(a).

c. Reconciliation of Fair Value

	Ingenia Gardens $'000	Lifestyle and Holidays $'000	Ingenia Settlers $'000	Total $'000
Carrying amount at 1 Jul 2018	**127,300**	**592,833**	**10,304**	**730,437**
Acquisitions[1]	–	85,543	–	**85,543**
Expenditure capitalised	2,020	67,591	–	**69,611**
Net change in fair value:				
Investment property	2,820	(21,446)	1,868	**(16,758)**
Resident loans	–	(205)	(1,999)	**(2,204)**
Transfer to assets held for sale	–	(2,662)	(10,173)	**(12,835)**
Disposals	–	(6,959)	–	**(6,959)**
Carrying amount at 30 Jun 2019	**132,140**	**714,695**	**–**	**846,835**

(1) Acquisition cost includes $79.2 million of consideration and a $6.3 million gross up for a finance lease.

d. Individual Property Carrying Amounts

	Carrying amount	
Completed properties	**30 Jun 2019 $'000**	**30 Jun 2018 $'000**
Ingenia Settlers:		
Gladstone, South Gladstone, QLD[1]	**–**	10,304
	–	10,304

(1) Classified as held for sale at 30 June 2019.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties (continued)

Completed properties	Carrying amount 30 Jun 2019 $'000	Carrying amount 30 Jun 2018 $'000
Ingenia Gardens:		
Brooklyn, Brookfield, VIC	**5,170**	4,950
Carey Park, Bunbury, WA	**4,900**	4,660
Horsham, Horsham, VIC	**4,700**	3,940
Jefferis, Bundaberg North, QLD	**4,300**	4,500
Oxley, Port Macquarie, NSW	**5,150**	5,020
Townsend, St Albans Park, VIC	**5,100**	5,040
Yakamia, Yakamia, WA	**4,600**	4,550
Goulburn, Goulburn, NSW	**4,940**	4,590
Coburns, Brookfield, VIC	**5,070**	4,800
Hertford, Sebastopol, VIC	**4,500**	4,230
Seascape, Erskine, WA	**4,410**	4,360
Seville Grove, Seville Grove, WA	**4,070**	4,010
St Albans Park, St Albans Park, VIC	**5,750**	5,730
Taloumbi, Coffs Harbour, NSW	**5,630**	5,450
Wheelers, Dubbo, NSW	**5,760**	5,330
Taree, Taree, NSW	**4,900**	4,220
Grovedale, Grovedale, VIC	**5,250**	5,560
Marsden, Marsden, QLD	**11,130**	10,050
Swan View, Swan View, WA	**7,980**	7,790
Dubbo, Dubbo, NSW	**5,560**	5,670
Ocean Grove, Mandurah, WA	**3,790**	3,910
Peel River, Tamworth, NSW	**4,640**	5,120
Sovereign, Ballarat, VIC	**3,050**	2,640
Wagga, Wagga Wagga, NSW	**3,580**	3,460
Bathurst, Bathurst, NSW	**4,380**	4,470
Warrnambool, Warrnambool, VIC	**3,830**	3,250
	132,140	127,300

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties (continued)

Completed properties	Carrying amount 30 Jun 2019 $'000	Carrying amount 30 Jun 2018 $'000
Ingenia Lifestyle and Holidays:		
The Grange, Morisset, NSW	**18,922**	16,262
Ettalong Beach, Ettalong Beach, NSW(2)	**7,129**	7,096
Albury, Lavington, NSW	**3,993**	3,690
Nepean River, Emu Plains, NSW	**13,235**	13,259
Mudgee Valley, Mudgee, NSW(1)	**–**	3,000
Mudgee, Mudgee, NSW	**–**	5,110
Kingscliff, Kingscliff, NSW	**15,138**	13,814
One Mile Beach, One Mile, NSW(2)	**19,662**	16,819
Hunter Valley, Cessnock, NSW	**8,019**	6,900
Sun Country, Mulwala, NSW	**8,006**	7,520
Stoney Creek, Marsden Park, NSW	**20,469**	21,188
White Albatross, Nambucca Heads, NSW	**29,586**	29,500
Noosa, Tewantin, QLD	**18,500**	18,092
Chambers Pines, Chambers Flat, QLD	**30,393**	22,250
Lake Macquarie (Holidays), Mannering Park, NSW	**8,559**	8,350
Sydney Hills, Dural, NSW	**15,800**	16,120
Bethania, Bethania, QLD	**9,586**	6,963
Conjola Lakeside, Lake Conjola, NSW	**33,766**	28,250
Soldiers Point, Port Stephens, NSW	**15,750**	14,709
Lara, Lara, VIC	**20,994**	11,386
South West Rocks, South West Rocks NSW(2)	**12,282**	9,277
Broulee, Broulee, NSW(2)	**6,544**	6,730
Ocean Lake, Ocean Lake, NSW	**9,450**	9,306
Avina, Vineyard, NSW	**23,599**	21,954
Hervey Bay (Holidays), Hervey Bay, QLD	**9,800**	9,777
Latitude One, Port Stephens, NSW(3)	**8,161**	1,415
Blueys Beach, Blueys Beach, NSW	**2,949**	6,023
Cairns Coconut, Woree, QLD	**57,002**	52,374
Bonny Hills, Bonny Hills, NSW	**13,900**	12,146
Durack Gardens, Durack, QLD	**25,954**	25,640
Eight Mile Plains, Eight Mile Plains, QLD	**26,646**	25,000
Plantations, Woolgoolga, NSW	**864**	–
Rivershore, Diddillibah, QLD	**23,250**	–
Brisbane North, Aspley, QLD	**29,500**	–
Byron Bay, Byron Bay, NSW(2)	**17,899**	–
	565,307	449,920
Total completed properties	**697,447**	587,524

(1) Classified as held for sale at 30 June 2019.

(2) Includes a land component that is leased from the Crown, local municipalities or private lessors and are recognised as investment property with an associated finance lease. The value of the capitalised lease carried within investment property is $11,850,000 (30 June 2018: $5,818,000).

(3) The carrying value of Latitude One represents 100% of the property value. A profit share arrangement is in place with a third-party liability which is carried at fair value and classified as a non-current financial liability.

The figures shown above are the fair values of the operating rental streams associated with each property and exclude any valuation attributed to the development component of the Investment Property. The values attributed to development properties are separately disclosed in this note on the following page.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties (continued)

	Carrying amount	
Properties under development	**30 Jun 2019 $'000**	**30 Jun 2018 $'000**
Ingenia Lifestyle and Holidays:		
The Grange, Morisset, NSW	**3,656**	3,990
Albury, Lavington, NSW	**3,166**	4,979
Mudgee, Mudgee, NSW	**–**	890
Hunter Valley, Cessnock, NSW	**935**	2,995
Sun Country, Mulwala, NSW	**1,030**	1,030
Stoney Creek, Marsden Park, NSW	**2,699**	2,987
Chambers Pines, Chambers Flat, QLD	**11,926**	16,140
Bethania, Bethania, QLD	**15,060**	13,768
Conjola, Lake Conjola, NSW	**10,370**	10,320
Lara, Lara, VIC	**7,090**	11,134
South West Rocks, South West Rocks NSW(1)	**553**	469
Avina, Vineyard, NSW	**10,400**	12,940
Latitude One, Port Stephens, NSW(2)	**32,944**	30,230
Blueys Beach, Blueys Beach, NSW	**3,410**	–
Cairns Coconut, Woree, QLD	**–**	1,932
Bonny Hills, Bonny Hills, NSW	**–**	1,648
Durack Gardens, Durack, QLD	**3,218**	1,232
Eight Mile Plains, Eight Mile Plains, QLD	**3,468**	2,650
Plantations, Woolgoolga, NSW	**21,913**	8,774
Hervey Bay (Lifestyle), Hervey Bay, QLD	**7,550**	4,305
Upper Coomera, Upper Coomera, QLD	**10,000**	10,500
Properties under development	**149,388**	142,913
Total investment properties	**846,835**	730,437

(1) Includes a land component that is leased from the Crown, local municipalities or private lessors and are recognised as investment property with an associated finance lease. The value of the capitalised lease carried within investment property is $11,850,000 (30 June 2018: $5,818,000).

(2) The carrying value of Latitude One represents 100% of the property value. A profit share arrangement is in place with a third-party liability which is carried at fair value.

Investment properties are carried at fair value in accordance with the Group's accounting policy (Note 1 (q)).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in its absence, the most advantageous market.

In determining fair values, the Group considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates. For investment properties under development the Group assesses fair value based on expected net cash flows discounted to their present value using market determined risk-adjusted discount rates and other available market data such as recent comparable transactions. As such the fair value of an investment property under development will differ depending on the number of settlements realised and the stage that each development is at.

In determining the fair value of certain assets, recent market offers have been taken into consideration.

Refer to Note 11(e) for inputs used in determining fair value.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties (continued)

e. Description of Valuations Techniques Used and Key Inputs to Valuation on Investment Properties

	Valuation technique	Significant unobservable inputs	Range (weighted average) 30 Jun 2019	Range (weighted average) 30 Jun 2018	Relationship of unobservable input to fair value
Ingenia Gardens	Capitalisation method	Stabilised occupancy	76% – 98% (92.0%)	75% – 98% (92.1%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
		Capitalisation rate	8.8% – 10.5% (10.0%)	8.8% – 10.9% (9.9%)	Capitalisation has an inverse relationship to valuation.
Settlers	Discounted cash flow	Current market value per unit	$125,000 – $230,000	$125,000 – $283,000	Market value and growth in property value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Long-term property growth rate	0.0%	0.0%	
		Average length of stay – future residents	8.9 years	11.4 years	Average length of stay has an inverse relationship with valuations. The longer the length of stay, later the company is able to recognise the deferred management fee accrued.
		Discount rate	14.5%	14.5% – 16.0%	
Ingenia Lifestyle and Holidays	Capitalisation method (for existing rental streams)	Short-term occupancy	20% – 80% for powered and camp sites; 30% – 80% for tourism and short-term rental	20% – 80% for powered and camp sites; 40% – 80% for tourism and short-term rental	The higher the occupancy, the greater the value.
		Residential occupancy	100%	100%	
		Operating profit margin	20% – 76% dependent upon short-term and residential accommodation mix	42% – 77% dependent upon short-term and residential accommodation mix	The higher the profit margin, the greater the value.
		Capitalisation rate	6.3% – 12.3%	6.75% – 12.5%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for investment properties under development)	Discount rate	8.3% – 17.9%	12.0% – 24.9%	Discount rate has an inverse relationship to valuation.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Investment properties (continued)

Capitalisation method

Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property and applying a capitalisation rate into perpetuity. The capitalisation rate is based on current market evidence. Future income projections take into account occupancy, rental income and operating expenses.

Discounted cash flow method

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield normally reflects the exit value expected to be achieved upon selling the asset and is a function of the risk-adjusted returns of the asset and expected capitalisation rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment or refurbishment as well as the development of new units. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net underlying cash flows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

12. Plant and equipment

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of carrying amounts		
Plant and equipment	**8,372**	6,752
Less: accumulated depreciation	**(3,354)**	(2,473)
Total plant and equipment	**5,018**	4,279
b. Movements in carrying amount		
Carrying amount at beginning of year	**4,279**	2,752
Additions	**2,064**	2,392
Disposals	**(197)**	(101)
Depreciation expense	**(1,128)**	(764)
Carrying amount at end of year	**5,018**	4,279

13. Intangibles

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of carrying amounts		
Software & development	**3,582**	3,164
Less: accumulated amortisation	**(1,586)**	(1,208)
Total Intangibles	**1,996**	1,956
b. Movements in carrying amount		
Carrying amount at beginning of year	**1,956**	2,021
Additions	**523**	338
Disposals	**–**	–
Amortisation expense	**(483)**	(403)
Carrying amount at end of year	**1,996**	1,956

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

14. Investment in a joint venture

The Group hold a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in the joint venture entities:

Balance Sheet	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets	**5,859**	–
Non-current assets[1]	**17,623**	–
Current liabilities	**(296)**	–
Non-current liabilities	**–**	–
Equity	**23,186**	–
Group's share in equity – 50% (30 Jun 2018: Nil)	**11,593**	–
Group's carrying amount in investment	**11,593**	–

(1) Non-current assets represent the fair value of investment property. Refer to Note 2(a) for valuation methodology.

Statement of Comprehensive Income	30 Jun 2019 $'000	30 Jun 2018 $'000
Revenue	**–**	–
Cost of sales	**–**	–
Expenses	**(436)**	–
Interest income	**12**	–
Net loss on change in fair value of:		
Investment properties[1]	**(1,941)**	
Loss before income tax	**(2,365)**	–
Income tax benefit	**51**	–
Total comprehensive loss for the year net of income tax	**(2,314)**	–
Group's share of loss for the year	**(1,157)**	–

(1) Loss on change in fair value of investment properties relates to write-off of acquisition transaction costs.

15. Deferred tax assets and liabilities

	30 Jun 2019 $'000	30 Jun 2018 $'000
Deferred tax assets		
Tax losses	**12,540**	14,833
Other	**8**	17
Deferred tax liabilities		
DMF receivable	**(447)**	(1,047)
Investment properties	**(4,075)**	(11,279)
Net deferred tax asset	**8,026**	2,524
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	**6,052**	7,500

The availability of carried forward tax losses of $6.1 million to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which these losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. Accordingly, a portion of these carried forward tax losses may not be available in the future.

The Group offsets tax assets and liabilities, if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

16. Trade and other payables

	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Trade payables and accruals	**45,212**	31,053
Deposits	**6,418**	5,266
Other unearned income	**1,002**	1,227
Total current	**52,632**	37,546
Non-current		
Other	**–**	83
Total non-current	**–**	83

17. Borrowings

	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Finance leases	**765**	501
Non-current		
Bank debt	**241,000**	228,999
Prepaid borrowing costs	**(1,155)**	(1,497)
Finance leases	**11,085**	5,318
Total non-current	**250,930**	232,820

a. Bank Debt

Ingenia has $350.0 million in available debt facilities at 30 June 2019 (30 Jun 2018: $350.0 million).

The total $350.0 million in debt facilities is provided by three Australian banks. The facility tranche dates are:

- 17 February 2022 ($175.4 million); and
- 13 July 2023 ($174.6 million)

As at 30 June 2019, the facilities have been drawn to $241.0 million (30 Jun 2018: $229.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $797.2 million (30 Jun 2018: $701.8 million).

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

17. Borrowings (continued)

b. Bank Guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2019 were $11.5 million (30 Jun 2018: $11.4 million).

c. Finance Leases

The Group has entered into finance leases for the following Lifestyle and Holidays investment properties:

- Gosford City Council for the land and facilities of Ettalong Beach;
- Crown leases for the land of One Mile Beach;
- Crown lease for the land of Big 4 Broulee Beach;
- Crown lease for the land of South West Rocks; and
- Landowner for the land of Byron Bay.

The leases are long-term in nature and range between 7 years to perpetuity.

Minimum lease payments – excluding perpetual lease

	30 Jun 2019 $'000	30 Jun 2018 $'000
Minimum lease payments:		
Within one year	**786**	526
Later than one year but not later than five years	**3,306**	2,185
Later than five years	**12,955**	3,456
Total minimum lease payments	**17,047**	6,167
Future finance charges	**(6,330)**	(1,481)
Present value of minimum lease payments	**10,717**	4,686
Present value of minimum lease payments:		
Within one year	**765**	501
Later than one year but not later than five years	**2,895**	1,865
Later than five years	**7,057**	2,320
	10,717	4,686

Minimum lease payments – perpetual lease:

The perpetual lease is recognised as investment property and non-current liability at a value of $1.1 million based on a capitalisation rate applicable at the time of acquisition of 10.6% applied to the current lease payment. As this is a perpetual lease, the lease liability will not amortise and no fair value adjustments in relation to the lease will be recognised unless circumstances of the lease change.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

18. Retirement village resident loans

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of Carrying Amounts		
Gross resident loans	**1,470**	9,880
Accrued deferred management fee	**(1,162)**	(1,674)
Net resident loans	**308**	8,206
b. Movements in Carrying Amounts		
Carrying amount at beginning of year	**8,206**	27,201
Accrued deferred management fee income	**(219)**	(636)
Deferred management fee cash collected	**402**	334
Proceeds from resident loans	**10**	594
Repayment of resident loans	**(2,822)**	(767)
Transfer to liabilities held for sale	**(5,694)**	(3,875)
Disposal of villages	**–**	(14,127)
Other	**425**	(518)
Carrying amount at end of year	**308**	8,206

Fair value hierarchy disclosures for retirement village resident loans have been provided in Note 28(b).

19. Other financial liabilities

	30 Jun 2019 $'000	30 Jun 2018 $'000
Current		
Other	**1,100**	–
Total current	**1,100**	–
Non-current		
Other	**10,800**	6,500
Total non-current	**10,800**	6,500

Other financial liabilities relate to a profit share arrangement with a third-party which is carried at fair value.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

20. Issued securities

	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Carrying Values		
Balance at beginning of year	**814,243**	809,836
Issued during the year:		
Dividend Reinvestment Plan (DRP)	**14,462**	4,407
Institutional Placement and Rights issue	**74,564**	–
Executive Incentive Plan	**365**	–
Equity raising costs	**(3,217)**	–
Balance at end of year	**900,417**	814,243
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**12,985**	11,216
Ingenia Communities Fund	**831,792**	759,337
Ingenia Communities Management Trust	**55,640**	43,690
	900,417	814,243

	30 Jun 2019 Thousands	30 Jun 2018 Thousands
b. Number of Issued Securities		
At beginning of year	**208,092**	206,382
Issued during the year:		
Dividend Reinvestment Plan (DRP)	**4,931**	1,710
Institutional placement	**23,177**	–
Executive Incentive Plan	**175**	–
At end of year	**236,375**	208,092

c. Term of Securities

All securities are fully paid and rank equally with each other for all purposes. Each security entitles the holder to one vote, in person or by proxy, at a meeting of security holders.

