

ASX / Media Release

18 February 2020

Ingenia Communities Group (INA) provides its Appendix 4D which is authorised for release by the Ingenia Communities Group Board.

ENDS

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Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).

APPENDIX 4D

Half-Year Financial Report

Half-Year ended 31 December 2019

Name of Entity: Ingenia Communities Group (“INA”), a stapled entity comprising Ingenia Communities Holdings Limited ACN 154 444 925, Ingenia Communities Fund ARSN 107 459 576, and Ingenia Communities Management Trust ARSN 122 928 410.

Current period:	1 July 2019 – 31 December 2019
Previous corresponding period:	1 July 2018 – 31 December 2018

Results for announcement to the market

	31 Dec 2019	31 Dec 2018	Change
	\$'000	\$'000	%
Revenues	116,943	93,381	25%
Profit from ordinary activities after tax attributable to members	23,600	13,041	81%
Net profit for the period attributable to members	23,600	13,041	81%
Underlying profit	26,542	17,503	52%
Distributions - current period (cents):			
FY19 Final Distribution (paid)	5.80		
1H20 Interim Distribution (declared)	5.60		
Distributions - previous period (cents):			
FY18 Final Distribution (paid)		5.65	
1H19 Interim Distribution (paid)		5.40	
Record date for determining entitlement to the interim distribution	5pm, 24 February 2020		
The Dividend and Distribution Reinvestment Plan is operational for this distribution			
	31 Dec 2019	30 Jun 2019	Change
Net asset value per security	\$2.83	\$2.65	6.8%
Net tangible asset value per security	\$2.80	\$2.64	6.0%

Results for announcement to the market

The half-year financial report does not include all of the information required for a full-year financial report and should be read in conjunction with the Group’s annual financial report for the year ended 30 June 2019 and any ASX announcements issued during the period.

Details of entities over which control has been gained or lost during the period

On 22 August 2019, the Group acquired the share capital of Eighth Gate Pty Limited, Eighth Gate Capital Management Pty Limited and Allswell Communities Pty Limited (collectively, "EGCM"), a funds and asset management business which manages six funds, that invest in affordable lifestyle and holiday communities situated in NSW, QLD and VIC. Upon acquisition, the Group also co-invested into each of the Funds managed by the Eighth Gate.

The Group also acquired the landowner and operator of Colonial Village, Emmetlow Pty Ltd and Park Trust, on 28 November 2019.

Details of any associates and joint venture entities required to be disclosed

The Group has a 50% interest in the following joint venture entities and their wholly owned subsidiaries:

- Sungenia LandCo Pty Ltd
- Sungenia Land Trust
- Sungenia OpCo Pty Ltd
- Sungenia Operations Trust
- Sungenia Development Pty Ltd

The profit contribution from any one of these joint ventures is not material to the Group's profit for the period or the previous corresponding period. Refer to Note 10 in the 31 December 2019 Half-Year Financial Report for further detail.

Audit status

This report is based on the consolidated 31 December 2019 Half Year Financial Report of Ingenia Communities, which has been reviewed by Ernst & Young. The Auditor's Independence Declaration provided by Ernst & Young is included in the 31 December 2019 Half-Year Financial Report.

Other significant information and commentary on results

Please refer to the Group's separate results presentation and announcement.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2019 Half-Year Financial Report.

For all other information required by Appendix 4D, including a results commentary, please refer to the following documents:

- Directors' Report
- Reviewed Half-Year Financial Report
- Results presentation and media release



Nhu Nguyen
Company Secretary
18 February 2020



INGENIA COMMUNITIES HOLDINGS LIMITED
A.C.N 154 444 925

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2019

www.ingeniacommunities.com.au
Registered Office: Level 9, 115 Pitt Street Sydney NSW 2000

Half-Year Financial Report

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

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Directors' Report

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

The Directors of Ingenia Communities Holdings Limited ("ICH" or the "Company") present their report together with the Company's financial report for the six months ended 31 December 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
Andrew McEvoy
Gary Shiffman
John McLaren (Alternate Director to Gary Shiffman)
Phillipa Downes (appointed, effective 4 December 2019)
Valerie Lyons (resigned, effective 30 November 2019)

Executive Director

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

Company Secretaries

Natalie Kwok
Nhu Nguyen (appointed, effective 5 February 2020)
Vanessa Chidrawi (resigned, effective 5 February 2020)

OPERATING AND FINANCIAL REVIEW

ICH overview

The Group is an active owner, manager and developer of a diversified portfolio of lifestyle, seniors rental and holiday communities across Australia. The Group's real estate assets at 31 December 2019 were valued at \$948.8 million, comprising 37 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group manages a further 9 communities through its development JV and funds management platform. The Group is in the ASX 200 with a market capitalisation of approximately \$1.3 billion at 31 December 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 underlying 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 (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019



Strategy

The Group is positioning for scale and long-term sector leadership whilst delivering growth in net operating income and enhancing 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, Inc (NYSE: SUI) and funds management platform; acquire existing communities and; recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

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

1H20 financial results

The six months to 31 December 2019 delivered total revenue of \$116.9 million, up 25% on prior corresponding period. The Group built and sold 140 turnkey homes (1H19: 115 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to \$38.5 million (1H19: \$33.0 million).

Statutory profit of \$23.6 million, was up 81% on the prior corresponding period. The statutory result reflects the combination of growth in underlying earnings and fair value movements on investment property arising from: improved capitalisation rates; offset by transaction costs on new acquisitions and; a reduction of fair value associated with the realisation of development profits on settlement.