21. Reserves

	30 Jun 2019 $'000	30 Jun 2018 $'000
Share-based payment reserve		
Balance at beginning of year	**1,393**	1,074
Granting of securities	**(260)**	(341)
Lapsed rights	**(142)**	(270)
Share-based payment expense	**942**	930
Balance at end of year	**1,933**	1,393

The share-based payment reserve records the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

22. Accumulated losses

	30 Jun 2019 $'000	30 Jun 2018 $'000
Balance at beginning of year	**(281,763)**	(295,178)
Net profit for the year	**29,313**	34,243
Distributions	**(24,295)**	(21,098)
Lapsed rights	**142**	270
Balance at end of year	**(276,603)**	(281,763)
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**20,194**	(1,782)
Ingenia Communities Fund	**(308,171)**	(309,538)
Ingenia Communities Management Trust	**11,374**	29,557
	(276,603)	(281,763)

23. Commitments

a. Capital Commitments

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $38,374,980 (30 Jun 2018: $16,785,083).

b. Operating Lease Commitments

A subsidiary of ICMT non-cancellable operating leases for its Sydney and Brisbane offices, assets and other premises. The remaining terms of these leases range from one to sixteen years.

Future minimum rentals payable under this lease as at reporting date were:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Within one year	**1,123**	607
Later than one year but not later than five years	**1,890**	1,795
	3,013	2,402

c. Finance Lease Commitments

Refer to Note 17(c) for future minimum lease payments payable and the present value of minimum lease payments payable at reporting date for the finance leases relating to investment property.

d. Eighth Gate Capital Management acquisition

On 1 July 2019, the Group announced an agreement to acquire Eighth Gate Capital Management (Eighth Gate), a funds asset management business. Eighth Gate has approximately $140.0 million in assets under management through six established funds which combined own ten communities located in South East Queensland, Victoria and the New South Wales South Coast. The Group expects to invest up to $17.0 million to acquire the business and an interest in each of the Eighth Gate funds. This is expected to settle in the first quarter of FY20.

24. Contingent liabilities

The Group has the following contingent liabilities:

- Bank guarantees totalling $11.5 million provided for under the $350.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).
- During the year, the Group acquired Rivershore Resort. Pursuant to the agreement, the vendors are entitled to a further consideration of between nil and $4.5 million, subject to the achievement of certain performance hurdles, payable 12 months post acquisition.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

25. Share-based payment transactions

The Group's current Rights Plan provides for the issuance of rights to eligible employees, which upon a determination by the Board that the performance conditions attached to the rights have been met, result in the issue of stapled securities in the Group for each right. The Rights Plan was approved at the 12 November 2014 Annual General Meeting and contains the following:

a. Short-Term Incentive Plan (STIP)

STIP performance rights are awarded to eligible employees whose achievements, behaviour, and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. STIP rights are subject to a one year vesting deferral period from the issue date and allow for certain lapsing conditions within the deferral period, should certain conditions occur. Under the FY19 Rights Plan, 33% of the maximum STI for the CEO and 50% for the CFO and COO will be paid in cash, with the balance being a deferred equity element.

The deferred expense for conditional STIP rights recognised for the period is $452,487 (30 Jun 2018: $489,187) and is based on an estimate of the Group's and individual employee's current period performance. The total value of STIP rights is subject to adjustment up until the final full-year audited result is known and KPIs reliably measured, being 1 October 2019.

b. Long-Term Incentive Plan (LTIP)

LTIP performance rights are granted to individuals to align their focus to increase alignment with security holder's interests.

The FY19 LTIP Rights are subject to the following LTIP Performance Conditions:

- 40% based on Relative Total Shareholder Return (Relative TSR);
- 30% based on Return on Equity (ROE); and
- 30% based on average underlying Earnings Per Security growth (Underlying EPS).

TSR is benchmarked against the ASX 200 AREIT Index, whilst ROE and Underlying EPS is benchmarked against internal targets. The number of LTIP rights that will vest depends on the TSR, ROE and Underlying EPS achieved and is also conditional on the eligible employee being employed by the Group at the relevant vesting date.

One right equates to one security in the Group. Movements in rights during the year were as follows:

	30 Jun 2019 Thousands	30 Jun 2018 Thousands
STIPs		
Outstanding at beginning of year	**146**	123
Vested during the year	**(146)**	(123)
Granted during the year	**195**	146
Outstanding at end of year(1)	**195**	146
Weighted average remaining life of outstanding rights (years)	**0.3**	0.3
LTIPs		
Outstanding at beginning of year	**989**	699
Lapsed during the year	**(83)**	(204)
Vested during the year	**(164)**	–
Granted during the year	**497**	494
Outstanding at end of year(1)	**1,239**	989
Weighted average remaining life of outstanding rights (years)	**1.3**	1.3

(1) Excludes rights that have vested but which have not yet been exercised.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

25. Share-based payment transactions (continued)

The fair value of the LTIPs issued during the year was estimated using a Monte Carlo Simulation model. Assumptions made in determining the fair value, and the results of these assumptions, are:

STIPs

Grant Date	01 Oct 2018
Security price at grant date	$2.99
30 day Volume Weighted Average Price (VWAP) at start of performance period	$3.01
Expected remaining life at grant date (years)	1
Risk-free interest rate at grant date	2.00%
Share price volatility	18.69%

LTIPs

Grant Date	01 Oct 2018
Security price at grant date	$2.99
30 day Volume Weighted Average Price (VWAP) at start of performance period	$3.01
Expected remaining life at grant date	3
Risk-free interest rate at grant date	2.07%
Distribution yield	4.00%
LTIP fair value	$1.22

The fair value of LTIPs is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period. The total LTIP expense recognised for the financial year was $489,755 (30 Jun 2018: $433,430).

26. Capital management

The Group aims to meet its strategic objectives, operational needs and maximise returns to security holders through the appropriate use of debt and equity, taking account of the additional financial risks of higher debt levels.

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 its 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 refinance risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the Group takes into account the relative stability of its income flows, the predictability of its expenses, its debt maturity profile, the degree of hedging and the overall level of debt as measured by gearing.

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations, the availability of new equity and the liquidity in real estate markets. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position.

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant under the Group's $350.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, finance leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2019, LVR is 29.8% compared to 32.6% at 30 June 2018.

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities. At 30 June 2019, the Total Interest Cover Ratio was 6.38x (30 Jun 2018: 5.53x) and the Core Interest Cover Ratio was 3.09x (30 Jun 2018: 3.19x).

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments

a. Introduction

The Group's principal financial instruments comprise cash and short-term deposits, receivables, payables, interest bearing liabilities, other financial liabilities, and derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its Investment, Derivatives, and Borrowing policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or the forecast is unlikely to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe.

Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Investment, Derivatives, and Borrowing policy are accepted and no plan of action is put in place to meet the treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Investment, Derivatives, and Borrowing policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

While the Group aims to meet its Investment, Derivatives, and Borrowing policy targets, many factors influence its performance, and it is probable that at any one time it will not meet all its targets. For example, the Group may be unable to negotiate the extension of bank facilities sufficiently ahead of time, so that it fails to achieve its liquidity target. When refinancing loans it may be unable to achieve the desired maturity profile or the desired level of flexibility of financial covenants, because of the cost of such terms or their unavailability. Hedging instruments may not be available, or their cost may outweigh the benefit of risk reduction or they may introduce other risks such as mark to market valuation risk. Changes in market conditions may limit the Group's ability to raise capital through the issue of new securities or sale of properties.

b. Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Group's profit. In addition, one or more of the Group's loan agreements may include minimum interest cover 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 manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investment, Derivatives, and Borrowing policy.

At 30 June 2019, after taking into account the effect of interest rate swaps, approximately 29% of the Group's borrowings are at a fixed rate of interest (30 Jun 2018: 21%). Further, the Group has entered into interest rate collars to provide further interest rate protection.

Exposure to changes in market interest rates also arises from financial assets such as cash deposits and loan receivables subject to floating interest rate terms. Changes in market interest rates will also change the fair value of any interest rate hedges.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments (continued)

c. Interest Rate Risk Exposure

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date was:

30 Jun 2019 $'000	Floating interest rate	Fixed interest maturing in: Less than 1 year	1 to 5 years	More than 5 years	Total
Financial assets					
Cash at bank	**20,185**	**–**	**–**	**–**	**20,185**
Financial liabilities					
Bank debt	**241,000**	**–**	**–**	**–**	**241,000**
Finance leases (excluding perpetual lease)	**–**	**765**	**2,895**	**7,057**	**10,717**
Interest rate swaps; Group pays fixed rate	**(70,000)**	**–**	**70,000**	**–**	**–**
Interest rate collar; Group pays fixed rate on floor	**(125,000)**	**45,000**	**80,000**	**–**	**–**

30 Jun 2018 $'000					
Financial assets					
Cash at bank	14,450	–	–	–	14,450
Financial liabilities					
Bank debt	228,999	–	–	–	228,999
Finance leases (excluding perpetual lease)	–	501	1,865	2,320	4,686
Interest rate swaps; Group pays fixed rate	(48,000)	28,000	20,000	–	–

Other financial instruments of the Group not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

d. Interest Rate Sensitivity Analysis

The impact of an increase or decrease in average interest rates of 1% (100 bps) at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the interest rate risk exposures in existence at balance sheet date. As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on security holder's interest (apart from the effect on profit).

	Effect on profit after tax higher/(lower) 30 Jun 2019 $'000	30 Jun 2018 $'000
Increase in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**(2,410)**	(2,290)
Interest rate swaps and collars (AUD denominated)	**695**	857
Decrease in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**2,410**	2,290
Interest rate swaps and collars (AUD denominated)	**(4,507)**	(1,465)

e. Foreign Exchange Risk

The Group's exposure to foreign exchange risk is limited to foreign denominated cash balances and receivables following the divestment of its final overseas operations in December 2014. These amounts are unhedged as cash will be used to cover final costs to wind up the companies and receivables relate to escrows.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments (continued)

f. Net Foreign Currency Exposure

The Group's net foreign currency monetary exposure as at reporting date is shown in the following table. The net foreign currency exposure reported is of foreign currencies held by entities whose functional currency is not the Australian dollar. It excludes assets and liabilities of entities, including equity accounted investments, whose functional currency is not the Australian dollar.

	Net foreign currency assets	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Net foreign currency exposure:		
United States dollars	**1,089**	2,054
New Zealand dollars	**266**	269

g. Net Foreign Currency Sensitivity Analysis

The impact of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the foreign exchange risk exposures in existence at balance sheet date.

i. Effect of appreciation in Australian dollar of 10%:

	Effect on profit after tax higher/(lower)	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**(99)**	(187)
New Zealand dollars	**(24)**	(24)

ii. Effect of depreciation in Australian dollar of 10%:

	Effect on profit after tax higher/(lower)	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**121**	228
New Zealand dollars	**30**	30

The Group believes that the reporting date risk exposures are representative of the risk exposure inherent in its financial instruments.

h. 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 while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant.

The Group assesses the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into account when assessing credit risk include the financial strength of the prospective tenant and any form of security, for example a rental bond, to be provided.

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing up vacant space.

Rent receivable balances are monitored on an ongoing basis and arrears actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default. The Group believes that its receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments (continued)

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Group. The Group's Investment, Derivatives, and Borrowing policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

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.

i. Liquidity Risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations and working capital and committed capital expenditure requirements. The Group's Investment, Derivatives, and Borrowing policy sets a target for the level of cash and available undrawn debt facilities to cover future committed capital expenditure in the next year, 75% of forecast net operating cash flow in the next year, six months estimated distributions and 5% of the value of resident loan liabilities.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities 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 adherence to loan covenants on a regular basis, and the Investment, Derivatives, and Borrowing policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

In addition, the Group targets the following benchmarks to ensure resilience to breaking covenants on its primary debt facilities:

- 10% reduction in value of assets for LVR covenants; and
- 2% nominal increase in interest rates combined with a 5% fall in income for ICR covenants.

The contractual maturities of the Group's non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities at market rates.

Although the expected average residency term is more than ten years, retirement village residents' loans are classified as current liabilities, as required by Accounting Standards, because the Group does not have an unconditional right to defer settlement to more than twelve months after reporting date.

30 Jun 2019	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	**52,632**	**–**	**–**	**52,632**
Retirement village residents loans	**308**	**–**	**–**	**308**
Borrowings[1]	**7,884**	**270,941**	**–**	**278,825**
Finance leases (excluding perpetual lease)	**786**	**3,306**	**12,955**	**17,047**
Finance lease (perpetual lease)[2]	**121**	**483**	**–**	**604**
	61,731	**274,730**	**12,955**	**349,416**

30 Jun 2018	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	37,546	83	–	37,629
Retirement village residents loans	8,206	–	–	8,206
Borrowings[1]	10,177	258,783	–	268,960
Finance leases (excluding perpetual lease)	526	2,185	3,456	6,167
Finance lease (perpetual lease)[2]	121	483	–	604
	56,576	**261,534**	**3,456**	**321,566**

(1) The balance above will not agree to the balance sheet as it includes the implied interest component.

(2) For the purpose of the table above, lease payments are included for five years for the perpetual lease. Refer to Note 17(c).

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments (continued)

The contractual maturities of the Group's derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the instruments at market rates.

30 Jun 2019	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Liabilities				
Derivative liabilities – net settled	**70**	**2,435**	**–**	**2,505**

30 Jun 2018				
Liabilities				
Derivative liabilities – net settled	73	65	–	138

j. Other Financial Instrument Risk

The Group carries retirement village residents' loans at fair value with resulting fair value adjustments recognised in the statement of comprehensive income. The fair value of these loans is dependent on market prices for the related retirement village units. The impact of an increase or decrease in these market prices of 10% at reporting date, with all other variables held constant, is shown in the table below. This analysis is based on the retirement village residents' loans in existence at reporting date.

	Effect on profit after tax higher/(lower)	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**
Increase in market prices of investment properties of 10%	**(147)**	(988)
Decrease in market prices of investment properties of 10%	**147**	988

These effects are largely offset by corresponding changes in the fair value of the Group's investment properties. The effect on equity would be the same as the effect on profit.

k. Fair Value

The Group uses the following fair value measurement hierarchy:

Level 1: Fair value is calculated using quoted prices in active markets for identical assets or liabilities;

Level 2: Fair value is calculated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Fair value is calculated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Financial instruments (continued)

The following table presents the Group's financial instruments that were measured and recognised at fair value at reporting date:

Financial assets/ financial liabilities	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Retirement village resident loans	Loans measured as the ingoing resident's contribution plus the resident's share of capital appreciation to reporting date, less DMF accrued to reporting date.	Long-term capital appreciation rates for residential property between 0-4%. Estimated length of stay of residents based on life tables.	The higher the appreciation, the higher the value of resident loans. The longer the length of stay, the lower the value of resident loans.
Deferred management fee accrued	DMF measured using the initial property price, estimated length of stay, various contract terms and projected property price at time of re-leasing.	Estimated length of stay of residents based on life tables.	The longer the length of stay, the higher the DMF accrued, capped at a predetermined period of time.
Derivative interest rate swaps and collars	Net present value of future cash flows discounted at market rates adjusted for the Group's credit risk.	N/A	N/A
Other financial liabilities	Discounted cash flow	N/A	N/A

Other financial liabilities relates to ongoing obligations for the Latitude One investment property and is linked to the underlying property value. The associated financial liability will move in line with the fair value of the property.

There has been no movement from Level 3 to Level 2 during the year. Changes in the Group's retirement village resident loans, which are Level 3 instruments are presented in Note 18(b).

The carrying amounts of the Group's other financial instruments approximate their fair values.

28. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

a. Assets Measured at Fair Value

		Fair value measurement using:			
30 Jun 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment properties	30-Jun-19 Note 11(a)	**–**	**–**	**846,835**	**846,835**
Assets held for sale – investment property	30-Jun-19 Note 10(a)	**–**	**–**	**12,835**	**12,835**
Other financial assets	30-Jun-19	**–**	**–**	**2,263**	**2,263**
30 Jun 2018					
Investment properties	30-Jun-18 Note 11(a)	–	–	730,437	730,437
Assets held for sale – investment property	30-Jun-18 Note 10(a)	–	–	28,675	28,675
Other financial assets	30-Jun-18	–	–	2,263	2,263

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

28. Fair value measurement (continued)

b. Liabilities Measured at Fair Value

		Fair value measurement using:			
30 Jun 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Retirement village resident loans	30-Jun-19 Note 18(a)	**–**	**–**	**308**	**308**
Liabilities held for sale	30-Jun-19 Note 10(b)	**–**	**–**	**5,694**	**5,694**
Other financial liabilities	30-Jun-19 Note 19	**–**	**–**	**11,900**	**11,900**
Derivatives	30-Jun-19	**–**	**2,505**	**–**	**2,505**
30 Jun 2018					
Retirement village resident loans	30-Jun-18 Note 18(a)	–	–	8,206	8,206
Liabilities held for sale	30-Jun-18 Note 10(b)	–	–	3,875	3,875
Other financial liabilities	30-Jun-18 Note 19	–	–	6,500	6,500
Derivatives	30-Jun-18	–	138	–	138

There have been no transfers between Level 1 and Level 2 during the year.

29. Auditor's remuneration

	30 Jun 2019 $	**30 Jun 2018 $**
Amounts received or receivable by Ernst & Young for:		
Audit or review of the financial reports	**513,621**	470,089
Other audit and assurance related services	**–**	39,914
Tax and other services	**10,750**	–
	527,171	510,003

30. Related parties

a. Key Management Personnel

The aggregate compensation paid to Key Management Personnel ("KMP") of the Group is as follows:

	30 Jun 2019 $	**30 Jun 2018 $**
Directors fees	**644,458**	599,750
Salaries and other short-term benefits	**1,420,940**	1,362,798
Short-term incentives (payable in cash)	**355,800**	397,294
Superannuation benefits	**61,560**	60,147
Share-based payments	**772,048**	664,769
	3,254,806	3,084,758

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to KMP.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

30. Related parties (continued)

The aggregate rights outstanding of the Group held directly by KMP are as follows:

Issue date	Right Type	Expiry date	Number outstanding 30 Jun 2019	30 Jun 2018
FY16[1]	LTIP	FY19	**91,068**	148,196
FY17	LTIP	FY20	**248,432**	148,681
FY17[1]	STIP	FY19	**102,437**	129,623
FY18	LTIP	FY21	**493,568**	295,928
FY18	STIP	FY20	**194,935**	–
FY19	LTIP	FY22	**496,917**	–
			1,627,357	722,428

(1) FY16 LTIP rights and FY17 LTIP rights are full vested but not exercised. All other rights are still subject to vesting conditions.

b. Joint Venture

During the year the Group generated fee income from the joint venture with Sun Communities in the form of origination fees ($700,000) and asset management fees ($114,000).

31. Company financial information

Summary financial information about the Company is:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets	**41**	40
Total assets	**9,581**	7,673
Current liabilities	**1,068**	734
Total liabilities	**1,307**	3,216
Net assets	**8,274**	4,457
Security holders' equity		
Issued securities	**12,985**	11,217
Reserves	**1,933**	1,393
Accumulated losses	**(6,644)**	(8,153)
Total security holders' equity	**8,274**	4,457
Profit from continuing operations	**4,402**	3,630
Net profit attributable to security holders	**4,402**	3,630
Total comprehensive income	**4,402**	3,630

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

32. 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(d):

	Country of residence	Ownership interest 30 Jun 2019 %	Ownership interest 30 Jun 2018 %
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Garden Villages Pty Ltd	Australia	**100**	100
INA Kiwi Communities Pty Ltd	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Management Pty Ltd	Australia	**100**	100
INA Settlers Co Pty Ltd	Australia	**100**	100
INA Sunny Communities Pty Ltd	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Ingenia Communities RE Limited	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
Settlers Operations Trust	Australia	**100**	100
Settlers Subsidiary Trust	Australia	**100**	100
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Ridge Estate Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No. 1	Australia	**100**	100
INA Subsidiary Trust No. 3	Australia	**100**	100
INA Operations Pty Ltd	Australia	**100**	100
INA Operations Trust No. 1	Australia	**100**	100
INA Operations Trust No. 2	Australia	**100**	100
INA Operations Trust No. 3	Australia	**100**	100
INA Operations Trust No. 4	Australia	**100**	100
INA Operations Trust No. 6	Australia	**100**	100
INA Operations Trust No. 7	Australia	**100**	100
INA Operations Trust No. 8	Australia	**100**	100
INA Operations Trust No. 9	Australia	**100**	100
Settlers Management Pty Ltd	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Latitude One Development Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA Operations No. 3 Pty Limited	Australia	**100**	100
IGC NZ Student Holdings Ltd	New Zealand	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

32. Subsidiaries (continued)

	Country of residence	Ownership interest 30 Jun 2019 %	Ownership interest 30 Jun 2018 %
INA NZ Subsidiary Unit Trust No. 1	New Zealand	**100**	100
INA Community Living LLC	USA	**100**	100
INA Development Pty Limited	Australia	**100**	–
INA Development Management Pty Limited	Australia	**100**	–
INA Plantations Development Pty Limited	Australia	**100**	–
INA Hervey Bay Development Pty Limited	Australia	**100**	–
INA Bethania Development Pty Limited	Australia	**100**	–
INA Chambers Pines Development Pty Limited	Australia	**100**	–
INA Development No. 1 Pty Limited	Australia	**100**	–
INA Development No. 2 Pty Limited	Australia	**100**	–
INA Development No. 3 Pty Limited	Australia	**100**	–
INA Lifestyle Operations Pty Limited	Australia	**100**	–
INA Lifestyle Landowner Pty Limited	Australia	**100**	–
INA Subsidiary Trust No. 4	Australia	**100**	–
INA Lifestyle Landowner Trust	Australia	**100**	–
INA Lifestyle Operations Trust	Australia	**100**	–
INA Operations Management Trust	Australia	**100**	–

Financial information of ICF and ICMT and their controlled entities are provided below:

	ICF		ICMT	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**	**30 Jun 2019 $'000**	**30 Jun 2018 $'000**
Current assets	**7,006**	4,013	**53,664**	76,944
Non-current assets	**761,612**	675,445	**637,667**	596,090
Total Assets	**768,618**	679,458	**691,331**	673,034
Current liabilities	**2,717**	2,092	**46,643**	49,469
Non-current liabilities	**242,280**	227,567	**578,374**	551,018
Total Liabilities	**244,997**	229,659	**625,017**	600,487
Net assets/Equity	**523,621**	449,799	**66,314**	72,547
Revenue	**10,046**	10,628	**203,782**	189,460
Expenses	**15,616**	14,830	**(209,817)**	(180,334)
Profit/(loss) after tax	**25,662**	25,458	**(6,035)**	9,126
Total comprehensive income	**25,662**	25,458	**(6,035)**	9,126

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

33. Notes to cash flow statement

Reconciliation of profit to net cash flow from operating activities:

	30 Jun 2019 $'000	30 Jun 2018 $'000
Net profit for the year	**29,313**	34,243
Adjustments for:		
Share of joint venture loss	**1,157**	–
Net loss/(gain) on change in fair value of:		
Investment properties	**18,962**	2,280
Financial liabilities	**5,400**	364
Other financial instruments	**2,288**	(198)
Income tax (benefit)/expense	**(5,502)**	4,940
Net loss on disposal of investment properties	**1,527**	1,016
Other	**763**	–
Operating profit before tax	**53,908**	42,645
Depreciation and amortisation	**1,611**	1,167
Share-based payments expense	**942**	930
GST recoverable on investing activities	**6,505**	6,510
Finance costs	**(1,289)**	(2,767)
Operating cash flow before changes in working capital	**61,677**	48,485
Changes in working capital:		
Increase in receivables	**(612)**	(44)
Increase in inventory	**(5,759)**	(8,631)
Decrease in retirement village residents' loans	**(2,204)**	(993)
Increase in other payables and provisions	**6,205**	8,413
Net cash provided by operating activities	**59,307**	47,230

34. Subsequent events

Final FY19 Distribution

On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September 2019. The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

Directors' Declaration

For the year ended 30 June 2019

In accordance with a resolution of the directors of Ingenia Communities Holdings Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements and notes of Ingenia Communities Holdings Limited for the financial year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that Ingenia Communities Holdings Limited will be able to pay its debts as and when they become due and payable.

2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

On behalf of the Board

Jim Hazel
Chairman
Sydney, 20 August 2019

Independent Auditor's Report

For the year ended 30 June 2019

Building a better working world

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Independent Auditor's Report to the Members of Ingenia Communities Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated 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 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.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better working world

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. Valuation of Investment Property

Why significant	How our audit addressed the key audit matter
Approximately 89% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date. This was considered a key audit matter as valuations contain a number of assumptions which are based on direct market comparisons, or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The Group has three categories of investment properties as disclosed in Note 11 to the financial report. Two of these categories are considered material and involve significant judgement. ▸ The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key judgements include capitalisation rates, a market and contractual rent and forecast occupancy levels. ▸ The Lifestyle & Holidays portfolio consists of investment properties earning revenue from a mix of longer term land rental agreements and short-term accommodation rental. In addition, the group earns revenue from the sale of manufactured homes to residents of the properties.	Our audit procedures included the following: ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and checked the mathematical accuracy of their valuation models. We also assessed the competence and qualifications of the internal valuer; ▸ We compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ▸ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data; ▸ Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether that the key judgements and methodology used were appropriate; and ▸ We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

The key judgements for the longer term and short-term rental include capitalisation rates, discount rates, market and contractual rents, forecast short-term and residential occupancy levels, historical transactions and remaining development potential for vacant land. In assessing the development potential, additional key judgements include future new homes sales prices, estimated capital expenditure and allocation between investment property and inventory, discount rates, projected property growth rates and operating profit margins.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better working world

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

Independent Auditor's Report

For the year ended 30 June 2019 | continued

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 11 to 21 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
20 August 2019

Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports

For the year ended 30 June 2019

Contents

Directors' Report

For the year ended 30 June 2019

Ingenia Communities Fund ("ICF" or the "Fund") (ARSN 107 459 576) and Ingenia Communities Management Trust ("ICMT") (ARSN 122 928 410) (together the "Trusts") are Australian registered schemes. Ingenia Communities RE Limited (ACN 154 464 990; Australian Financial Services Licence number 415862), the Responsible Entity of the Trusts, is incorporated and domiciled in Australia.

The parent company of Ingenia Communities RE Limited ("ICRE" or the "Responsible Entity") is Ingenia Communities Holdings Limited ("ICH" or the "Company"). The shares of the Company are "stapled" with the units of the Trusts and trade on the Australian Securities Exchange ("ASX") as one security (ASX Code: INA). The Company and the Trusts along with their subsidiaries are collectively referred to as the Group in this report.

The Directors' Report is a combined Directors' Report that covers the Trusts for the year ended 30 June 2019 (the "current period").

Directors

The Directors of the Responsible Entity at any time during or since the end of the current period were:

Non-Executive Directors (NEDs)

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Valerie Lyons	
Andrew McEvoy	
Gary Shiffman	(appointed, effective 4 December 2018)
John McLaren	(appointed Alternate Director to Gary Shiffman, effective 18 February 2019)

Executive Directors

Simon Owen	(Managing Director and Chief Executive Officer (MD and CEO))

Company Secretaries

Vanessa Chidrawi	(appointed, effective 6 February 2019)
Natalie Kwok	
Leanne Ralph	(resigned, effective 6 February 2019)

Operating and Financial Review

ICF and ICMT Overview

ICF and ICMT are two of the entities forming part of ICH, which is a triple staple structure traded on the ASX.

The Group is an active owner, manager and developer of a diversified portfolio of lifestyle, senior's rental and holiday communities across Australia. Its real estate assets at 30 June 2019 were valued at $846.8 million, comprising 35 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group is in the ASX 300 with a market capitalisation of approximately $766 million at 30 June 2019.

The Group's vision is to create Australia's best lifestyle and holiday communities offering affordable permanent and tourism accommodation with a focus on the seniors demographic. The Board is committed to delivering sustainable long term earnings per security (EPS) growth to security holders while providing a supportive community environment for permanent residents and holidaymakers.

Our Values

At Ingenia we build community on a foundation of integrity and respect, creating a place where people have a sense of connection and belonging. We strive for continuous improvement in our resident, guest and visitor service, to ensure that they receive an amazing experience every day. Whether it's time to live, play, stay or renew, we deliver freedom of choice with a range of industry award winning lifestyle and holiday options.

Directors' Report

For the year ended 30 June 2019 | continued

Strategy

The strategies of ICF and ICMT are aligned with the Group's strategy to grow net operating income, develop lifestyle communities to increase rental contracts on hand and enhance the operational performance of its investment properties.

Using a disciplined investment framework, the Group will: continue to grow its lifestyle and holiday communities business in metropolitan and coastal locations; build out its existing development pipeline; expand development and revenue streams through the joint venture with Sun Communities and funds management platform; acquire existing communities; and recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

- Improve performance of existing assets to drive growth in rental returns;
- Improve resident and guest satisfaction;
- Continue rollout of new rental and tourism cabins;
- Integrate the funds management platform and deliver performance for investors;
- Capitalise on opportunities to expand development pipeline to deliver new rental contracts;
- Focus on sales and marketing to successfully launch new projects and grow rental base;
- Execute the development joint venture business plan, delivering opportunities for capital light growth and additional revenue streams;
- Continue asset recycling to fund growth; and
- Create a sustainable competitive advantage through recruiting, retaining and developing industry leading talent.

FY19 Financial Results

The year to 30 June 2019 has delivered total revenue of $228.7 million, up 21% on prior year. The Group developed and sold 336 turnkey homes (30 Jun 2018: 287 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $67.7 million (30 Jun 2018: $61.5 million).

Statutory profit of $29.3 million, was down 14% on the prior year. The statutory result reflects the reduction in fair value of investment property, driven by the impact of transaction costs on new acquisitions, a reduction of value associated with the realisation of development profits in excess of the value of the new rental contracts created and the fair value movement on financial instruments and financial liabilities.

Underlying profit from continuing operations was $47.2 million which represents an increase of $10.5 million (28%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 59% on prior year, and an improved result from the Ingenia Lifestyle and Holidays segment up 8% from the prior year. Ingenia Gardens EBIT was $10.0 million, down $1.4 million from prior year, driven the by the sale of five Tasmanian Villages in the second half of 2018.

The Group recorded a loss from its investment in the joint venture with Sun Communities of $1.2 million, driven by the expensing of transaction costs on the two acquisitions the joint venture made during the year.

Operating cash flow for the year was $59.3 million, up 26% from the prior year, reflecting growth in lifestyle home settlements, growth in recurring rental income and the impact of new acquisitions made during the year.

ICH grew its investment in lifestyle communities during the year, with a continued focus on progressing the Group's development pipeline to enable further growth in its recurring rental base through the expansion and creation of high-quality communities. In FY19, the Group delivered 30 settlements at its second greenfield development at Plantations, Woolgoolga, NSW.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the sale of Settlers Cessnock in early 1H19, followed by the divestment of Ingenia Lifestyle Rouse Hill and Ingenia Holidays Mudgee in 2H19.

Key Metrics

- Net profit for the year for ICF $25.7 million (30 Jun 2018: $25.5 million loss).
- Net loss for the year for ICMT of $6.0 million (30 Jun 2018: $9.1 million profit).
- Full year distributions of 11.2 cents per unit by ICF, nil from ICMT.

Development Joint Venture

The development joint venture forms part of a strategic partnership with Sun Communities which was established in November 2018. The joint venture has acquired two greenfield development sites located in NSW and QLD. The sites have existing development approvals to build lifestyle communities. The joint venture intends to commence development of these sites across the next 12 months. The joint venture strategy is to identify and acquire additional development sites to create a significant portfolio of communities under development.

During FY19, fees generated by Ingenia from the joint venture primarily related to origination fees from the acquisition of two development sites, and asset management fees. The financial performance of the joint venture for the period to 30 June 2019, is attributable to venture establishment costs, fees paid to Ingenia and due diligence costs. The joint venture did not generate any development or operating income FY19.

Directors' Report

For the year ended 30 June 2019 | continued

	30 Jun 2019	30 Jun 2018	Change %
Greenfield properties (#)	**2**	–	NM
Investment carrying value ($m)	**11.6**	–	NM
Fee income ($m)	**0.8**	–	NM
Share of loss from joint venture ($m)	**(1.2)**	–	NM

Strategic Priorities

The joint venture's objective is to acquire greenfield sites in select key metro and coastal markets with a view to developing new lifestyle communities. The joint venture leverages the expertise and local market knowledge of Ingenia to identify, acquire, and develop sites. Once homes are sold, Ingenia will also provide operational services to the lifestyle communities. Ingenia generates origination, development and management fees for these services.

Capital Management

The Trusts adopt a prudent and considered approach to capital management. The weighted average term to maturity of Ingenia's debt at 30 June 2019 is 3.3 years with the first debt expiry in February 2022. As at 30 June 2019, the debt facilities were drawn to $241.0 million.

The Group's Loan to Value Ratio ("LVR") at 30 June 2019 was 29.8%, which is slightly below Ingenia's target LVR range of 30-40%.

In line with the Group's strategy, the Trusts intend to fund near term growth through operating cash flows, divestment of non-core assets and drawing on committed debt facilities. The strategic partnership with Sun Communities will support the acceleration of Ingenia's business plan through joint investment in new greenfield opportunities.

Distributions

The following distributions were made during or in respect of the year:

- On 19 February 2019, the Directors declared an interim distribution of 5.4 cps (30 Jun 2018: 5.65 cps), amounting to $12.5 million which was paid on 27 March 2019.
- On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September 2019.

The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

ICF has entered the Attribution Managed Investment Trust (AMIT) regime.

FY20 Outlook

The Group is well positioned to continue to grow its lifestyle communities business in FY20 with a sector leading development pipeline, increasing consumer awareness and demand and a broader range of capital partnerships.

The priority for existing lifestyle and holiday communities is to improve performance of existing assets by delivering rental growth and investing in new rental homes and tourism cabins within existing communities. The creation of new rent contracts via existing and new development projects will contribute development profits and growth in the rental base.

The joint venture with Sun Communities and the funds management business, expected to settle in 1H20, provide additional opportunities for growth whilst diversifying the Group's revenue streams.

Management continues to explore expansion, development and acquisition opportunities within the seniors' rental market as Ingenia Gardens continues to provide stable recurring cash flows.

The Group will continue to regularly assess market opportunities and the performance of existing assets, divesting and acquiring assets where superior longer-term returns are available.

Significant Changes in the State of Affairs

Changes in the state of affairs during the current period are set out in the various reports in the year-end financial report. Refer to Note 9 for investment properties acquired or disposed of during the year and Note 18 for issued units.

Directors' Report

For the year ended 30 June 2019 | continued

Events Subsequent to Reporting Date

Final FY19 Distribution

On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September. The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

Likely Developments

The Group will continue to pursue strategies aimed at growing its cash earnings, profitability and market share within the senior's rental and tourism industries during the next financial year through:

- Acquiring existing communities;
- Developing greenfield sites and expanding existing lifestyle communities;
- Divesting non-core assets; and
- Integrating and growing the funds management platform.

Detailed information about operations of the Group is included in the various reports in this Financial Report.