Underlying profit from continuing operations was \$26.5 million, which represents an increase of \$9.0 million (52%) on the prior corresponding period. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 72% on prior corresponding period, and an improved result from the Ingenia Lifestyle and Holidays segment (up 19% from the prior corresponding period), driven by the impact of acquisitions and increased permanent rental contracts for homes settled. Ingenia Gardens EBIT was \$5.2 million, up 2% from prior corresponding period.

Operating cash flow for the period was \$27.2 million, up 60% from the prior corresponding period, reflecting growth in lifestyle home settlements, growth in recurring rental income and the impact of new acquisitions made during the period.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

During the half, the Group successfully raised \$131.1 million through an accelerated non-renounceable entitlement offer ("ANREO") to existing security holders and a placement to institutional investors. The proceeds from the equity raise will be invested into identified acquisitions to expand the Group's portfolio of lifestyle communities and to provide additional equity for the Group's joint venture with Sun Communities.

ICH grew its investment in lifestyle communities during the period, 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. The Group invested part of the funds from the equity raise to acquire Bevington Shores, Taigum (Colonial Village) and land adjacent to Ingenia Holidays Rivershore.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the divestment of Ingenia Lifestyle Mudgee Valley in 1H20.

Key metrics

- Statutory profit of \$23.6 million, up 81% on the prior corresponding period.
- Underlying profit of \$26.5 million, up 52% on the prior corresponding period.
- Basic earnings per share (Statutory) of 9.5 cps, up 56% on the prior corresponding period (1H19: 6.1 cps).
- Basic earnings per share (Underlying) of 10.7 cps, up 32% on the prior corresponding period (1H19: 8.1 cps).
- Operating cash flows of \$27.2 million, up 60% on the prior corresponding period.
- Interim distribution up 4% on the prior corresponding period to 5.6 cps in the current period.

Net asset value is \$2.83 per security, up 7% compared with \$2.65 at 30 June 2019.

Group results summary

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

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
EBIT	32,189	22,911
Share of joint venture loss	(222)	-
Net finance expense	(3,278)	(3,460)
Tax expense associated with underlying profit	(2,147)	(1,948)
Underlying profit⁽¹⁾	26,542	17,503
Net gain/(loss) on change in fair value of:		
Investment properties	1,861	(3,382)
Acquisition costs	(2,884)	(2,600)
Financial liabilities	(1,716)	(1,450)
Other financial instruments	279	(25)
Other	(1,567)	(1,144)
Tax benefit associated with items below underlying profit	1,085	4,139
Statutory profit	23,600	13,041

(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.

Segment performance and priorities

Ingenia Lifestyle and Holidays Operations

At 31 December 2019, Ingenia Lifestyle and Holidays comprised 37 communities that offer an affordable community experience for seniors and tourism guests. Ingenia Lifestyle and Holidays EBIT grew 19% on 1H19 to \$16.1 million.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

During 1H20, the Group continued to expand its rental assets by delivering 140 new settlements from its development business and completing the acquisition of established communities (Taigum and Bevington Shores). The Group also undertook the divestment of one non-core asset, Ingenia Lifestyle Mudgee Valley, to support the Group's capital recycling strategy.

Permanent rental income grew by 24% on the prior corresponding period, as a result of new acquisitions completed in FY19 and the acquisitions of Taigum and Bevington Shores in 1H20, the settlement of new homes, investment in new rental cabins and rental growth across the portfolio.

Tourism rental income growth of 16% has been driven largely through the FY19 acquisition of Ingenia Holidays Byron Bay and Ingenia Holidays Rivershore, and additional investment in new tourist cabins across the portfolio. Annuals rental was declined due to the closure of Bluey's Beach. The Group's continued focus on leveraging its database and brand position within the tourism market also contributed to improved performance.

Lifestyle and Holidays EBIT margin improved by 1% on the prior corresponding period.

The carrying value of the Lifestyle and Holidays investment property at 31 December 2019 is \$638.7 million (30 Jun 2019: \$565.3 million).

Performance

	31 Dec 2019	31 Dec 2018	Change %
Permanent rental income (\$m)	14.7	11.9	24%
Annuals rental income (\$m)	2.3	2.5	(8)%
Tourism rental income (\$m)	21.6	18.6	16%
Other (\$m)	2.2	2.0	10%
EBIT contribution (\$m)	16.1	13.5	19%
Stabilised EBIT margin (%)	40.4	39.3	1%

Strategic priorities

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

Our fuel, food and beverage offering continues to complement our tourism revenue, with the Group focusing on improving the offering and returns from venues that have recently been acquired and internalised.

Ingenia Lifestyle Development

The earnings contribution from development has continued to grow with development now underway at 9 communities and new turnkey settlement volumes up 22% from the prior corresponding period, with Ingenia delivering 140 new turnkey settlements in 1H20 (1H19: 115).

This result reflects increased awareness and interest in the market and Ingenia's market leading sales and development platform. The Group currently has a strong development pipeline of 4,261 potential new home sites (30 Jun 2019: 3,713 sites).

The carrying value of the Ingenia Lifestyle Development investment property at 31 December 2019 is \$172.0 million (30 Jun 2019: \$149.4 million).