Environmental Regulation

The Trusts have policies and procedures in place to ensure that, where operations are subject to any particular and significant environmental regulation under the laws of Australia, those obligations are identified and appropriately addressed. The Directors have determined that there has not been any material breach of those obligations during the financial year.

Group Indemnities

The Trusts have purchased various insurance policies to cover a range of risks (subject to specified exclusions) for Directors, officers and employees of the Group serving in their respective capacities. Key insurance policies include: directors and officers insurance; professional indemnity insurance; and management liability insurance.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, 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 Ernst & Young during or since the reporting period.

Interests of Directors of the Responsible Entity

Units in each Trust held by directors of the Responsible Entity or associates of the directors as at 30 June 2019 were:

	Issued stapled securities	Rights
Jim Hazel	357,755	–
Amanda Heyworth	129,507	–
Robert Morrison	143,822	–
Valerie Lyons	35,655	–
Andrew McEvoy	14,815	–
Gary Shiffman(1)	23,560,866	–
John McLaren(1)	23,560,866	–
Simon Owen	1,180,528	831,043

(1) The securities held by Mr Shiffman and Mr McLaren are beneficially owned by Sun Communities and represent the same securities.

Directors' Report

For the year ended 30 June 2019 | continued

Other Information

Fees paid to the Responsible Entity and its associates, and the number of units in each Trust held by the Responsible Entity and its associates as at the end of the financial year are set out in Note 26 in the financial report.

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 page 80.

Non-Audit Services

During the year, non-audit services were provided by the Group's auditor, Ernst & Young. The directors are satisfied that the provision of the non-audit services is compatible with, and did not compromise, the independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- the non-audit services were for taxation, regulatory and assurance related work, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit and Risk Committee resolved that the provision of non-audit services during the financial year by Ernst & Young as auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*;
- the Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board policy set out in this Report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditors; and
- the declaration of independence provided by Ernst & Young, as auditor of ICH.

Refer to Note 25 of the financial statements for details on the audit and non-audit fees.

Rounding of Amounts

The Trusts are of the kind referred to in ASIC Instrument 2016/191, and in accordance with that Class Order, amounts in the financial report and Director's Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity.

Jim Hazel
Chairman
Sydney, 20 August 2019

Auditor's Independence Declaration

For the year ended 30 June 2019

Building a better working world

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Auditor's Independence Declaration to the Directors of Ingenia Communities RE Limited as Responsible Entity for Ingenia Communities Fund and Ingenia Communities Management Trust

As lead auditor for the audit of the financial reports of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2019, 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 Ingenia Communities Fund and the entities it controlled during the financial year and Ingenia Communities Management Trust and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
20 August 2019

Consolidated Statements of Comprehensive Income

For the year ended 30 June 2019

		ICF		ICMT	
	Note	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Rental Income		**10,046**	10,628	**89,758**	86,520
Lifestyle home sales		**-**	-	**92,458**	85,875
Service station revenue		**-**	-	**7,016**	7,356
Food and beverage sales		**-**	-	**4,932**	1,557
Other revenue		**-**	-	**8,804**	8,152
Fee income		**-**	-	**814**	-
Revenue		**10,046**	10,628	**203,782**	189,460
Property expenses		**(655)**	(785)	**(36,872)**	(36,640)
Cost of lifestyle homes sold		**-**	-	**(53,332)**	(50,347)
Employee expenses		**-**	-	**(42,075)**	(37,807)
Administrative expenses		**(524)**	(347)	**(5,035)**	(4,582)
Operational, marketing and selling expenses		**-**	-	**(9,438)**	(6,825)
Service station expenses		**-**	-	**(6,153)**	(6,338)
Responsible entity fee and expenses	26(b)	**(3,654)**	(3,343)	**(3,582)**	(3,146)
Depreciation and amortisation expense	10(b), 11(b)	**(26)**	(26)	**(1,308)**	(912)
Operating profit before interest and tax		**5,187**	6,127	**45,987**	42,863
Net finance income/(expense)		**23,357**	19,670	**(31,061)**	(25,848)
Operating profit before tax		**28,544**	25,797	**14,926**	17,015
Share of joint venture loss	12	**(1,098)**	-	**-**	-
Net gain/(loss) on change in fair value of:					
Investment properties	9(b)	**514**	2,182	**(19,476)**	(4,462)
Financial liabilities		**-**	-	**(5,400)**	(364)
Other financial instruments		**(2,298)**	181	**10**	436
Other		**-**	(2,702)	**(2,290)**	1,267
Profit/(loss) before tax		**25,662**	25,458	**(12,230)**	13,892
Income tax (expense)/benefit	5	**-**	-	**6,195**	(4,766)
Net profit/(loss)		**25,662**	25,458	**(6,035)**	9,126
Total comprehensive income/(loss)		**25,662**	25,458	**(6,035)**	9,126
Profit/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**25,662**	25,458	**-**	-
Ingenia Communities Management Trust		**-**	-	**(6,035)**	9,126
		25,662	25,458	**(6,035)**	9,126
Total comprehensive income/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**25,662**	25,458	**-**	-
Ingenia Communities Management Trust		**-**	-	**(6,035)**	9,126
		25,662	25,458	**(6,035)**	9,126
Earnings per security:		**Cents**	**Cents**	**Cents**	**Cents**
Basic earnings per unit	4	**11.4**	12.3	**(2.7)**	4.4
Diluted earnings per unit	4	**11.3**	12.2	**(2.7)**	4.4

Consolidated Balance Sheet

As at 30 June 2019

		ICF		ICMT	
	Note	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets					
Cash and cash equivalents		**6,629**	3,622	**13,478**	10,751
Trade and other receivables	6	**358**	372	**5,476**	7,271
Inventories	7	**-**	–	**21,856**	30,228
Income tax receivable		**19**	19	**19**	19
Assets held for sale	8(a)	**-**	–	**12,835**	28,675
Total current assets		**7,006**	4,013	**53,664**	76,944
Non-current assets					
Trade and other receivables	6	**5,461**	6,691	**34**	1,651
Receivable from related party	26(e)	**559,878**	524,363	**-**	–
Investment properties	9	**184,217**	143,561	**623,542**	586,876
Plant and equipment	10	**31**	57	**4,081**	3,699
Investments in a joint venture	12	**11,252**	–	**-**	–
Other financial assets		**773**	773	**1,490**	1,490
Intangibles	11	**-**	–	**1,717**	1,919
Deferred tax asset	13	**-**	–	**6,803**	455
Total non-current assets		**761,612**	675,445	**637,667**	596,090
Total assets		**768,618**	679,458	**691,331**	673,034
Current liabilities					
Trade and other payables	14	**2,647**	2,019	**36,457**	34,759
Borrowings	15	**-**	–	**1,123**	859
Retirement village resident loans	16	**-**	–	**308**	8,206
Employee liabilities		**-**	–	**1,961**	1,770
Other financial liabilities	17	**-**	–	**1,100**	–
Derivatives and other financial instruments		**70**	73	**-**	–
Liabilities held for sale	8(b)	**-**	–	**5,694**	3,875
Total current liabilities		**2,717**	2,092	**46,643**	49,469
Non-current liabilities					
Other payables	14	**-**	–	**-**	83
Payable to related party	26(e)	**-**	–	**551,993**	534,537
Borrowings	15	**239,845**	227,502	**15,136**	9,369
Other financial liabilities	17	**-**	–	**10,800**	6,500
Employee liabilities		**-**	–	**445**	529
Derivatives and other financial instruments		**2,435**	65	**-**	–
Total non-current liabilities		**242,280**	227,567	**578,374**	551,018
Total liabilities		**244,997**	229,659	**625,017**	600,487
Net assets		**523,621**	449,799	**66,314**	72,547

Consolidated Balance Sheet

As at 30 June 2019 | continued

		ICF		ICMT	
	Note	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Equity					
Issued units	18(a)	**831,792**	759,337	**55,640**	43,690
(Accumulated losses)/Retained earnings	19	**(308,171)**	(309,538)	**11,374**	29,557
Unit holders interest		**523,621**	449,799	**67,014**	73,247
Non-controlling interest		**–**	–	**(700)**	(700)
Total equity		**523,621**	449,799	**66,314**	72,547
Attributable to unit holders of:					
Ingenia Communities Fund		**523,621**	449,799	**(700)**	(700)
Ingenia Communities Management Trust		**–**	–	**67,014**	73,247
		523,621	449,799	**66,314**	72,547

Consolidated Cash Flow Statements

For the year ended 30 June 2019

		ICF		ICMT	
	Note	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Cash flows from operating activities					
Rental and other property income		**-**	–	**107,444**	102,061
Property and other expenses		**(1,497)**	(502)	**(97,999)**	(84,121)
Proceeds from sale of lifestyle homes		**-**	–	**102,065**	94,439
Purchase of lifestyle homes		**-**	–	**(60,706)**	(59,806)
Proceeds from sale of service station inventory		**-**	–	**7,810**	8,091
Purchase of service station inventory		**-**	–	**(7,086)**	(7,134)
Proceeds from resident loans	16(b)	**-**	–	**10**	594
Repayment of resident loans	16(b)	**-**	–	**(2,420)**	(767)
Interest received		**57**	40	**64**	53
Borrowing costs paid		**(8,992)**	(8,975)	**-**	–
	29	**(10,432)**	(9,437)	**49,182**	53,410
Cash flows from investing activities					
Purchase and additions of plant and equipment		**-**	(9)	**(1,616)**	(2,436)
Purchase and additions of intangible assets		**-**	–	**(390)**	(331)
Payments for investment properties		**(34,816)**	–	**(44,020)**	(51,214)
Additions to investment properties		**(4,535)**	(6,805)	**(50,413)**	(59,276)
Proceeds from sale of investment properties		**-**	17,854	**32,172**	14,888
Investment in joint venture		**(12,350)**	–	**-**	–
Other		**1,579**	–	**-**	–
		(50,122)	11,040	**(64,267)**	(98,369)
Cash flows from financing activities					
Proceeds from issue of stapled securities		**89,391**	4,414	**-**	–
Payments for security issue costs		**(3,217)**	–	**-**	–
Finance lease payments		**-**	–	**(699)**	(639)
Distributions to unit holders		**(24,295)**	(21,104)	**-**	–
(Repayment of)/proceeds from related party borrowings		**(9,959)**	(44,617)	**18,511**	47,802
Proceeds from borrowings		**136,706**	120,223	**-**	–
Repayment of borrowings		**(124,705)**	(57,688)	**-**	–
Payments for debt issue costs		**(360)**	(200)	**-**	–
		63,561	1,028	**17,812**	47,163
Net increase in cash and cash equivalents		**3,007**	2,631	**2,727**	2,204
Cash and cash equivalents at the beginning of the period		**3,622**	991	**10,751**	8,547
Cash and cash equivalents at end of the period		**6,629**	3,622	**13,478**	10,751

Consolidated Statements of Changes in Equity

For the year ended 30 June 2019

		Attributable to unit holders				
		ICF				
	Note	Issued capital $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Carrying amount 1 Jul 2018		**759,337**	**(309,538)**	**449,799**	**–**	**449,799**
Net profit		**–**	**25,662**	**25,662**	**–**	**25,662**
Total comprehensive income		**–**	**25,662**	**25,662**	**–**	**25,662**
Transactions with unit holders in their capacity as unit holders:						
Issue of units	18(a)	**72,455**	**–**	**72,455**	**–**	**72,455**
Payment of distributions to unit holders	19	**–**	**(24,295)**	**(24,295)**	**–**	**(24,295)**
Carrying amount 30 Jun 2019		**831,792**	**(308,171)**	**523,621**	**–**	**523,621**
Carrying amount 1 Jul 2017		755,571	(313,900)	441,671	–	441,671
Net profit		–	25,458	25,458	–	25,458
Total comprehensive income		–	25,458	25,458	–	25,458
Transactions with unit holders in their capacity as unit holders:						
Issue of units	18(a)	3,766	–	3,766	–	3,766
Payment of distributions to unit holders	19	–	(21,096)	(21,096)	–	(21,096)
Carrying amount 30 Jun 2018		759,337	(309,538)	449,799	–	449,799

		Attributable to unit holders				
		ICMT				
	Note	Issued capital $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Carrying amount 1 Jul 2018		**43,690**	**29,557**	**73,247**	**(700)**	**72,547**
Net loss		**–**	**(6,035)**	**(6,035)**	**–**	**(6,035)**
Total comprehensive income		**–**	**(6,035)**	**(6,035)**	**–**	**(6,035)**
Transactions with unit holders in their capacity as unit holders:						
Issue of units	18(a)	**11,950**	**–**	**11,950**	**–**	**11,950**
Other		**–**	**(12,148)**	**(12,148)**	**–**	**(12,148)**
Carrying amount 30 Jun 2019		**55,640**	**11,374**	**67,014**	**(700)**	**66,314**
Carrying amount 1 Jul 2017		43,136	20,431	63,567	(700)	62,867
Net profit		–	9,126	9,126	–	9,126
Total comprehensive income		–	9,126	9,126	–	9,126
Transactions with unit holders in their capacity as unit holders:						
Issue of units	18(a)	554	–	554	–	554
Carrying amount 30 Jun 2018		43,690	29,557	73,247	(700)	72,547

Notes to the Financial Statements

For the year ended 30 June 2019

1. Summary of significant accounting policies

a. The Trusts

Ingenia Communities Fund ("ICF" or the "Fund") (ARSN 107 459 576) and Ingenia Communities Management Trust ("ICMT") (ARSN 122 928 410) (together the Trusts) are Australian registered schemes. Ingenia Communities RE Limited (ACN 154 464 990; Australian Financial Services Licence number 415862), the Responsible Entity of the Trusts, is incorporated and domiciled in Australia.

The parent company of Ingenia Communities RE Limited is Ingenia Communities Holdings Limited (the Company). The shares of the Company are stapled with the units of the Trusts and trade on the Australian Securities Exchange ("ASX") effectively as one security. In this report, the Company and the Trusts are referred to collectively as the Group.

The stapling structure will cease to operate on the first to occur of:

- the Company or either of the Trusts resolving by special resolution in accordance with its constitution to terminate the stapling provisions; or
- the commencement of the winding up of the Company or either of the Trusts.

The financial report as at and for the year ended 30 June 2019 was authorised for issue by the Directors on 20 August 2019.

b. Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

As permitted by Instrument 2015/838, issued by the Australian Securities and Investments Commission, this financial report is a combined financial report that presents the financial statements and accompanying notes of both ICF and ICMT. The financial statements and accompanying notes of the Trusts have been presented within this financial report.

The financial report complies with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated as permitted by Instrument 2016/191.

The financial report is prepared on a historical cost basis, except for investment properties, retirement village residents' loans and derivative financial instruments, which are measured at fair value.

Where appropriate, comparative amounts have been restated to ensure consistency of disclosure throughout the financial report.

c. Adoption of New and Revised Accounting Standards

The Trusts apply, for the first time, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. As required by AASB 134, the nature and effect of these changes are disclosed below.

i. AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for reporting periods beginning on or after 1 January 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Trusts adopted AASB 9 using the modified retrospective method of adoption. The effect of adopting AASB 9 was not material for the Group.

Except for certain trade receivables, under AASB 9, the Trusts initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Current and non-current financial assets and liabilities within the scope of AASB 9 financial instruments are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Trusts determine the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. The application of the standard does not have any material impact on the Trust's financial statements.

The fair value of financial instruments actively traded in organised financial markets are determined by reference to quoted market bid prices at close of business on balance sheet date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another substantially similar instruments; discounted cash flow analysis; option pricing models; making use of available and supportable market data and keeping judgemental inputs to a minimum.

The assessment of the Trusts business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The effect of adopting AASB 9 was not material for the Trusts.

Under AASB 139, trade and other receivables was held as loan and other receivables, this is now recognised as amortised cost under AASB 9. The principal is deemed to be the amount resulting from the transaction in the scope of AASB 15. The Trusts determines that the trade receivables do not include a significant financing component and, hence, there is no interest to be recognised.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

AASB 9 requires the Trust's account for impairment losses for financial assets by replacing AASB 139 incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Trusts to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The Trusts previously applied impairment assessments which incorporated historical experiences, which resulted in similar impairment expectations under the forward looking ECL approach.

ii. AASB 15 *Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers* is applicable to reporting periods beginning on or after 1 January 2018. The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue – at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine if, how much, and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

The Trusts adopted AASB 15 using the modified retrospective method of adoption. The effect of adopting AASB 15 was not material for the Trusts.

The Trust's contracts with customers for the sale of lifestyle homes within the Lifestyle and Holidays segment generally include one performance obligation. Revenue from the sale of lifestyle homes is recognised at the point in time when control of the lifestyle home is transferred to the customer, on settlement of the home. The adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Service station sales, food and beverage revenue represents the revenue earned from the provision of products and services to customers and generally includes only one performance obligation. The Trusts concluded that the revenue from service station, food and beverage sales should be recognised at the point in time when control of the assets is transferred to the customer. Therefore, the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Deferred management fee income is calculated as the expected fee on a resident's ingoing loan, revenue is recognised over time based on the Trust's contractual right to receive payment. Revenue is measured based on the resident's expected tenure, together with any share of capital appreciation that has occurred up to the reporting date. The adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

Government incentives are recognised where there is reasonable assurance the incentive will be received, and attached conditions complied with. When the incentive relates to an expense item, it is recognised as income on a systematic basis over the periods that the incentive is intended to compensate.

Generally, the Trusts receive short-term advances from its customers. Prior to the adoption of AASB 15, the Trusts presented these advances as Deposits or Unearned Income in the statement of financial position. Upon the adoption of AASB 15, for short-term advances, the Trusts used the practical expedient. As such, the Trusts will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Trusts expect, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Revenue from rent, interest and distributions are within scope of standards other than AASB 15, and therefore the adoption of AASB 15 did not have an impact on the timing and recognition of revenue.

d. Principles of Consolidation

ICF's consolidated financial statements comprise the parent and its subsidiaries. ICMT's consolidated financial statements comprise ICMT and its subsidiaries. Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies are able to be governed by a trust, so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Intercompany balances and transactions, including dividends and unrealised gains and losses from intragroup transactions, have been eliminated.