Performance

	31 Dec 2019	31 Dec 2018	Change %
New home settlements (#)	140	115	22%
Gross new home development profit (\$m)	25.0	16.3	53%
Other home settlements (#)	9	6	50%
Gross refurbished home development profit (\$m)	1.0	0.3	233%
EBIT contribution (\$m)	15.1	8.8	72%
EBIT margin (%)	27.2	22.3	5%

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

Strategic priorities

The key strategic priorities for Ingenia Lifestyle Development include: completing the current development pipeline on time and within budget; continuing the sales and settlement momentum achieved during FY19; securing further development approvals for new homes within the current pipeline and on new properties under offer and; delivering an outstanding move in experience for new residents. The Group will continue to identify future development opportunities and seek to continue to improve margins through building efficiencies and innovation.

Development joint venture

The development joint venture with Sun Communities was established in November 2018.

The joint venture has commenced development on its first greenfield acquisition located at Burpengary, QLD and is in the final stages of development planning for its second acquisition at Fullerton Cove, NSW.

Post 31 December 2019, the joint venture has agreed terms for a new \$20.0 million debt facility with a major Australian bank, which will further support the joint ventures growth.

During 1H20, fees generated by Ingenia from the joint venture primarily relate to asset and development management.

	31 Dec 2019	31 Dec 2018	Change %
Greenfield properties (#)	2	-	NM
Investment carrying value (\$m)	14.1	-	NM
Fee income (\$m)	0.2	-	NM
Share of loss from joint venture (\$m)	(0.2)	-	NM

Strategic priorities

The joint venture's objective is to acquire greenfield sites in select key metro and coastal markets to develop a significant portfolio of 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 plus a performance fee for above hurdle rate returns.

Ingenia Gardens

Ingenia Gardens comprises 26 rental communities located across the eastern seaboard and Western Australia. These communities accommodate more than 1,300 residents. The portfolio performed in line with prior comparative period, with occupancy closing at 92%.

The carrying value of these assets at 31 December 2019 is \$138.1 million (30 Jun 2019: \$132.1 million).

Performance

	31 Dec 2019	31 Dec 2018	Change %
Rental communities (#)	26	26	-
Occupancy (%)	92	91	1%
Rental income (\$m)	11.0	11.0	-
Catering income (\$m)	1.3	1.3	-
EBIT (\$m)	5.2	5.1	2%
EBIT margin (%)	41.5	41.0	0.5%

Strategic priorities

The strategic priorities of Ingenia Gardens are: increasing occupancy rates and rental income; improving resident retention; increasing referrals and; ensuring residents are actively engaged.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

Funds Management

In November 2019, the Group acquired the share capital of Eighth Gate Capital Management Pty Limited and its wholly owned subsidiaries (collectively, "ECGM") a funds and asset management business which manages six funds, that invest in lifestyle and holiday communities situated in NSW, QLD and VIC. The Group receives fees for the management and development of the assets and management of the funds.

At acquisition, the Group also co-invested into each of the six funds, to ensure alignment with the funds investors. The investment in the funds generates asset ownership and development revenue streams.

Strategic priorities

The strategic priorities of the funds management business are to; leverage the Group's platform to provide additional growth and deliver fund performance to investors and; expand the Group's presence in key clusters.

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 31 December 2019 is 2.8 years with the first debt expiry in February 2022. As at 31 December 2019, the debt facilities were drawn to \$213.0 million.

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank. This continues to show the strong support the Group is receiving from its lenders. This will increase the Group's available debt facilities to \$450.0 million.

The Group's Loan to Value Ratio ("LVR") was 24.9% and gearing was 19.3% at 31 December 2019.

During the half, the Group raised \$131.1 million in equity through an ANREO and Institutional Placement.

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 with Sun Communities will support the acceleration of Ingenia's business plan through joint investment in new greenfield opportunities.

Financial position

The following table provides a summary of the Group's financial position as at 31 December 2019:

\$'000	31 Dec 2019	30 Jun 2019	Change
Cash and cash equivalents	11,265	20,185	(8,920)
Inventories	38,470	35,987	2,483
Assets held for sale	8,982	12,835	(3,853)
Investment properties	948,821	846,835	101,986
Deferred tax asset	6,964	8,026	(1,062)
Other assets	51,499	29,019	22,480
Total assets	1,066,001	952,887	113,114
Borrowings	226,408	251,695	(25,287)
Liabilities held for sale	5,482	5,694	(212)
Other liabilities	68,657	69,751	(1,094)
Total liabilities	300,547	327,140	(26,593)
Net assets /equity	765,454	625,747	139,707

Inventory has increased by \$2.5 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 the deferred management fee village, Gladstone, QLD.

Investment property book value increased by \$102.0 million from 30 June 2019. This was primarily due to the acquisition of new communities, investment in community development and changes in fair value.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

Borrowings decreased by \$25.3 million, due to a combination of proceeds received from capital raise offset by investment into new communities and capital invested into development.

Cash flow

\$'000	31 Dec 2019	31 Dec 2018	Change
Operating cash flow	27,217	17,018	10,199
Investing cash flow	(123,637)	(57,452)	(66,185)
Financing cash flow	87,500	34,421	53,079
Net change in cash and cash equivalents	(8,920)	(6,013)	(2,907)

Operating cash flow for the Group was up 60% to \$27.2 million, reflecting the contribution from new acquisitions in FY19 and 1H20, 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 half-year:

- On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to \$13.7 million, which was paid on 26 September 2019.
- On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million which will be paid on 26 March 2020. The DRP will apply to the interim distribution and be fully underwritten to fund a confidential park acquisition which is in the advanced stages of due diligence.