Subsidiaries are consolidated from the date on which the parent obtains control. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are carried at cost in the parent's financial statements.

e. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value aggregate of the consideration transferred, at acquisition date, and the amount of any non-controlling interest in the acquiree. For each business combination, the Trusts elect whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed and included in other expenses.

When the Trusts acquire a business, they assess financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and amount recognised for non-controlling interests, as well as and any previous interest held over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the acquired subsidiary's net assets, the difference is recognised in profit or loss.

f. Assets Held for Sale

Components of the entity are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property, which are carried at fair value.

The liabilities of an asset classified as held for sale are presented separately from other liabilities on the face of the balance sheet.

Details of assets and liabilities held for sale are given in Note 8.

g. Dividends and Distributions

A liability for any distribution declared on or before the end of the reporting period is recognised on the balance sheet, in the reporting period to which the distribution pertains.

h. Foreign Currency

Functional and presentation currencies:

The functional currency and presentation currency of the Trusts and their subsidiaries, other than foreign subsidiaries, is the Australian dollar.

Translation foreign currency transactions:

Transactions in foreign currency are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange prevailing at the balance date. All differences in the consolidated financial report are taken to the statement of comprehensive income.

A non-monetary item that is measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value was determined.

i. Leases

Finance leases, where the Trust is lessee, transfer to the Trusts substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Finance leases, where the Trust is lessor, transfer away from the Trusts substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease. A finance lease receivable is recognised on inception at the present value of the minimum lease receipts. Finance lease receipts are apportioned between the interest income and reduction in the lease receivable, so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest is recognised as income in the statement of comprehensive income.

Leases of properties that are classified as investment properties, are classified as finance leases under AASB 140 Investment Properties.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the term of the lease.

j. Plant and Equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment require replacing at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

k. Financial Assets and Liabilities

Current and non-current financial assets and liabilities within the scope of AASB 9 financial instruments are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Trusts determine the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. The application of the standard does not have any material impact on the Trust's financial statements.

The fair value of financial instruments actively traded in organised financial markets are determined by reference to quoted market bid prices at close of business on balance sheet date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another substantially similar instruments; discounted cash flow analysis; option pricing models; making use of available and supportable market data and keeping judgemental inputs to a minimum.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

l. Impairment of Non-Financial Assets

Assets other than investment property and financial assets carried at fair value are tested for impairment whenever events or circumstance changes 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets excluding goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash at bank, cash in hand, and short term deposits that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

n. Trade and Other Receivables

Trade and other receivables are recognised initially at original invoice amount, and subsequently adjusted for ECL. An allowance is recognised by analysing the age of outstanding balances and applying historical default percentages. Historical loss rates are adjusted to reflect current and forward-looking observable data affecting the ability of customers to settle their debts.

o. Inventories

The Trusts hold inventory in relation to the acquisition and development of lifestyle homes, as well as and service station fuel and supplies within the Lifestyle & Holidays segment.

Inventories are held at the lower of cost and net realisable value.

Costs of inventories comprise all acquisition costs, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory includes work in progress and raw materials used in the production of lifestyle home units.

Net realisable value is determined on the basis of an estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

p. Derivative and Financial Instruments

The Trusts use derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the contract is entered, and are subsequently remeasured to fair value.

q. Investment Property

Land and buildings have the function of an investment, and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant and equipment, are not depreciated. Investment property includes property under construction, tourism cabins and associated amenities.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are stated at fair value, reflecting market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period they arise, including the corresponding tax effect.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability or the most advantageous market in its absence. In determining the fair value of assets held for sale recent market offers have been taken into consideration.

It is the Trusts' policy to have all investment properties externally valued at intervals of not more than two years. It is the policy of the responsible trust to review the fair value of each investment property every six months, and revalued investment properties to fair value when their carrying value materially differs to their fair values.

In determining fair values, the Group considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data such as recent comparable transactions. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable.

r. Intangible Assets

An intangible asset arising from software development expenditure is recognised only when the Group can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during its development. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employee time spent on projects.

Following the initial recognition of expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. Amortisation is over the period of expected future benefit.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

The Group's policy applied to capitalised development costs is as follows:

Software and associated development to capitalised development costs (assets in use)

- Useful life: Finite amortisation method using seven years on a straight line basis; and
- Impairment test: Amortisation method reviewed at each financial year end; closing carrying value reviewed annually for indicators of impairment.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds, and the carrying amount of the asset. They are recognised in profit or loss when the asset is derecognised.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, acquired intangible assets are carried at cost less any accumulated amortisation and impairment losses.

s. Trade and Other Payables

Trade and other payables are carried at amortised cost, and due to their short-term nature, are not discounted. They represent liabilities for goods and services provided to the Trusts prior to the end of the financial year, and are unpaid. They are recognised when the Trusts become obliged to make future payments in respect of the purchase of the goods and services.

t. Provisions, Including for Employee Benefits

General:

Provisions are recognised when: the Trusts have a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount. When the Trusts expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Wages, salaries, annual leave and sick leave:

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled wholly within twelve months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave:

The liability for long service leave is recognised and measured as the present value of expected future payments 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 employees departing, and period of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

u. Retirement Village Resident Loans

The non-interest bearing loans are repayable on the departure of the resident. They are classified as financial liabilities at fair value through profit and loss, with resulting fair value adjustments recognised in the statement of comprehensive income. The fair value of the obligation is measured as the ingoing contribution, plus the resident's share of capital appreciation to reporting date. Although the expected average residency term is more than ten years, these obligations are classified as current liabilities, as required by Accounting Standards. This is because the Trusts do not have an unconditional right to defer settlement to more than twelve months after reporting date.

This liability is stated net of deferred management fee accrued to reporting date, because the Trusts contracts with residents require net settlement of those obligations.

Refer to Notes 1(bb) and Note 16 for information regarding the valuation of retirement village resident loans.

v. Borrowings

Borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate 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.

Borrowings are classified as current liabilities, unless the Trusts do not have an unconditional right to defer settlement to more than twelve months after reporting date.

Borrowing costs are expensed as incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case, they are capitalised as part of the acquisition cost of that asset.

w. Issued Units

Issued and paid up units are recognised at the fair value of the consideration received by the Trusts. Any transaction costs arising on issue of ordinary units are recognised directly in unit holders' interest as a reduction of the units proceeds received.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

x. Revenue

Revenue from rent, interest and distributions is recognised to the extent it is probable that the economic benefits will flow to the Group, and can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. Interest income is recognised as the interest accrues, using the effective interest rate method.

Rental income from investment properties is recognised on a straight-line basis over the lease term. Fixed rental increases that do not represent direct compensation for underlying cost increases or capital expenditures are recognised on a straight-line basis until the next market review date. Rent paid in advance is recognised as unearned income.

Deferred management fee income is calculated as the expected fee on a resident's ingoing loan, allocated pro-rata over the resident's expected tenure, together with any share of capital appreciation that has occurred at reporting date.

Revenue from the sale of lifestyle homes is recognised at the point in time when control of the lifestyle home is transferred to the customer, on settlement of the home.

Service station sales, food and beverage revenue represents the revenue earned from the provision of products and services to external parties. Sales revenue is only recognised at the point in time when control of the assets is transferred to the customer.

Government incentives are recognised where there is reasonable assurance the incentive will be received and all attached conditions will be complied with. When the incentive relates to an expense item, it is recognised as income on a systematic basis over the periods that the incentive is intended to compensate.

y. Income Tax

Current income tax:

Under the current tax legislation, ICF and its subsidiaries are not liable to pay Australian income tax provided that their taxable income (including any assessable capital gains) is fully distributed to unit holders each year. Tax allowances for building and fixtures depreciation are distributed to unit holders in the form of the tax-deferred component of distributions. ICMT and its subsidiaries are subject to Australian income tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The subsidiaries that previously held the Trusts' foreign properties may be subject to corporate income tax and withholding tax in the countries in which they operate. Under current Australian income tax legislation, unit holders may be entitled to receive a foreign tax credit for this withholding tax.

ICF has entered the Attribution Managed Investment Trust (AMIT) regime.

Deferred income tax:

Deferred income tax represents tax (including withholding tax) expected to be payable or recoverable by taxable entities on differences between tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised through continuing use, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Income taxes related to items recognised directly in equity are not recognised against income. Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

z. Goods and Services tax (GST)

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of the acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to the tax authority, is included in the balance sheet as an asset or liability.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the tax authorities, are classified as operating cash flows.

aa. Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its joint venture with Sun Communities is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within the statement of comprehensive income.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

bb. Fair Value Measurement

The Trusts measure financial instruments, such as derivatives, investment properties, resident loans, certain non-financial assets and non-financial liabilities, at fair value at each balance sheet date. Refer to Note 24.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Trusts.

The fair value of an asset or a liability is measured using the assumptions market participants use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Trusts use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trusts determine whether transfers have occurred between Levels in the hierarchy by reassessing categorisation at the end of the reporting period. This is based on the lowest level input that is significant to the fair value measurement as a whole.

The Trusts' Audit and Risk Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and resident loans, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities. Selection criteria include market knowledge, experience and qualifications; reputation; independence; and whether professional standards are maintained.

On a six month basis management presents valuation results to the Audit and Risk Committee as well as the Trusts' auditors. This includes a review of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Trusts have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 24).

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

1. Summary of significant accounting policies (continued)

cc. Earnings Per Share (EPS)

Basic EPS is calculated as net profit attributable to members of the Group, divided by the weighted average number of ordinary securities, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, divided by the weighted average number of ordinary securities and dilutive potential ordinary securities, adjusted for any bonus element.

dd. Pending Accounting Standards

AASB 16 Leases is applicable to reporting periods beginning on or after 1 January 2019. The Group has not early adopted this standard. This standard provides requirements for classification, measurement, and disclosure of all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee must now measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments) and payments made in optional periods, if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The Trusts are currently the lessee of non-cancellable operating leases, which will be included under this new standard. These leases relate to the Trust's Sydney and Brisbane offices, lease of assets and other premises which have future minimum lease payments totalling $3,013,000 at 30 June 2019.

ICF is the owner and lessor of several communities, where ICMT is the lessee. These leases will be included under this new standard. The Trusts are currently assessing the impact of the cross-staple lease. This will have no impact on the Group result as intragroup transactions are eliminated.

ICMT is the lessee of five finance leases (relating to the land component of investment properties), which is not impacted by the new standard as they are already treated in the manner 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.

ee. Current Versus Non-Current Classification

The Trusts present assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised, or intended to be sold, or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets are classified as non-current. The Trusts classify all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Trusts to exercise judgement in the process of applying its 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 below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical Accounting Estimates and Assumptions

The Trusts makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Valuation of investment property

The Trusts have investment properties with a combined carrying amount of $820,594,000 (30 Jun 2018: $759,112,000) (refer Note 8 and Note 9), and combined retirement village resident loans of $6,002,000 (30 Jun 2018: $12,081,000) (refer Note 8 and Note 16) which together represent the estimated fair value of the Trust's property business.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

2. Accounting estimates and judgements (continued)

These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation assumption for properties to be developed reflect sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates. The valuation assumptions for deferred management fee villages reflect average length of stay, unit market values, estimates of capital expenditure, contract terms with residents, discount rates, and projected property growth rates.

In forming these assumptions, the Trusts considered information about current and recent sales activity, current market rents, discount rates and capitalisation rates for properties similar to those owned by the Trusts, as well as independent valuations of the Trusts' property.

ii. Valuation of inventories

The Trusts have inventory in the form of lifestyle homes and service station fuel and supplies, which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time of estimation, the amount the inventories are expected to realise, and the estimated costs of completion. Key assumptions require the use of management judgement, and are continually reviewed.

iii. Fair value of derivatives

The fair value of derivative assets and liabilities is based on assumptions of future events, and involves significant estimates. Given the complex nature of these instruments, and various assumptions that are used in calculating mark-to-market values, the Trusts rely on counterparty valuations for derivative values. The counterparty valuations are usually based on mid-market rates, and calculates using the main variables of the forward market curve, time and volatility.

iv. Valuation of assets acquired in business combinations

Upon recognising the acquisition, management uses estimations of the fair value of assets and liabilities assumed at the date of acquisition, involving judgements related to valuation of investment property as discussed above.

v. Valuation of retirement village resident loans

The fair value of the retirement village resident loans is calculated by reference to the initial loan amount plus the resident's share of any capital gains in accordance with their contracts, less any deferred management fee income accrued to date by ICMT as operator. The key assumption for calculating capital gain and deferred management fee income components is the value of the dwelling being occupied by the resident. This value is determined by reference to the valuation of investment property, as referred to above.

vi. Calculation of deferred management fees (DMF)

Deferred management fees are recognised by the Trusts over the estimated period of time the property will be leased by the resident, and the accrued DMF is realised upon the departure of the resident. DMF is based on various inputs including the initial price of the property, estimated length of stay of the resident, various contract terms, and projected price of property at time of re-leasing.

b. Critical Judgements in Applying the Entity's Accounting Policies

There were no judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial report.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information

a. Description of Segments

The Trusts invests predominantly in rental properties located in Australia with four reportable segments:

- Ingenia Lifestyle & Holidays – comprising long-term and tourism accommodation within lifestyle communities;
- Ingenia Lifestyle Development – comprising the development and sale of lifestyle homes;
- Ingenia Gardens – rental villages;
- Fuel, Food & Beverage Services – Consists of the Group's investment in service station operations and food & beverage activities attached to Ingenia Lifestyle & Holiday communities;
- Corporate & Other – comprises investment in development joint venture, deferred management fee village and corporate overheads.

The Trusts have identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and determining the allocation of resources. Other parts of the Trusts are neither an operating segment nor part of an operating segment. Assets that do not belong to an operating segment are described below as "unallocated".

b. ICF – 2019

	Lifestyle and Holiday Operations $'000	Ingenia Gardens $'000	Corporate & Other $'000	Total $'000
Segment revenue				
External segment revenue	770	8,989	287	**10,046**
Total revenue	**770**	**8,989**	**287**	**10,046**
Segment underlying profit				
External segment revenue	770	8,989	287	**10,046**
Property expenses	(2)	–	(653)	**(655)**
Administrative expenses	–	–	(524)	**(524)**
Depreciation expense	(2)	–	(24)	**(26)**
Earnings before interest and tax	**766**	**8,989**	**(914)**	**8,841**
Share of loss of a joint venture	–	–	(1,098)	**(1,098)**
Net finance income	–	–	23,357	**23,357**
Underlying profit	**766**	**8,989**	**21,345**	**31,100**
Net (loss)/gain on change in fair value of:				
Investment properties	(2,306)	2,820	–	**514**
Other financial instruments	–	–	(2,298)	**(2,298)**
Other	–	–	–	**-**
Responsible entity fees	–	–	(3,654)	**(3,654)**
Profit after tax	**(1,540)**	**11,809**	**15,393**	**25,662**
Segment assets	1,100	152,653	614,865	**768,618**
Total assets	**1,100**	**152,653**	**614,865**	**768,618**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information (continued)

c. ICF – 2018

	Lifestyle and Holiday Operations $'000	Ingenia Gardens $'000	Corporate & Other $'000	Total $'000
Segment revenue				
External segment revenue	464	10,148	16	**10,628**
Total revenue	**464**	**10,148**	**16**	**10,628**
Segment underlying profit				
External segment revenue	464	10,148	16	**10,628**
Property expenses	–	–	(785)	**(785)**
Administrative expenses	–	–	(347)	**(347)**
Depreciation expense	(2)	–	(24)	**(26)**
Earnings before interest and tax	**462**	**10,148**	**(1,140)**	**9,470**
Net finance income	–	–	19,670	**19,670**
Underlying profit	**462**	**10,148**	**18,530**	**29,140**
Net (loss)/gain on change in fair value of:				
Investment properties	(78)	2,260	–	**2,182**
Other financial instruments	–	–	181	**181**
Other	–	–	(2,702)	**(2,702)**
Responsible entity fees	–	–	(3,343)	**(3,343)**
Profit after tax	**384**	**12,408**	**12,666**	**25,458**
Segment assets	15,077	127,299	537,082	**679,458**
Total assets	**15,077**	**127,299**	**537,082**	**679,458**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information (continued)

d. ICMT – 2019

	Lifestyle and Holiday Operations $'000	Lifestyle and Holiday Development $'000	Ingenia Gardens $'000	Fuel, Food & Beverage Services $'000	Corporate & Other $'000	Total $'000
Segment revenue						
External segment revenue	71,722	92,461	24,639	11,950	3,010	**203,782**
Total revenue	**71,722**	**92,461**	**24,639**	**11,950**	**3,010**	**203,782**
Segment underlying profit						
External segment revenue	71,722	92,461	24,639	11,950	3,010	**203,782**
Property expenses	(17,772)	(966)	(6,788)	(686)	(10,660)	**(36,872)**
Cost of lifestyle homes sold	–	(53,332)	–	–	–	**(53,332)**
Employee expenses	(20,821)	(11,595)	(6,474)	(2,631)	(554)	**(42,075)**
Administrative expenses	(3,105)	(651)	(378)	(51)	(850)	**(5,035)**
Operational, marketing and selling expenses	(2,001)	(4,311)	(828)	(1,755)	(543)	**(9,438)**
Service station expenses	–	–	–	(6,153)	–	**(6,153)**
Depreciation and amortisation expense	(625)	(468)	(140)	(49)	(26)	**(1,308)**
Earnings before interest and tax	**27,398**	**21,138**	**10,031**	**625**	**(9,623)**	**49,569**
Net finance expense	–	–	–	–	(31,061)	**(31,061)**
Income tax expense	–	–	–	–	(4,837)	**(4,837)**
Underlying profit/(loss)	**27,398**	**21,138**	**10,031**	**625**	**(45,521)**	**13,671**
Net (loss)/gain on change in fair value of:						
Investment properties	(19,345)	–	–	–	(131)	**(19,476)**
Financial liabilities	–	–	–	–	(5,400)	**(5,400)**
Other financial instruments	–	–	–	–	10	**10**
Other	(1,200)	–	–	–	(1,090)	**(2,290)**
Income tax benefit	–	–	–	–	11,032	**11,032**
Responsible entity fees	–	–	–	–	(3,582)	**(3,582)**
Profit/(loss) after tax	**6,853**	**21,138**	**10,031**	**625**	**(44,682)**	**(6,035)**
Segment assets						
Segment assets	533,746	129,577	3,563	860	10,750	**678,496**
Assets held for sale	2,662	–	–	–	10,173	**12,835**
Total assets	**536,408**	**129,577**	**3,563**	**860**	**20,923**	**691,331**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