The final distribution is 32% tax deferred and the dividend reinvestment plan will apply to the distribution.

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 Group will continue to acquire mature lifestyle and holiday communities where on strategy opportunities can be identified at value.

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 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 high-yield 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 this Financial Report. Refer to Note 9 for investment properties acquired during the current period, Note 13 for details of debt facility, and Note 14 for issued securities.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

EVENTS SUBSEQUENT TO REPORTING DATE

Interim distribution

On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million to be paid on 26 March 2020. The DRP will apply to the interim distribution and will be fully underwritten.

Debt facility

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank.

Joint venture debt facility

Post 31 December 2019, the joint venture has agreed terms for a new \$20.0 million debt facility with a major Australian bank, which will further support the joint ventures growth.

Acquisition of Lake Munmorah

On 17 February 2020, the Group signed an unconditional agreement to purchase the Lake Munmorah Residential Resort, located on the Central Coast of NSW for \$24.0 million.

LIKELY DEVELOPMENTS

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

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

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 half-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 11.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

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, 18 February 2020



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

As lead auditor for the review of Ingenia Communities Holdings Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect Ingenia Communities Holdings Limited and the entities it controlled during the financial period.

Ernst & Young

Yvonne Barnikel
Partner
Sydney
18 February 2020

Consolidated Statement of Comprehensive Income

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

	Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Rental income	5	49,805	44,093
Ancillary guest and resident income		3,165	3,220
Lifestyle home sales		55,449	39,362
Service station sales		3,711	3,683
Food and beverage sales		3,487	2,106
Fee income		906	-
Other revenue		420	917
Revenue		116,943	93,381
Property expenses		(14,033)	(13,407)
Cost of lifestyle homes sold		(30,339)	(22,679)
Employee expenses		(26,554)	(22,319)
Administrative expenses		(3,781)	(3,314)
Operational, marketing and selling expenses		(5,323)	(4,765)
Service station expenses		(3,228)	(3,229)
Depreciation and amortisation expense		(1,496)	(757)
Operating profit before interest and tax		32,189	22,911
Net finance expense	6	(3,278)	(3,460)
Operating profit before tax		28,911	19,451
Share of joint venture loss	10	(222)	-
Net (loss)/gain on change in fair value of:			
Investment properties		(1,023)	(5,982)
Financial liabilities		(1,716)	(1,450)
Other financial instruments		279	(25)
Other		(1,567)	(1,144)
Profit before income tax		24,662	10,850
Income tax (expense)/benefit		(1,062)	2,191
Net profit for the period		23,600	13,041
Total comprehensive income for the period net of income tax		23,600	13,041
Profit/(loss) attributable to security holders of:			
Ingenia Communities Holdings Limited		11,645	320
Ingenia Communities Fund		13,940	14,314
Ingenia Communities Management Trust		(1,985)	(1,593)
		23,600	13,041
Total comprehensive income/(loss) attributable to security holders of:			
Ingenia Communities Holdings Limited		11,645	320
Ingenia Communities Fund		13,940	14,314
Ingenia Communities Management Trust		(1,985)	(1,593)
		23,600	13,041

Consolidated Statement of Comprehensive Income (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

		31 Dec 2019	31 Dec 2018
	Note	Cents	Cents
Distributions per security paid⁽¹⁾		5.80	5.65
Earnings per security:			
Basic earnings			
Per security	4	9.5	6.1
Diluted earnings per security			
Per security	4	9.4	6.0

(1) Distributions relate to the final distribution paid for the previous reporting period. An interim distribution of 5.6 cps for the current reporting period was declared on 18 February 2020 to be paid on 26 March 2020.

Consolidated Balance Sheet

Ingenia Communities Holdings Limited

As at 31 December 2019

	31 Dec 2019	30 Jun 2019
Note	\$'000	\$'000
Current assets		
Cash and cash equivalents	11,265	20,185
Trade and other receivables	5,395	6,232
Inventories	7 38,470	35,987
Assets held for sale	8(a) 8,982	12,835
Total current assets	64,112	75,239
Non-current assets		
Trade and other receivables	2,098	1,917
Investment properties	9 948,821	846,835
Investment in a joint venture	10 14,071	11,593
Other financial assets	13,809	2,263
Plant and equipment	5,187	5,018
Intangibles	8,267	1,996
Right-of-use assets	2,672	-
Deferred tax assets	6,964	8,026
Total non-current assets	1,001,889	877,648
Total assets	1,066,001	952,887
Current liabilities		
Trade and other payables	12 49,926	52,940
Borrowings	13 1,955	765
Employee liabilities	2,626	1,961
Other financial liabilities	1,060	1,100
Derivatives and other financial instruments	758	70
Liabilities held for sale	8(b) 5,482	5,694
Total current liabilities	61,807	62,530
Non-current liabilities		
Borrowings	13 224,453	250,930
Other financial liabilities	12,236	10,800
Employee liabilities	571	445
Derivatives and other financial instruments	1,480	2,435
Total non-current liabilities	238,740	264,610
Total liabilities	300,547	327,140
Net assets	765,454	625,747
Equity		
Issued securities	14(a) 1,030,990	900,417
Reserves	1,103	1,933
Accumulated losses	(266,639)	(276,603)
Total equity	765,454	625,747
Attributable to security holders of:		
Ingenia Communities Holdings Limited	54,310	35,112
Ingenia Communities Fund	632,446	523,621
Ingenia Communities Management Trust	78,698	67,014
	765,454	625,747
Net asset value per security (\$)	\$ 2.83	\$ 2.65