3. Segment information (continued)

e. ICMT – 2018

	Lifestyle and Holiday Operations $'000	Lifestyle and Holiday Development $'000	Ingenia Gardens $'000	Fuel, Food & Beverage Services $'000	Corporate & Other $'000	Total $'000
Segment revenue						
External segment revenue	65,072	85,879	27,984	8,986	1,539	**189,460**
Total revenue	**65,072**	**85,879**	**27,984**	**8,986**	**1,539**	**189,460**
Segment underlying profit						
External segment revenue	65,072	85,879	27,984	8,986	1,539	**189,460**
Property expenses	(15,785)	(601)	(17,998)	(496)	(1,760)	**(36,640)**
Cost of lifestyle homes sold	–	(50,347)	–	–	–	**(50,347)**
Employee expenses	(19,628)	(9,162)	(7,090)	(1,270)	(657)	**(37,807)**
Administrative expenses	(2,576)	(793)	(605)	(27)	(581)	**(4,582)**
Operational, marketing and selling expenses	(1,838)	(3,606)	(915)	(431)	(35)	**(6,825)**
Service station expenses	–	–	–	(6,338)	–	**(6,338)**
Depreciation and amortisation expense	(360)	(404)	(109)	(19)	(20)	**(912)**
Earnings before interest and tax	**24,885**	**20,966**	**1,267**	**405**	**(1,514)**	**46,009**
Net finance expense	–	–	–	–	(25,848)	**(25,848)**
Income tax expense	–	–	–	–	(5,700)	**(5,700)**
Underlying profit/(loss)	**24,885**	**20,966**	**1,267**	**405**	**(33,062)**	**14,461**
Net (loss)/gain on change in fair value of:						
Investment properties	(2,390)	–	–	–	(2,072)	**(4,462)**
Financial liabilities	–	–	–	–	(364)	**(364)**
Other financial instruments	–	–	–	–	436	**436**
Other	(151)	–	–	–	1,418	**1,267**
Income tax benefit	–	–	–	–	934	**934**
Responsible entity fees	–	–	–	–	(3,146)	**(3,146)**
Profit/(loss) after tax	**22,344**	**20,966**	**1,267**	**405**	**(35,856)**	**9,126**
Segment assets						
Segment assets	450,888	173,263	3,004	356	16,848	**644,359**
Assets held for sale	22,325	–	–	–	6,350	**28,675**
Total assets	**473,213**	**173,263**	**3,004**	**356**	**23,198**	**673,034**

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

4. Earnings per unit

	ICF		ICMT	
	30 Jun 2019	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**
Profit/(loss) attributable to unit holders ($'000)	**25,662**	25,458	**(6,035)**	9,126
Weighted average number of units outstanding (thousands)				
Issued units (thousands)	**224,872**	207,329	**224,872**	207,329
Dilutive units (thousands)				
Long-term incentives	**1,237**	690	**1,237**	690
Short-term incentives	**265**	119	**265**	119
Weighted average number of issued and dilutive potential units outstanding (thousands)	**226,374**	208,138	**226,374**	208,138
Basic earnings per unit (cents)	**11.4**	12.3	**(2.7)**	4.4
Dilutive earnings per unit (cents)	**11.3**	12.2	**(2.7)**	4.4

5. Income tax expense

	ICF		ICMT	
	30 Jun 2019 $'000	**30 Jun 2018 $'000**	**30 Jun 2019 $'000**	**30 Jun 2018 $'000**
a. Income tax expense				
Current tax	**-**	–	**2,319**	(134)
(Increase)/decrease in deferred tax asset	**-**	–	**(8,514)**	4,900
Income tax (benefit)/expense	**-**	–	**(6,195)**	4,766
b. Reconciliation between tax expense and pre-tax net profit				
(Profit)/loss before income tax	**(25,662)**	(25,458)	**12,230**	(13,892)
Less amounts not subject to Australian income tax	**25,662**	25,458	**-**	–
	-	–	**12,230**	(13,892)
Income tax at the Australian tax rate of 30%	**-**	–	**(3,669)**	4,168
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:				
Prior period income tax return true-ups	**-**	–	**(859)**	99
Non-deductible (benefit)/expense	**-**	–	**(1,667)**	499
Income tax (benefit)/expense	**-**	–	**(6,195)**	4,766

c. Tax consolidation

Effective from 1 July 2012, ICMT and its Australian domiciled owned subsidiaries formed a tax consolidation group with ICMT being the head entity. Under the tax funding agreement the funding of tax within the tax group is based on taxable income as if that entity was not a member of the tax group.

Upon entering into the ICMT tax consolidated group, the tax cost bases for certain assets were reset resulting in income tax benefits being recorded.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

6. Trade and other receivables

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current				
Rental and other amounts due	**–**	–	**4,916**	5,832
Finance lease receivable from stapled entity	**358**	358	**–**	–
Other receivables	**–**	14	**560**	1,439
Total current trade and other receivables	**358**	372	**5,476**	7,271
Non-current				
Finance lease receivable from stapled entity	**4,051**	4,051	**–**	–
Other receivables	**1,410**	2,640	**34**	1,651
Total non-current and other receivables	**5,461**	6,691	**34**	1,651

Rental amounts due are typically paid in advance and other amounts due are receivable within 30 days.

ICF has leased a property to ICMT which has been classified as a finance lease. The remaining term of the agreement is 90 years. There are no purchase options. Minimum payments under the agreements and their present values are:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Minimum lease payments receivable:				
Not later than one year	**358**	358	**–**	–
Later than one year and not later than five years	**1,500**	1,500	**–**	–
Later than five years	**32,026**	32,401	**–**	–
	33,884	34,259	**–**	–
Unearned finance income	**(29,475)**	(29,850)	**–**	–
Net present value of minimum lease payments	**4,409**	4,409	**–**	–
Net present value of minimum lease payments receivable:				
Not later than one year	**358**	358	**–**	–
Later than one year and not later than five years	**1,165**	1,165	**–**	–
Later than five years	**2,886**	2,886	**–**	–
	4,409	4,409	**–**	–
Finance income recognised and included in interest income in the statement of comprehensive income	**358**	358	**–**	–

Information about the related finance lease payable by ICMT is given in Note 26.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

7. Inventories

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Lifestyle homes				
Completed	–	–	**14,913**	15,616
Display homes	–	–	**1,134**	4,869
Under construction	–	–	**5,492**	9,435
Fuel, food and beverage	–	–	**317**	308
Total inventories	–	–	**21,856**	30,228

The lifestyle home balance includes:

- 78 new completed homes (30 Jun 2018: 93)
- 18 refurbished/renovated/annuals completed homes (30 Jun 2018: 11)
- 6 display homes (30 Jun 2018: 24)
- Lifestyle homes under construction includes 20 partially completed homes at different stages of development (30 Jun 2018: 88). It also includes demolition, site preparation costs and buybacks on future development sites.

8. Assets and liabilities held for sale

a. Summary of carrying values

The following are the carrying values of assets held for sale:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Investment properties held for sale:				
Gladstone, South Gladstone, QLD	–	–	**10,173**	–
Mudgee Valley, Mudgee, NSW	–	–	**2,662**	–
Cessnock, Cessnock, NSW	–	–	–	6,350
Rouse Hill, Rouse Hill, NSW	–	–	–	22,325
Total assets held for sale	–	–	**12,835**	28,675

b. Summary of carrying amounts – loans

The following is a summary of the carrying amounts of the loans associated with investment properties held for sale:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Net resident loans – Gladstone	–	–	**5,694**	–
Net resident loans – Cessnock	–	–	–	3,875
Total resident loans	–	–	**5,694**	3,875

9. Investment properties

a. Summary of carrying amounts

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Completed properties	**180,562**	143,561	**515,990**	443,963
Properties under development	**3,655**	–	**107,552**	142,913
Total carrying amount	**184,217**	143,561	**623,542**	586,876

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

9. Investment properties (continued)

b. Movements in carrying amounts

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Carrying amount at beginning of year	**143,561**	154,556	**586,876**	538,918
Acquisitions	**31,874**	–	**53,669**	50,386
Expenditure capitalised	**8,268**	4,971	**22,267**	61,665
Net change in fair value:				
Investment property	**514**	2,182	**(17,272)**	(3,833)
Resident loans	**–**	–	**(2,204)**	(993)
Transfer to assets held for sale	**–**	–	**(12,835)**	(28,675)
Disposals	**–**	(18,148)	**(6,959)**	(30,592)
Carrying amount at end of year	**184,217**	143,561	**623,542**	586,876

c. Description of valuation techniques used and key inputs to valuation of investment properties

Capitalisation method

Under the capitalisation method, fair value is estimated using assumptions regarding the expectation of future benefits. The capitalisation method involves estimating the expected income projections of the property and applying a capitalisation rate into perpetuity. The capitalisation rate is based on current market evidence. Future income projections take into account occupancy, rental income and operating expenses.

Discounted cash flow method

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield normally reflects the exit value expected to be achieved upon selling the asset and is a function of the risk-adjusted returns of the asset and expected capitalisation rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment or refurbishment as well as the development of new units. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net underlying cash flows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

10. Plant and equipment

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of carrying amounts				
Plant and equipment	**205**	205	**6,438**	5,296
Less: accumulated depreciation	**(174)**	(148)	**(2,357)**	(1,597)
Total plant and equipment	**31**	57	**4,081**	3,699
b. Movements in carrying amount				
Carrying amount at beginning of year	**57**	73	**3,699**	1,991
Additions	**–**	10	**1,293**	2,319
Disposals	**–**	–	**(75)**	(101)
Depreciation expense	**(26)**	(26)	**(836)**	(510)
Carrying amount at end of year	**31**	57	**4,081**	3,699

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

11. Intangibles

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of carrying amounts				
Software and development	–	–	3,288	3,123
Less: accumulated amortisation	–	–	(1,571)	(1,204)
Total intangibles	–	–	1,717	1,919
b. Movements in carrying amount				
Carrying amount at beginning of year	–	–	1,919	2,021
Additions	–	–	270	300
Disposals	–	–	–	–
Amortisation expense	–	–	(472)	(402)
Carrying amount at end of year	–	–	1,717	1,919

12. Investment in a joint venture

Together, ICF and ICMT hold a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Trusts' interest in the joint venture is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Trusts investment in the joint venture entities:

	ICF		ICMT	
Balance Sheet	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets	5,203	–	–	–
Non-current assets[1]	17,500	–	–	–
Current liabilities	(199)	–	–	–
Non-current liabilities	–	–	–	–
Equity	22,504	–	–	–
Trusts' share in equity – 50% (30 Jun 2018: Nil)	11,252	–	–	–
Goodwill	–	–	–	–
Group's carrying amount in investment	11,252	–	–	–

(1) Non-current assets represent the fair value of investment property. Refer to Note 2(a) for valuation methodology.

	ICF		ICMT	
Statement of Comprehensive Income	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Expenses	(266)	–	–	–
Interest income	12	–	–	–
Net loss on change in fair value of:				
Investment properties[1]	(1,941)	–	–	–
Loss before income tax	(2,195)	–	–	–
Income tax expense	–	–	–	–
Total comprehensive loss for the year net of income tax	(2,195)	–	–	–
Group's share of loss for the year	(1,098)	–	–	–

(1) Loss on change in fair value of investment properties relates to write-off of acquisition transaction costs.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

13. Deferred tax assets and liabilities

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Deferred tax assets				
Tax losses	–	–	11,704	12,775
Other	–	–	–	–
Deferred tax liabilities				
DMF receivable	–	–	(447)	(1,047)
Investment properties	–	–	(4,454)	(11,273)
Net deferred tax asset	–	–	6,803	455
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	–	–	6,052	7,500

The availability of carried forward tax losses of $6.1 million to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which these losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. Accordingly, a portion of these carried forward tax losses may not be available in the future.

ICMT offsets tax assets and liabilities, if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

14. Trade and other payables

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current				
Trade payables and accruals	2,647	2,019	29,312	28,266
Deposits	–	–	6,143	5,266
Other unearned income	–	–	1,002	1,227
	2,647	2,019	36,457	34,759
Non-current				
Other	–	–	–	83

15. Borrowings

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current				
Finance leases	–	–	1,123	859
Non-current				
Bank debt	241,000	228,999	–	–
Prepaid borrowing costs	(1,155)	(1,497)	–	–
Finance leases	–	–	15,136	9,369
	239,845	227,502	15,136	9,369

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

15. Borrowings (continued)

a. Bank debt

Ingenia has $350.0 million in available debt facilities at 30 June 2019 (30 Jun 2018: $350.0 million).

The total $350.0 million in debt facilities is provided by three Australian banks. The facility tranche dates are:

- 17 February 2022 ($175.4 million); and
- 13 July 2023 ($174.6 million)

As at 30 June 2019, the facilities have been drawn to $241.0 million (30 Jun 2018: $229.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $797.2 million (30 Jun 2018: $701.8 million).

b. Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2019 were $11.5 million (30 Jun 2018: $11.4 million).

c. Finance leases

The Group has entered into finance leases for the following Lifestyle and Holidays investment properties:

- Gosford City Council for the land and facilities of Ettalong Beach
- Crown leases for the land of One Mile Beach
- Crown lease for the land of Big 4 Broulee Beach
- Crown lease for the land of South West Rocks
- Landowner for the land of Byron Bay

The leases are long-term in nature and range between 7 years to perpetuity.

Minimum Lease Payments – Excluding Perpetual Lease

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Minimum lease payments:				
Within one year	-	–	**1,161**	901
Later than one year but not later than five years	-	–	**4,806**	3,685
Later than five years	-	–	**44,981**	35,856
Total minimum lease payments	-	–	**50,948**	40,442
Future finance charges	-	–	**(35,822)**	(31,347)
Present value of minimum lease payments	-	–	**15,126**	9,095
Present value of minimum lease payments:				
Within one year	-	–	**1,123**	859
Later than one year but not later than five years	-	–	**4,060**	3,030
Later than five years	-	–	**9,943**	5,206
	-	–	**15,126**	9,095

Minimum Lease Payments – Perpetual Lease

The perpetual lease is recognised as investment property and non-current liability at a value of $1.1 million based on a capitalisation rate applicable at the time of acquisition of 10.6% applied to the current lease payment. As this is a perpetual lease, the lease liability will not amortise and no fair value adjustments in relation to the lease will be recognised unless circumstances of the lease change.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

16. Retirement village resident loans

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
a. Summary of Carrying Amounts				
Gross resident loans	–	–	1,470	9,880
Accrued deferred management fee	–	–	(1,162)	(1,674)
Net resident loans	–	–	308	8,206
b. Movements in Carrying Amounts				
Carrying amount at beginning of period	–	–	8,206	27,201
Accrued deferred management fee income	–	–	(219)	(636)
Deferred management fee cash collected	–	–	402	334
Proceeds from resident loans	–	–	10	594
Repayment of resident loans	–	–	(2,822)	(767)
Transfer to liabilities held for sale	–	–	(5,694)	(3,875)
Disposal of villages	–	–	–	(14,127)
Other	–	–	425	(518)
Carrying amount at end of year	–	–	308	8,206

17. Other financial liabilities

Other financial liabilities relate to a profit share arrangement with a third-party which is carried at fair value.

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current				
Other	–	–	1,100	–
Total current	–	–	1,100	–
Non-current				
Other	–	–	10,800	6,500
Total non-current	–	–	10,800	6,500

18. Issued units

a. Carrying Values

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
At beginning of period	759,337	755,571	43,690	43,136
Issued during the year:				
Dividend Reinvestment Plan (DRP)	12,178	3,766	1,983	554
Institutional placement and rights issue	62,671	–	10,363	–
Executive Incentive plan	310	–	51	–
Institutional placement and rights issue costs	(2,704)	–	(447)	–
At end of period	831,792	759,337	55,640	43,690
The closing balance is attributable to the unit holders of:				
Ingenia Communities Fund	831,792	759,337	–	–
Ingenia Communities Management Trust	–	–	55,640	43,690
	831,792	759,337	55,640	43,690

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

18. Issued units (continued)

b. Number of Issued Units

	ICF		ICMT	
	30 Jun 2019 Thousands	30 Jun 2018 Thousands	30 Jun 2019 Thousands	30 Jun 2018 Thousands
At beginning of year	**208,092**	206,382	**208,092**	206,382
Issued during the period:				
Dividend Reinvestment Plan (DRP)	**4,931**	–	**4,931**	–
Institutional placement and rights issue	**23,177**	1,710	**23,177**	1,710
Executive Incentive Plan	**175**	–	**175**	–
At end of year	**236,375**	208,092	**236,375**	208,092

c. Term of Units

All units are fully paid and rank equally with each other for all purposes. Each unit entitles the holder to one vote, in person or by proxy, at a meeting of unit holders.

19. Accumulated losses and retained earnings

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Balance at beginning of year	**(309,538)**	(313,900)	**29,557**	20,431
Net profit/(loss) for the year	**25,662**	25,458	**(6,035)**	9,126
Other	**-**	–	**(12,148)**	–
Distributions	**(24,295)**	(21,096)	**-**	–
Balance at end of year	**(308,171)**	(309,538)	**11,374**	29,557
The closing balance is attributable to the unit holders of:				
Ingenia Communities Fund	**(308,171)**	(309,538)	**-**	–
Ingenia Communities Management Trust	**-**	–	**11,374**	29,557
	(308,171)	(309,538)	**11,374**	29,557

20. Commitments

a. Capital Commitments

ICF has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $38,374,980 (30 Jun 2018: $16,785,083).

b. Operating Lease Commitments

A subsidiary of ICMT non-cancellable operating leases for its Sydney and Brisbane offices, assets and other premises. The remaining terms of these leases range from one to sixteen years.

Future minimum rentals payable under this lease as at reporting date were:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Within one year	**-**	–	**1,123**	607
Later than one year but not later than five years	**-**	–	**1,890**	1,795
	-	–	**3,013**	2,402

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

20. Commitments (continued)

c. Finance Lease Commitments

Refer to Note 15 for future minimum lease payments payable and the present value of minimum lease payments payable at reporting date for the finance leases relating to investment property. For commitments for inter-staple related party finance leases refer to Notes 6, 15 and 24.

d. Eighth Gate Capital Management acquisition

On 1 July 2019, the Group announced an agreement to acquire Eighth Gate Capital Management (Eighth Gate), a funds asset management business. Eighth Gate has approximately $140.0 million in assets under management through six established funds which combined own ten communities located in South East Queensland, Victoria and the New South Wales South Coast. ICMT expects to invest up to $12.0 million to acquire an interest in each of the Eighth Gate funds. This is expected to settle in the first quarter of FY20.

21. Contingent liabilities

The Trusts have the following contingent liabilities:

- Bank guarantees totalling $11.5 million provided for under the $350.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).
- During the year, the Group acquired Rivershore Resort. Pursuant to the agreement, the vendors are entitled to a further consideration of between nil and $4.5 million, subject to the achievement of certain performance hurdles, payable 12 months post acquisition.

22. Capital management

The capital management of ICF and ICMT is managed at a consolidated Group level (ICH and subsidiaries).

At the Group level, the aim is to meet its strategic objectives, operational needs and maximise returns to security holders through the appropriate use of debt and equity, taking account of the additional financial risks of higher debt levels.

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 its 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 refinance risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the Group takes into account the relative stability of its income flows, the predictability of its expenses, its debt maturity profile, the degree of hedging and the overall level of debt as measured by gearing.

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations, the availability of new equity and the liquidity in real estate markets. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position.

One measure of the Group's capital position is through Loan to Value Ratio (LVR) which is a key covenant under the Group's $350.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, finance leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2019, LVR is 29.8% compared to 32.6% at 30 June 2018.

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities. At 30 June 2019, the Total Interest Cover Ratio was 6.38x (30 Jun 2018: 5.53x) and the Core Interest Cover Ratio was 3.09x (30 Jun 2018: 3.19x).

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

23. Financial instruments

a. Instruments

The Trusts' principal financial instruments comprise receivables, payables, interest bearing liabilities, other financial liabilities, cash and short-term deposits and derivative financial instruments.

The main risks arising from the Trusts' financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Trusts manage the exposure to these risks primarily through the Investments, Derivatives, and Borrowing Policy. The policy sets out various targets aimed at restricting the financial risk taken by the Trusts. Management reviews actual positions of the Trusts against these targets on a regular basis. If the target is not achieved, or the forecast is unlikely to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Trusts at a point in time, it may be that positions outside of the Investments, Derivatives, and Borrowing Policy are accepted and no plan of action is put in place to meet the treasury targets, because, for example, the risks associated with bringing the Trusts into compliance outweigh the benefits. The adequacy of the Investments, Derivatives, and Borrowing Policy in addressing the risks arising from the Trust's financial instruments is reviewed on a regular basis.

While the Trusts aim to meet the Investments, Derivatives, and Borrowing Policy targets, many factors influence the performance, and it is probable that at any one time, not all targets will be met. For example, the Trusts may be unable to negotiate the extension of bank facilities sufficiently ahead of time, so that they fail to achieve their liquidity target. When refinancing loans they may be unable to achieve the desired maturity profile or the desired level of flexibility of financial covenants, because of the cost of such terms or their unavailability. Hedging instruments may not be available, or their cost may outweigh the benefit of risk reduction or they may introduce other risks such as mark to market valuation risk. Changes in market conditions may limit the Trusts ability to raise capital through the issue of units or sale of properties.

The main risks arising from ICMT's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. These risks are not separately managed. Management of these risks for the ICF may result in consequential changes for ICMT.

b. Interest Rate Risk

The Trusts' exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Trust's profit. In addition, one or more of the Trust's loan agreements may include minimum interest cover 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 Trusts manage the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investments, Derivatives, and Borrowing Policy.

At 30 June 2019 after taking into account the effect of interest rate swaps, approximately 29% of ICF's borrowings are at a fixed rate of interest (30 Jun 2018: 21%).

Exposure to changes in market interest rates also arises from financial assets such as cash deposits and loan receivables subject to floating interest rate terms. Changes in market interest rates will also change the fair value of any interest rate hedges.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

23. Financial instruments (continued)

c. Interest Rate Risk Exposure

	ICF				
		Fixed interest maturing in:			
30 Jun 2019 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**6,629**	**–**	**–**	**–**	**6,629**
Finance leases (excluding perpetual lease)	**–**	**358**	**1,165**	**2,886**	**4,409**
Financial liabilities					
Bank debt	**241,000**	**–**	**–**	**–**	**241,000**
Interest rate swaps: Fund pays fixed rate	**(70,000)**	**–**	**70,000**	**–**	**–**
Interest rate collar; Group pays fixed rate on floor	**(125,000)**	**45,000**	**80,000**	**–**	**–**
30 Jun 2018 $'000					
Financial assets					
Cash at bank	3,622	–	–	–	3,622
Finance leases (excluding perpetual lease)	–	358	1,165	2,886	4,409
Financial liabilities					
Bank debt	228,999	–	–	–	228,999
Interest rate swaps: Fund pays fixed rate	(48,000)	28,000	20,000	–	–

ICMT's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date were:

	ICMT				
		Fixed interest maturing in:			
30 Jun 2019 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**13,478**	**–**	**–**	**–**	**13,478**
Financial liabilities					
Finance leases (excluding perpetual lease)	**–**	**1,123**	**4,060**	**9,943**	**15,126**
30 Jun 2018 $'000					
Financial assets					
Cash at bank	10,751	–	–	–	10,751
Financial liabilities					
Finance leases (excluding perpetual lease)	–	859	3,030	5,206	9,095

Other financial instruments of the Trusts not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

23. Financial instruments (continued)

d. Interest Rate Sensitivity Analysis

The impact of an increase or decrease in average interest rates of 1% (100 basis points) at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the interest rate risk exposures in existence at balance sheet date. As the Trusts have no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on unit holders' interest (apart from the effect on profit).

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Increase in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**(2,410)**	(2,290)	**-**	-
Interest rate swaps and collars (AUD denominated)	**695**	857	**-**	-
Decrease in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**2,410**	2,290	**-**	-
Interest rate swaps and collars (AUD denominated)	**(4,507)**	(1,465)	**-**	-

e. Foreign Exchange Risk

The Trusts' exposure to foreign exchange risk is limited to foreign denominated cash balances and receivables following the divestment of its final overseas operations in December 2014. These amounts are unhedged as cash will be used to cover final costs to wind up the companies and receivables relate to escrows.

f. Net Foreign Currency Exposure

	Net foreign currency asset			
	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Net foreign currency exposure:				
United States dollars	**1,089**	2,054	**-**	-
New Zealand dollars	**266**	269	**-**	-
Total net foreign currency assets	**1,355**	2,323	**-**	-

g. Foreign Exchange Sensitivity Analysis

The impact of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the foreign exchange risk exposures in existence at balance sheet date.

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
i. Effect of appreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	**(99)**	(187)	**-**	-
New Zealand dollars	**(24)**	(24)	**-**	-
ii. Effect of depreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	**121**	228	**-**	-
New Zealand dollars	**30**	30	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

23. Financial instruments (continued)

h. Credit Risk

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

The major credit risk for the Trusts is default by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant.

The Trusts assess the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into account when assessing credit risk include the financial strength of the prospective tenant and any form of security, for example a rental bond, to be provided.

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing up vacant space.

Rent receivable balances are monitored on an ongoing basis and arrears actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default.

The Responsible Entity believes that the Trusts' receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Trusts. The Trusts' investment, derivatives, and borrowing policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Trusts, after allowing for appropriate set offs which are legally enforceable.

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

i. Liquidity Risk

The main objective of liquidity risk management is to reduce the risk that the Trusts do not have the resources available to meet their financial obligations and working capital and committed capital expenditure requirements. The Trust's investment, derivatives, and borrowing policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events such as tenant default.

The Trusts may also be exposed to contingent liquidity risk under term loan facilities, where term loan facilities 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 Trusts monitor adherence to loan covenants on a regular basis, and the investment, derivatives, and borrowing policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Trusts monitor the debt expiry profile and aims to achieve debt maturities below a target level of total committed debt facilities, where possible, to reduce refinance risk in any one year.

The contractual maturities of the Trusts' non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

Although the expected average residency term is more than ten years, retirement village residents' loans are classified as current liabilities, as required by Accounting Standards, because the Trusts do not have an unconditional right to defer settlement to more than twelve months after reporting date.

	ICF			
	Less than 1 year $'000	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
30 Jun 2019				
Trade and other payables	**2,647**	**–**	**–**	**2,647**
Borrowings[1]	**7,884**	**270,941**	**–**	**278,825**
	10,531	**270,941**	**–**	**281,472**
30 Jun 2018				
Trade and other payables	2,019	–	–	2,019
Borrowings[1]	10,177	258,783	–	268,960
	12,196	258,783	–	270,979

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

23. Financial instruments (continued)

	ICMT			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total(2) $'000
30 Jun 2019				
Trade and other payables	**36,457**	**-**	**-**	**36,457**
Retirement village resident loans	**308**	**-**	**-**	**308**
Finance leases (excluding perpetual lease)	**1,161**	**4,806**	**44,981**	**50,948**
Finance lease (perpetual lease)(2)	**121**	**483**	**-**	**604**
	38,047	**5,289**	**44,981**	**88,317**
30 Jun 2018				
Trade and other payables	34,759	83	–	34,842
Retirement village resident loans	(8,206)	–	–	(8,206)
Finance leases (excluding perpetual lease)	901	3,685	35,856	40,442
Finance lease (perpetual lease)(2)	121	483	–	604
	27,575	4,251	35,856	67,682

(1) The balances above will not agree to the balance sheet as it includes the implied interest component.

(2) For purpose of the table above, the lease payments are included for five years for the perpetual lease. Refer to Note 15(c).

The contractual maturities of ICF's derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the instruments at market rates.

	ICF			
	Less than 1 year $'000	1 to 5 Years $'000	More than 5 years $'000	Total $'000
30 Jun 2019				
Liabilities				
Derivative liabilities – net settled	**70**	**2,435**	**-**	**2,505**
30 Jun 2018				
Liabilities				
Derivative liabilities – net settled	73	65	–	138

j. Other Financial Instrument Risk

The Trusts carry retirement village residents' loans at fair value with resulting fair value adjustments recognised in the statement of comprehensive income. The fair value of these loans is dependent on market prices for the related retirement village units. The impact of an increase or decrease in these market prices of 10% at reporting date, with all other variables held constant, is shown in the table below. This analysis is based on the retirement village residents' loans in existence at reporting date.

	Effect on profit after tax			
	ICF		ICMT	
	Higher/(lower)		Higher/(lower)	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Increase in market prices of investment properties of 10%	**-**	–	**(147)**	(988)
Decrease in market prices of investment properties of 10%	**-**	–	**147**	988

These effects are largely offset by corresponding changes in the fair value of the Trusts' investment properties. The effect on unit holders' interest would have been the same as the effect on profit.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

24. Fair value measurement

a. Ingenia Communities Fund

The following table provides the fair value measurement hierarchy of Ingenia Communities Fund assets and liabilities:

i. Assets Measured at Fair Value

		Fair value measurement using:			
30 Jun 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment properties	30-Jun-19 Note 9(a)	**–**	**–**	**184,217**	**184,217**
Other financial assets	30-Jun-19	**–**	**–**	**773**	**773**
30 Jun 2018					
Investment properties	30-Jun-18 Note 9(a)	–	–	143,561	143,561
Other financial assets	30-Jun-18	–	–	773	773

ii. Liabilities measured at fair value

30 Jun 2019					
Derivatives	30-Jun-19	**–**	**2,505**	**–**	**2,505**
30 Jun 2018					
Derivatives	30-Jun-18	–	138	–	138

There have been no transfers between Level 1 and Level 2 during the year.

b. Ingenia Communities Management Trust

The following table provides the fair value measurement hierarchy of Ingenia Communities Management Trust assets and liabilities:

i. Assets Measured at Fair Value

		Fair value measurement using:			
30 Jun 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment properties	30-Jun-19 Note 9(a)	**–**	**–**	**623,542**	**623,542**
Assets held for sale – investment property	30-Jun-19 Note 8(a)	**–**	**–**	**12,835**	**12,835**
Other financial assets	30-Jun-19	**–**	**–**	**1,490**	**1,490**
30 Jun 2018					
Investment properties	30-Jun-18 Note 9(a)	–	–	586,876	586,876
Assets held for sale – investment property	30-Jun-18 Note 8(a)	–	–	28,675	28,675
Other financial assets	30-Jun-18	–	–	1,490	1,490

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

24. Fair value measurement (continued)

ii. Liabilities Measured at Fair Value

		Fair value measurement using:			
30 Jun 2019	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Retirement village resident loans	30-Jun-19 Note 16(a)	**-**	**-**	**308**	**308**
Liabilities held for sale	30-Jun-19 Note 8(b)	**-**	**-**	**5,694**	**5,694**
Other financial liabilities	30-Jun-19 Note 17	**-**	**-**	**11,900**	**11,900**
30 Jun 2018					
Retirement village resident loans	30-Jun-18 Note 16(a)	–	–	**8,206**	**8,206**
Liabilities held for sale	30-Jun-18 Note 8(b)	–	–	**3,875**	**3,875**
Other financial liabilities	30-Jun-18 Note 17	–	–	**6,500**	**6,500**

There have been no transfers between Level 1 and Level 2 during the year.

25. Auditor's remuneration

	ICF		ICMT	
	30 Jun 2019 $	**30 Jun 2018 $**	**30 Jun 2019 $**	**30 Jun 2018 $**
Amounts received or receivable by EY for:				
Audit or review of financial reports	**231,130**	211,540	**231,130**	211,540
Other audit related services	**-**	10,326	**-**	10,326
Tax and other services	**4,838**	–	**4,838**	–
	235,968	221,866	**235,968**	221,866

26. Related parties

a. Responsible Entity

The Responsible Entity for both Trusts from 4 June 2012 is Ingenia Communities RE Limited ("ICRE"). ICRE is an Australian domiciled company and is a wholly owned subsidiary of ICH.

b. Fees of the Responsible Entity and its Related Parties

	ICF		ICMT	
	30 Jun 2019 $	**30 Jun 2018 $**	**30 Jun 2019 $**	**30 Jun 2018 $**
Ingenia Communities RE Limited:				
Asset management fees	**3,654,049**	3,343,146	**3,582,448**	3,146,351

The Responsible Entity is entitled to a fee of 0.5% of total assets. In addition, it is entitled to recover certain expenses.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

26. Related parties (continued)

The gross amount accrued and recognised but unpaid at reporting date was:

	ICF		ICMT	
	30 Jun 2019 $	30 Jun 2018 $	30 Jun 2019 $	30 Jun 2018 $
Current trade payables	**988,035**	864,080	**939,191**	820,981

The above ICF balances are netted against the receivable from related party balance on the face of the balance sheet. The above ICMT balances are included in the payable to related party balance on the face of the balance sheet, which is shown net of related party receivables.

c. Holdings of the Responsible Entity and its Related Parties

There were no holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2019 and 30 June 2018.

d. Joint Venture

During the year ICMT generated fee income from the joint venture with Sun Communities in the form of origination fees ($700,000) and asset management fees ($114,000).

e. Other Related Party Transactions

ICF has leased a property to ICMT which has been classified as a finance lease. The remaining term of the agreement is 90 years. There are no purchase options. Rental villages have been classified as operating leases and the DMF village has been classified as finance lease.

Intercompany loans are subject to a loan deed, amended on and effective from 1 July 2015, encompassing ICH, ICF and ICMT and their respective subsidiaries. The revised deed stipulates that interest is calculated on the intercompany balances between ICH, ICF and ICMT for the preceding month. Interest is charged at a margin of 3.95% on the monthly Australian Bank Bill Swap Reference Rate. Intercompany loan balances are payable in the event of default or on termination date, being 30 June 2025 (or such other date as agreed by the parties in writing).

ICMT has entered into development agreements with subsidiaries of ICH to develop land into lifestyle communities. These agreements are on arms-length terms and eliminate on consolidation in the Group results. Pursuant to the terms of the agreements, subsidiaries of ICH received a development fee ($1,520,000).