Consolidated Cash Flow Statement

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

Note	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities		
Rental and other property income	63,022	54,056
Property and other expenses	(52,451)	(45,343)
Proceeds from sale of lifestyle homes	60,330	43,557
Purchase of lifestyle homes	(38,607)	(30,639)
Proceeds from sale of service station inventory	4,126	4,052
Purchase of service station inventory	(3,642)	(3,830)
Repayment of resident loans	(129)	(111)
Interest received	56	51
Borrowing costs paid	(5,488)	(4,775)
	27,217	17,018
Cash flows from investing activities		
Payments for acquisition of investment properties	(55,756)	(29,271)
Additions to investment properties	(47,052)	(28,496)
Purchase and additions of plant and equipment	(1,459)	(1,235)
Proceeds from sale of investment properties	2,591	1,885
Payments for acquisition of financial assets	(13,794)	-
Net payments for acquisition of subsidiaries	(5,273)	-
Investment in joint venture	(2,700)	-
Other	(194)	(335)
	(123,637)	(57,452)
Cash flows from financing activities		
Proceeds from issue of stapled securities	135,386	77,088
Payments for security issue costs	(4,813)	(2,987)
Distributions to security holders	(13,710)	(11,757)
Proceeds from borrowings	84,000	49,706
Repayment of borrowings	(112,000)	(77,000)
Payments for debt issue costs	-	(308)
Other	(1,363)	(321)
	87,500	34,421
Net decrease in cash and cash equivalents	(8,920)	(6,013)
Cash and cash equivalents at the beginning of the period	20,185	14,450
Cash and cash equivalents at the end of the period	11,265	8,437

Consolidated Statement of Changes in Equity

Ingenia Communities Holdings Limited
For the six months ended 31 December 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 value 1 Jul 2019	12,985	1,933	20,194	35,112	590,635	625,747
	Net profit	-	-	11,645	11,645	11,955	23,600
	Total comprehensive income for the period	-	-	11,645	11,645	11,955	23,600

Transactions with security holders in their capacity as security holders:

14(a)	Issue of securities	8,309	-	-	8,309	122,264	130,573
	Share based payment transactions	-	411	74	485	-	485
	Payment of distributions to security holders	-	-	-	-	(13,710)	(13,710)
	Payments to employee share trust	-	(1,241)	-	(1,241)	-	(1,241)
	Carrying value 31 Dec 2019	21,294	1,103	31,913	54,310	711,144	765,454

		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 value 1 Jul 2018	11,216	1,393	(1,782)	10,827	523,046	533,873
	Net profit	-	-	320	320	12,721	13,041
	Total comprehensive income for the period	-	-	320	320	12,721	13,041

Transactions with security holders in their capacity as security holders:

	Issue of securities	1,511	-	-	1,511	72,300	73,811
	Share based payment transactions	-	333	144	477	-	477
	Payment of distributions to security holders	-	-	-	-	(11,757)	(11,757)
	Transfers from reserves	-	(260)	-	(260)	-	(260)
	Carrying value 31 Dec 2018	12,727	1,466	(1,318)	12,875	596,310	609,185

Notes to the Financial Statements

Ingenia Communities Holdings Limited
For the six months ended 31 December 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 half-year ended 31 December 2019 was authorised for issue by the Directors on 18 February 2020.

(b) Basis of preparation

The half-year financial report is a general purpose financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all of the information required for a full-year financial report and should be read in conjunction with the Group's annual financial report for the year ended 30 June 2019 and any ASX announcements issued during the period.

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

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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2019 with the exception of new amended standards and interpretations which have been applied as required.

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 has adopted, for the first time, AASB 16 *Leases* for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Upon adoption of AASB 16, the Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Consequently, as permitted under the specific transitional provisions in the standard, the Group has not restated prior period comparatives.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised accounting standards (continued)

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a short-term lease of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low-value.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised as an expense on a straight-line basis over the lease term. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

On the 1 July 2019, the Group recognised \$3,265,000 of right-of-use assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Borrowings (Note 13).

On 1 July 2019, the Group recognised \$3,265,000 of lease liabilities.

Leases for investment property which apply the fair value model are classified as investment property per AASB 140 *Investment Properties*.

(d) Pending accounting standards

In the current period, the Group has adopted all the new and revised accounting standards, amendments to accounting standards, and interpretations that are relevant to its operations and effective for the current annual reporting period.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. 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.

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.

Goodwill is tested annually for impairment, or more frequently if changes in circumstances indicate that it might be impaired. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount, calculated as the higher of fair value less costs of disposal and the value in use. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for management purposes and allocated to cash generating units (CGU). The assumptions used for determining the recoverable amount of the CGU are based on the expectation for the future, utilising both internal and external sources of data and relevant market trends.

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 \$957,803,000 (30 Jun 2019: \$859,670,000) (refer Note 8 and Note 9), and combined retirement village resident loans of \$5,790,000 (30 Jun 2019: \$6,002,000) 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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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.

v. Valuation of other financial assets

The carrying value of the Groups other financial assets reflect the fair value of the assets. Fair value is calculated using inputs for the assets that underpin the investments including assumptions on 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.

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.

(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 (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

3. SEGMENT INFORMATION

(a) Description of segments

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

- Ingenia Lifestyle & Holidays Operations – 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, funds management business, 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. Assets that do not belong to an operating segment are included in Corporate & Other.

(b) 31 Dec 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	40,801	55,449	12,422	7,199	1,072	116,943
Total revenue	40,801	55,449	12,422	7,199	1,072	116,943
Segment underlying profit						
External segment revenue	40,801	55,449	12,422	7,199	1,072	116,943
Property expenses	(9,491)	(419)	(3,353)	(375)	(395)	(14,033)
Cost of lifestyle homes sold	-	(30,339)	-	-	-	(30,339)
Employee expenses	(12,002)	(6,703)	(2,984)	(1,668)	(3,197)	(26,554)
Administrative expenses	(1,540)	(601)	(411)	(34)	(1,195)	(3,781)
Operational, marketing and selling expenses	(1,356)	(1,957)	(407)	(1,355)	(248)	(5,323)
Service station expenses	-	-	-	(3,228)	-	(3,228)
Depreciation and amortisation expense	(279)	(349)	(115)	(26)	(727)	(1,496)
Earnings before interest and tax	16,133	15,081	5,152	513	(4,690)	32,189
Share of loss of a joint venture	-	-	-	-	(222)	(222)
Net finance expense	-	-	-	-	(3,278)	(3,278)
Income tax expense	-	-	-	-	(2,147)	(2,147)
Underlying profit/(loss)	16,133	15,081	5,152	513	(10,337)	26,542
Net (loss)/gain on change in fair value of:						
Investment properties	(4,834)	-	5,002	-	(1,191)	(1,023)
Financial liabilities	(1,716)	-	-	-	-	(1,716)
Other financial instruments	-	-	-	-	279	279
Other	(62)	-	-	-	(1,505)	(1,567)
Income tax benefit	-	-	-	-	1,085	1,085
Profit/(loss) after tax	9,521	15,081	10,154	513	(11,669)	23,600
Segment assets						
Segment assets	645,467	210,912	140,886	377	59,377	1,057,019
Assets held for sale	-	-	-	-	8,982	8,982
Total assets	645,467	210,912	140,886	377	68,359	1,066,001

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

3. SEGMENT INFORMATION (CONTINUED)

(c) 31 Dec 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	34,966	39,362	12,545	5,789	719	93,381
Total revenue	34,966	39,362	12,545	5,789	719	93,381
Segment underlying profit						
External segment revenue	34,966	39,362	12,545	5,789	719	93,381
Property expenses	(8,462)	(584)	(3,436)	(262)	(663)	(13,407)
Cost of lifestyle homes sold	-	(22,679)	-	-	-	(22,679)
Employee expenses	(10,524)	(4,632)	(3,313)	(1,016)	(2,834)	(22,319)
Administrative expenses	(1,409)	(304)	(200)	(26)	(1,375)	(3,314)
Operational, marketing and selling expenses	(814)	(2,140)	(390)	(802)	(619)	(4,765)
Service station expenses	-	-	-	(3,229)	-	(3,229)
Depreciation and amortisation expense	(266)	(261)	(64)	(24)	(142)	(757)
Earnings before interest and tax	13,491	8,762	5,142	430	(4,914)	22,911
Net finance expense	-	-	-	-	(3,460)	(3,460)
Income tax expense	-	-	-	-	(1,948)	(1,948)
Underlying profit/(loss)	13,491	8,762	5,142	430	(10,322)	17,503
Net (loss)/gain on change in fair value of:						
Investment properties	(8,211)	-	1,901	-	328	(5,982)
Financial liabilities	(1,450)	-	-	-	-	(1,450)
Other financial instruments	-	-	-	-	(25)	(25)
Other	-	-	-	-	(1,144)	(1,144)
Income tax benefit	-	-	-	-	4,139	4,139
Profit/(loss) after tax	3,830	8,762	7,043	430	(7,024)	13,041
Segment assets						
Segment assets	501,970	176,127	132,874	435	26,078	837,484
Assets held for sale	30,512	-	-	-	10,632	41,144
Total assets	532,482	176,127	132,874	435	36,710	878,628

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

4. EARNINGS PER SECURITY

	31 Dec 2019	31 Dec 2018
Per security		
Profit attributable to security holders (\$'000)	23,600	13,041
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	248,096	215,497
Dilutive securities (thousands):		
Long-term incentives	1,418	1,071
Short-term incentives	314	234
Weighted average number of issued and dilutive potential securities outstanding (thousands)	249,828	216,802
Basic earnings per security (cents)	9.5	6.1
Dilutive earnings per security (cents)	9.4	6.0

5. REVENUE

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Rental income		
Residential rental income - Ingenia Gardens	11,039	11,047
Residential rental income - Lifestyle and Holidays	14,659	11,902
Annuals rental income - Lifestyle and Holidays	2,271	2,451
Tourism rental income - Lifestyle and Holidays	21,618	18,551
Commercial rental income - Lifestyle and Holidays	218	142
Total rental income	49,805	44,093

6. NET FINANCE EXPENSE

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Interest income	(55)	(51)
Debt facility interest paid or payable	3,045	3,340
Lease liabilities interest expense	288	171
Net finance expense	3,278	3,460

Interest costs of \$1,630,000 have been capitalised into investment properties associated with development assets (31 Dec 2018: \$1,773,000).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

7. INVENTORIES

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Lifestyle homes:		
Completed	17,040	19,320
Display homes	2,912	1,895
Under construction	18,159	14,455
Fuel, food and beverage supplies	359	317
Total inventories	38,470	35,987

The lifestyle home balance includes:

- 80 new completed homes (30 Jun 2019: 99) of which 43 are contracted and 10 are deposited.
- 12 refurbished/renovated completed homes (30 Jun 2019: 18)
- 23 display homes (30 Jun 2019: 9)
- Lifestyle homes under construction includes 176 partially completed homes at different stages of development (30 Jun 2019: 84) of which 44 are contracted and 35 are deposited. It also includes demolition, site preparation costs and buybacks on future development sites.