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

	ICF		ICMT	
	30 Jun 2019 $	30 Jun 2018 $	30 Jun 2019 $	30 Jun 2018 $
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**374,936**	374,936	**(374,936)**	(374,936)
Finance lease balance receivable/(payable) between ICF and ICMT	**4,408,931**	4,409,100	**(4,408,931)**	(4,409,100)
Finance lease commitments	**33,900,478**	34,259,414	**(33,900,478)**	(34,259,414)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**9,758,622**	10,612,349	**(9,758,622)**	(10,612,349)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities	**33,703,896**	29,212,090	**(30,325,076)**	(24,806,599)
Intercompany loan balances between stapled entities	**559,877,745**	524,363,233	**(551,992,587)**	(534,536,896)

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

26. Related parties (continued)

f. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

The names of the directors and KMP of ICRE, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

Directors

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Valerie Lyons	
Andrew McEvoy	
Gary Shiffman	(appointed, effective 4 December 2018)
John McLaren	(alternate Director for Gary Shiffman appointed, effective 18 February 2019)
Simon Owen	(Managing Director and Chief Executive Officer (MD and CEO)

Other KMP

Nicole Fisher	(Chief Operating Officer)
Scott Noble	(Chief Financial Officer)

The aggregate compensation paid to Key Management Personnel ("KMP") of the Group is as follows:

	30 Jun 2019 $	30 Jun 2018 $
Directors fees	**644,458**	599,750
Salaries and other short-term benefits	**1,420,940**	1,362,798
Short-term incentives (payable in cash)	**355,800**	397,294
Superannuation benefits	**61,560**	60,147
Share-based payments	**772,048**	664,769
	3,254,806	3,084,758

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The aggregate Rights of the Group held directly, by KMP, are as follows:

			Number outstanding	
Issue date	**Right Type**	**Expiry date**	**30 Jun 2019**	**30 Jun 2018**
FY16	LTIP	FY19	**91,068**	148,196
FY17	LTIP	FY20	**248,432**	148,681
FY17	STIP	FY19	**102,437**	129,623
FY18	LTIP	FY21	**493,568**	295,928
FY18	STIP	FY20	**194,935**	–
FY19	LTIP	FY22	**496,917**	–
			1,627,357	722,428

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

27. Parental financial information

Summary financial information about the parent of each Trust is:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Current assets	**6,629**	3,636	**150**	37
Total assets	**734,495**	646,033	**25,546**	6,532
Current liabilities	**5,126**	2,125	**282**	528
Total liabilities	**244,973**	229,626	**63,863**	43,997
Net assets/(liabilities)	**489,522**	416,407	**(38,317)**	(37,465)
Unit holders' equity:				
Issued units	**831,792**	759,337	**55,640**	43,690
Accumulated losses	**(342,270)**	(342,930)	**(93,957)**	(81,155)
Total unit holders' equity	**489,522**	416,407	**(38,317)**	(37,465)
Profit/(loss) from continuing operations	**24,955**	22,555	**(12,912)**	(32,272)
Net profit/(loss) attributable to unit holders	**24,955**	22,555	**(12,912)**	(32,272)
Total comprehensive income/(loss)	**24,955**	22,555	**(12,912)**	(32,272)

28. 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(d):

	Country of residence	30 Jun 2019 %	30 Jun 2018 %
Subsidiaries of ICF			
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
Settlers Subsidiary Trust	Australia	**100**	100
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No. 1	Australia	**100**	100
INA Community Living LLC	USA	**100**	100
INA Subsidiary Trust No. 4	Australia	**100**	–
INA Lifestyle Landowner Trust	Australia	**100**	–

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

28. Subsidiaries (continued)

	Country of residence	30 Jun 2019 %	30 Jun 2018 %
Subsidiaries of ICMT			
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
Settlers Operations Trust	Australia	**100**	100
Settlers Management Pty Ltd	Australia	**100**	100
INA Operations Trust No. 1	Australia	**100**	100
INA Operations Trust No. 2	Australia	**100**	100
INA Operations Trust No. 3	Australia	**100**	100
INA Operations Trust No. 4	Australia	**100**	100
INA Operations Trust No. 6	Australia	**100**	100
INA Operations Trust No. 7	Australia	**100**	100
INA Operations Trust No. 8	Australia	**100**	100
INA Operations Trust No. 9	Australia	**100**	100
Ridge Estate Trust	Australia	**100**	100
INA Subsidiary Trust No. 3	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Latitude One Development Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA NZ Subsidiary Unit Trust No. 1	New Zealand	**100**	100
INA Operations Trust No. 9	Australia	**100**	–
INA Lifestyle Operations Trust	Australia	**100**	–
INA Operations Management Trust	Australia	**100**	–

The Trusts' voting interest in all other subsidiaries is the same as the ownership interest.

Notes to the Financial Statements

For the year ended 30 June 2019 | continued

29. Notes to the cash flow statements

Reconciliation of profit to net cash flows from operations:

	ICF		ICMT	
	30 Jun 2019 $'000	30 Jun 2018 $'000	30 Jun 2019 $'000	30 Jun 2018 $'000
Net profit/(loss) for the year	**25,662**	25,458	**(6,035)**	9,126
Adjustments for:				
Share of joint venture loss	**1,098**	–	**-**	–
Net loss/(gain) on disposal of investment properties	**-**	2,702	**2,290**	(1,267)
Net loss/(gain) on change in fair value of:				
Investment properties – continuing	**(514)**	(2,182)	**19,476**	4,462
Financial liabilities	**-**	–	**5,400**	364
Other	**2,298**	(181)	**(10)**	(436)
Income tax (benefit)/expense	**-**	–	**(6,195)**	4,766
Operating profit before tax	**28,544**	25,797	**14,926**	17,015
Depreciation and amortisation expense	**26**	26	**1,308**	912
Finance costs	**1,469**	647	**-**	–
Operating cash flow before changes in working capital	**30,039**	26,470	**16,234**	17,927
Changes in working capital:				
(Increase)/decrease in receivables	**1,230**	3,438	**1,617**	(1,193)
(Increase)/decrease in inventory	**-**	–	**8,372**	(8,631)
Increase in retirement village resident loans	**-**	–	**(2,204)**	(993)
Increase/(decrease) in other payables and provisions	**(1,739)**	197	**1,698**	11,285
Increase/(decrease) in loans to related parties	**(39,962)**	(39,542)	**23,465**	35,015
Net cash provided by operating activities	**(10,432)**	(9,437)	**49,182**	53,410

30. Subsequent events

Final FY19 Distribution

On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to $13.7 million, to be paid on 26 September 2019. The final distribution is 12.7% tax deferred and the dividend reinvestment plan will apply to the distribution.

Directors' Declaration

For the year ended 30 June 2019

In accordance with a resolution of the directors of Ingenia Communities Fund and Ingenia Communities Management Trust, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Ingenia Communities Fund and of Ingenia Communities Management Trust are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of each Trust's financial position as at 30 June 2019 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that Ingenia Communities Fund and Ingenia Communities Management Trust will be able to pay their debts as and when they become due and payable.

2. The notes to the financial statements include an explicit and unreserved statement of compliance with international financial reporting standards at Note 1(b).

3. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board

Jim Hazel
Chairman
Sydney, 20 August 2019

Independent Auditor's Report

For the year ended 30 June 2019

Ernst & Young
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Independent Auditor's Report to the unitholders of Ingenia Communities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Fund (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated 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 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 the matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better working world

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 matter below, provide the basis for our audit opinion on the accompanying financial report.

1. Valuation of Investment Properties

Why significant	How our audit addressed the key audit matter
Approximately 24% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date. This was considered a key audit matter as valuations contain a number of assumptions which are based on direct market comparisons, or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The investment properties, as disclosed in note 9 to the financial report, earn revenue predominantly from longer term rental agreements and the key judgments include capitalisation rates, discount rates, market and contractual rent and forecast occupancy levels.	Our audit procedures included the following: ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and the mathematical accuracy of their valuation models. We also assessed the competence and qualifications of the internal valuer; ▸ We compared the property related data used as input for both the external and internal valuations against actual property performance; ▸ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data; and ▸ Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better
working world

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

Independent Auditor’s Report

For the year ended 30 June 2019 | continued

Building a better working world

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.

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

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

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

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

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

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

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

Independent Auditor's Report

For the year ended 30 June 2019 | continued

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.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
20 August 2019

Independent Auditor's Report

For the year ended 30 June 2019 | continued

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Independent Auditor's Report to the unitholders of Ingenia Communities Management Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Management Trust (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated 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 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.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

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. Valuation of Investment Property

Why significant	How our audit addressed the key audit matter
Approximately 90% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date. This was considered a key audit matter as valuations contain a number of assumptions which are based on direct market comparisons, or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The Group has two categories of investment properties as disclosed in Note 9 of the financial report. One of these categories is considered material and involve significant judgement. ▸ The Group holds a Lifestyle & Holidays portfolio consisting of investment properties earning revenue from a mix of longer term land rental agreements and short-term accommodation rental. In addition, the group earns revenue from the sale of manufactured homes to residents of the properties.	Our audit procedures included the following: ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and the mathematical accuracy of their valuation models. We also assessed the competence and qualifications of the internal valuer; ▸ We compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ▸ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data; ▸ Our real estate valuation specialists reviewed a sample of independent and external valuations to determine whether the key judgements and methodology used were appropriate; and ▸ We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better working world

The key judgements for the longer term and short-term rental include capitalisation rates, discount rates, market and contractual rents, forecast short-term and residential occupancy levels, historical transactions and remaining development potential for vacant land. In assessing the development potential additional key judgements include future new homes sales prices, estimated capital expenditure and allocation between investment property and inventory, discount rates, projected property growth rates and operating profit margins.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

For the year ended 30 June 2019 | continued

Building a better working world

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report

For the year ended 30 June 2019 | continued

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.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
20 August 2019

Security holder Information

For the year ended 30 June 2019

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 2 September 2019.

The information set out below applies equally to units in the trusts and shares in the company under the terms of the joint quotation on the Australian Securities Exchange.

Twenty Largest Security holders

The twenty largest security holders of quoted equity securities are as follows:

Security holder	Number of securities held	Percentage of issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	65,582,513	27.75
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	49,190,880	20.81
SUN INA EQUITY LLC	23,560,866	9.97
CITICORP NOMINEES PTY LIMITED	19,752,826	8.36
NATIONAL NOMINEES LIMITED	12,832,565	5.43
BNP PARIBAS NOMS PTY LTD	11,235,619	4.75
BNP PARIBAS NOMINEES PTY LTD	10,474,580	4.43
BNP PARIBAS NOMS (NZ) LTD	4,951,171	2.09
ONE MANAGED INVT FUNDS LTD	3,106,819	1.31
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,736,316	1.16
CITICORP NOMINEES PTY LIMITED	2,110,016	0.89
AMP LIFE LIMITED	1,609,918	0.68
CUSTODIAL SERVICES LIMITED	1,234,394	0.52
ECAPITAL NOMINEES PTY LIMITED	946,465	0.40
BOND STREET CUSTODIANS LIMITED	783,731	0.33
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	656,300	0.28
GWYNVILL TRADING PTY LTD	608,659	0.26
BODIAM PROPERTIES PTY LTD	520,500	0.22
MRS MONIKA BATKIN	516,667	0.22
OLD FLETCHER & PARTNERS PTY LTD	425,000	0.18
Total	**212,835,805**	**90.04**
Total Quoted Equity Securities	**236,374,872**	**100.00**

Less than marketable parcels of ordinary shares

There are 312 security holders with unmarketable parcels totalling 4,554 securities.

Distribution of Stapled Security holders

The distribution of quoted stapled securities is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	48	218,058,426	92.25
10,001 to 100,000	476	10,837,920	4.59
5,001 to 10,000	463	3,411,951	1.44
1,001 to 5,000	1,372	3,576,857	1.51
1 to 1,000	1,181	489,718	0.21
Total	**3,540**	**236,374,872**	**100.00**

Security holder Information

For the year ended 30 June 2019 | continued

Distribution of Long Term Incentive Plan Rights Holders

The distribution of unquoted Long Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	3	815,768	61.34
10,001 to 100,000	13	492,540	37.03
5,001 to 10,000	3	21,677	1.63
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**19**	**1,329,985**	**100.00**

The Long Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Distribution of Short Term Incentive Plan Rights Holders

The distribution of unquoted Short Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	1	228,295	76.77
10,001 to 100,000	2	69,077	23.23
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**3**	**297,372**	**100.00**

The Short Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 2 September 2019.

19 holders of long term incentive rights issued as part of an incentive scheme	1,329,985
3 holders of short term incentive rights issued as part of an incentive scheme	297,372

Substantial Security holders

The names of the Substantial Security holders pursuant to notices released to the ASX, and information available to the company, as at 2 September 2019:

Security holder	Number of securities	Percentage of issued capital
IOOF Holdings Limited	13,578,557	5.745
AMP Limited and its related bodies corporate	13,131,370	5.560
Jonathan Marc Colman[(1)]	23,196,816	9.810
Cohen & Steers, Inc. and all bodies controlled by Cohen & Steers, Inc.	14,502,256	6.135
Sun INA Equity LLC	23,560,866	9.970
The Vanguard Group Inc	14,628,509	8.223

(1) As Mr Colman is an employee of Sun Communities, Inc. he has been classified as an associate and his personal holding has been aggregated with that of Sun INA Equity LLC.

Restricted Securities

There are no restricted securities on issue as at 2 September 2019.

Voting

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid stapled security, on a poll.

Holders of Long Term Incentive Plan Rights and Short Term Incentive Plan Rights have no voting rights.

On-Market Buyback

There is no current on-market buy-back in relation to the Company's securities.

Investor Relations

For the year ended 30 June 2019

Enquiries relating to Ingenia Communities Group (ASX code: INA) can be directed to the Link Market Services Investor Information line on 1300 554 474 (or from outside Australia +61 1300 554 474). This service is available from 8:30am to 5:30pm (Sydney time) on all business days.

Link Market Services can assist with:

- Change of address details
- Requests to receive communications online
- Provision of tax file numbers
- Changes to payment instructions
- General enquiries about your security holding.

www.ingeniacommunities.com.au

Ingenia's corporate website provides investors with extensive information about the Group. You can visit the website to find: information on Ingenia and its property portfolios; the latest financial information; reports; announcements; and corporate governance information. Security holders can access their investment details, including holding balance and payment history, from the link to the Registry which is contained on the site.

Distribution Payments

Distribution payments are made twice a year, for the six months ending 30 June and the six months ending 31 December. Distributions are declared and paid in Australian dollars.

The table below details distribution payments for the 2018/2019 financial year. A history of distribution payments made since 2005 is available from the Group's website www.ingeniacommunities.com.au.

Period Ended	Date Paid	Total Amount
June 2019	26 Sept 2019	$0.058
December 2018	27 March 2019	$0.054

* Information on the tax components of distributions can be found on Ingenia's website or the AMIT Member Annual Statement.

Ingenia Communities Group operates a Distribution Reinvestment Plan through which security holders can elect to reinvest all or part of their distributions in additional Ingenia securities. The rules of the Plan and how to apply can be found on the website or obtained from the Registry, Link Market Services.

AMIT Member Annual Statement

AMIT Member Annual Statements, which summarise payments made during the year and include information required to complete an Australian tax return, are dispatched each September. Details of past distributions and relevant tax information are available on Ingenia's website.

Annual General Meeting

The Annual General Meeting will be held on 12 November 2019 in Sydney.

2019/2020 Security holder Calendar*

26 September 2019	Final FY19 distribution paid
26 September 2019	AMIT Member Annual Statement dispatched
12 November 2019	Annual General Meeting
February 2020	1H20 Result announced
March 2020	Interim FY20 distribution paid

* Dates are indicative.

Privacy Policy

Ingenia Communities Group is committed to ensuring the confidentiality and security of your personal information. The Group's Privacy Policy, detailing our handling of personal information, is available online at: www.ingeniacommunities.com.au. If you have any questions or concerns as to how Ingenia deals with your personal information, please contact the Privacy Officer at privacy@ingeniacommunities.com.au.

Complaints

Any security holder wishing to register a complaint should direct it to Investor Relations in the first instance, at the Responsible Entity's address listed in this Report.

Ingenia Communities RE Limited is a member of an independent dispute resolution scheme, the Australian Financial Complaints Authority (AFCA). If a security holder feels that a complaint remains unresolved or wishes it to be investigated further, AFCA can be contacted as detailed below:

By telephone: 1800 931 678
Website: www.afca.org.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 20 September 2019 and can be found at: www.ingeniacommunities.com.au/investor-centre/corporate-governance/

Corporate Directory

For the year ended 30 June 2019

Ingenia Communities Group

Ingenia Communities Holdings Limited
ACN 154 444 925

Ingenia Communities Management Trust
ARSN 122 928 410

Ingenia Communities Fund
ARSN 107 459 576

Responsible Entity

Ingenia Communities RE Limited
ACN 154 464 990 (AFSL 415862)

Registered Office

Level 9, 115 Pitt Street Sydney NSW 2000

Telephone: 1300 132 946
Facsimile: +61 2 8263 0500

Email: investor@ingeniacommunities.com.au
Website: www.ingeniacommunities.com.au

Directors of Ingenia Communities Group (as at 31 August 2019)

J Hazel (Chairman)
R Morrison (Deputy Chairman)
A Heyworth
S Owen
V Lyons
A McEvoy
G Shiffman
J McLaren (Alternate Director)

Secretary

V Chidrawi
N Kwok

Security Registry

Link Market Services Limited
Level 12, 680 George Street Sydney NSW 2000
Locked Bag A14 Sydney South NSW 1235

Telephone: 1300 554 474 (local call cost)
or from outside Australia: +61 1300 554 474
Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Auditors

Ernst & Young
200 George Street Sydney NSW 2000

Stock Exchange Quotation

Ingenia Communities Group is listed on the Australian Securities Exchange under ASX listing code: INA.

Disclaimer

Ingenia Communities Group
Level 9, 115 Pitt Street, Sydney, NSW 2000
T. 1300 132 946
E. investor@ingeniacommunities.com.au
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