8. ASSETS AND LIABILITIES HELD FOR SALE

(a) Summary of carrying value - Assets

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

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Investment properties held for sale:		
Gladstone, South Gladstone, QLD	8,982	10,173
Mudgee Valley, Mudgee, NSW	-	2,662
Total assets held for sale	8,982	12,835

(b) Summary of carrying value - Liabilities

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

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Net resident loans - Gladstone	5,482	5,694
Total liabilities held for sale	5,482	5,694

9. INVESTMENT PROPERTIES

(a) Summary of carrying value

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Completed properties	776,787	697,447
Properties under development	172,034	149,388
Total carrying value	948,821	846,835

(b) Movements in carrying value

	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000
Carrying value at the beginning of the period	846,835	730,437
Acquisitions	58,057	85,543
Expenditure capitalised	43,761	69,611
Net change in fair value:		
Investment property	168	(16,758)
Resident loans	-	(2,204)
Transfer to assets held for sale	-	(12,835)
Disposals	-	(6,959)
Carrying value at the end of the period	948,821	846,835

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

9. INVESTMENT PROPERTIES (CONTINUED)

(c) Reconciliation of fair value

	Ingenia Gardens \$'000	Lifestyle and Holidays \$'000	Total \$'000
Carrying value at the beginning of the period	132,140	714,695	846,835
Acquisitions	-	58,057	58,057
Expenditure capitalised	968	42,793	43,761
Net change in fair value ⁽¹⁾ :			
Investment property	5,002	(4,834)	168
Carrying value at the end of the period	138,110	810,711	948,821

(1) Excludes fair value movement for assets held for sale.

(d) Individual property carrying value

Completed properties

	Carrying value	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<i>Ingenia Gardens:</i>		
Brooklyn, Brookfield, VIC	5,400	5,170
Carey Park, Bunbury, WA	5,200	4,900
Horsham, Horsham, VIC	5,140	4,700
Jefferis, Bundaberg North, QLD	4,290	4,300
Oxley, Port Macquarie, NSW	5,320	5,150
Townsend, St Albans Park, VIC	5,090	5,100
Yakamia, Yakamia, WA	5,050	4,600
Goulburn, Goulburn, NSW	5,130	4,940
Coburns, Brookfield, VIC	5,200	5,070
Hertford, Sebastopol, VIC	4,250	4,500
Seascape, Erskine, WA	4,650	4,410
Seville Grove, Seville Grove, WA	3,700	4,070
St Albans Park, St Albans Park, VIC	5,920	5,750
Taloumbi, Coffs Harbour, NSW	6,200	5,630
Wheelers, Dubbo, NSW	6,250	5,760
Taree, Taree, NSW	4,900	4,900
Grovedale, Grovedale, VIC	5,540	5,250
Marsden, Marsden, QLD	11,560	11,130
Swan View, Swan View, WA	8,500	7,980
Dubbo, Dubbo, NSW	6,200	5,560
Ocean Grove, Mandurah, WA	3,800	3,790
Peel River, Tamworth, NSW	4,740	4,640
Sovereign, Ballarat, VIC	3,850	3,050
Wagga, Wagga Wagga, NSW	3,850	3,580
Bathurst, Bathurst, NSW	4,270	4,380
Warrnambool, Warrnambool, VIC	4,110	3,830
	138,110	132,140

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

9. INVESTMENT PROPERTIES (CONTINUED)

Completed properties

	Carrying value	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<i>Ingenia Lifestyle and Holidays:</i>		
The Grange, Morisset, NSW	21,000	18,922
Ettalong Beach, Ettalong Beach, NSW ⁽¹⁾	6,771	7,129
Albury, Lavington, NSW	3,800	3,993
Nepean River, Emu Plains, NSW	13,300	13,235
Kingscliff, Kingscliff, NSW	15,500	15,138
One Mile Beach, One Mile, NSW ⁽¹⁾	20,265	19,662
Hunter Valley, Cessnock, NSW	8,501	8,019
Sun Country, Mulwala, NSW	8,006	8,006
Stoney Creek, Marsden Park, NSW	21,709	20,469
White Albatross, Nambucca Heads, NSW	29,951	29,586
Noosa, Tewantin, QLD	18,832	18,500
Chambers Pines, Chambers Flat, QLD	31,997	30,393
Lake Macquarie (Holidays), Mannering Park, NSW	8,658	8,559
Sydney Hills, Dural, NSW	16,049	15,800
Bethania, Bethania, QLD	12,803	9,586
Conjola Lakeside, Lake Conjola, NSW	37,829	33,766
Soldiers Point, Port Stephens, NSW	16,020	15,750
Lara, Lara, VIC	22,333	20,994
South West Rocks, South West Rocks NSW ⁽¹⁾	13,176	12,282
Broulee, Broulee, NSW ⁽¹⁾	6,527	6,544
Ocean Lake, Ocean Lake, NSW	9,783	9,450
Avina, Vineyard, NSW	23,811	23,599
Hervey Bay (Holidays), Hervey Bay, QLD	9,816	9,800
Latitude One, Port Stephens, NSW ⁽²⁾	14,724	8,161
Blueys Beach, Blueys Beach, NSW	1,148	2,949
Cairns Coconut, Woree, QLD	57,060	57,002
Bonny Hills, Bonny Hills, NSW	13,900	13,900
Durack Gardens, Durack, QLD	25,954	25,954
Eight Mile Plains, Eight Mile Plains, QLD	26,709	26,646
Plantations, Woolgoolga, NSW	7,932	864
Rivershore, Diddillibah, QLD	24,300	23,250
Brisbane North, Aspley, QLD	30,000	29,500
Byron Bay, Byron Bay, NSW ⁽¹⁾	18,083	17,899
Taigum, Taigum, QLD	17,430	-
Bevington Shores, Halekulani, NSW	25,000	-
	638,677	565,307
Total completed properties	776,787	697,447

(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 lease liability.

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

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 (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

9. INVESTMENT PROPERTIES (CONTINUED)

Properties under development

	Carrying value	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000
<i>Ingenia Lifestyle and Holidays:</i>		
The Grange, Morisset, NSW	-	3,656
Albury, Lavington, NSW	3,765	3,166
Hunter Valley, Cessnock, NSW	-	935
Sun Country, Mulwala, NSW	1,030	1,030
Stoney Creek, Marsden Park, NSW	2,584	2,699
Chambers Pines, Chambers Flat, QLD	16,737	11,926
Bethania, Bethania, QLD	16,169	15,060
Conjola, Lake Conjola, NSW	7,187	10,370
Lara, Lara, VIC	7,419	7,090
South West Rocks, South West Rocks NSW ⁽¹⁾	222	553
Avina, Vineyard, NSW	17,020	10,400
Latitude One, Port Stephens, NSW ⁽²⁾	36,711	32,944
Blueys Beach, Blueys Beach, NSW	6,452	3,410
Durack Gardens, Durack, QLD	1,834	3,218
Eight Mile Plains, Eight Mile Plains, QLD	2,099	3,468
Plantations, Woolgoolga, NSW	27,824	21,913
Hervey Bay (Lifestyle), Hervey Bay, QLD	12,231	7,550
Upper Coomera, Upper Coomera, QLD	10,000	10,000
Rivershore, Diddillibah, QLD	2,750	-
Properties under development	172,034	149,388
Total investment properties	948,821	846,835

(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 lease liability.

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

Investment properties are carried at fair value in accordance with the Group's accounting policy in the Group's 30 June 2019 Annual Report.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

10. INVESTMENT IN JOINT VENTURE

The Group holds 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	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Current assets	9,917	5,859
Non-current assets ⁽¹⁾	18,878	17,623
Current liabilities	(654)	(296)
Non-current liabilities	-	-
Equity	28,141	23,186
Group's share in equity - 50%	14,071	11,593
Group's carrying value of investment	14,071	11,593

(1) Non-current assets represent the fair value of investment property.

Statement of Comprehensive Income	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Revenue	-	-
Cost of sales	-	-
Expenses	(622)	-
Net finance costs	21	-
Loss before income tax	(601)	-
Income tax benefit	157	-
Loss for the period (continuing operations)	(444)	-
Total comprehensive loss for the period net of income tax	(444)	-
Group's share of loss for the period	(222)	-

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

11. BUSINESS COMBINATIONS

Acquisition of Eighth Gate Capital Management Pty Limited

On 22 August 2019, the Group acquired the share capital of EGCM, a funds and asset management business which manages six funds, that invest in lifestyle and holiday communities situated in NSW, QLD and VIC. The Group receives fees for the management and development of the assets and management of the funds.

The fair values of the identifiable assets and liabilities of EGCM as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
Assets	
Cash	199
Trade and other receivables	1,000
Total Assets	1,199
Liabilities	
Trade and other payables	1,134
Total Liabilities	1,134
Total identifiable net assets at fair value	65
Goodwill arising on acquisition	5,908
Purchase consideration paid and accrued on acquisition	5,973
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	199
Cash paid	(5,472)
Net cash flow on acquisition	(5,273)

Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	Goodwill \$'000
Carrying value at the beginning of the period	-
Acquisition of subsidiary	5,908
Impairment losses recognised during the reporting period	-
Carrying value at the end of the period	5,908

12. TRADE AND OTHER PAYABLES

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current		
Trade payables and accruals	40,628	45,212
Deposits	8,263	6,418
Other	1,035	1,310
Total current	49,926	52,940

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

13. BORROWINGS

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current		
Lease liabilities – right-of-use assets	1,183	-
Lease liabilities – ground leases	772	765
Total current	1,955	765
Non-current		
Bank debt	213,000	241,000
Prepaid borrowing costs	(993)	(1,155)
Lease liabilities – right-of-use assets	1,530	-
Lease liabilities – ground leases	10,916	11,085
Total non-current	224,453	250,930

(a) Bank debt

Ingenia has \$350.0 million in available debt facilities at 31 December 2019 (30 Jun 2019: \$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 31 December 2019, the facilities have been drawn to \$213.0 million (30 Jun 2019: \$241.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is \$873.2 million (30 Jun 2019: \$797.2 million).

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank. This continues to show the strong support the Group is receiving from its lenders. This will increase the Group's available debt facilities to \$450.0 million.

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 31 December 2019 were \$12.1 million (30 Jun 2019: \$11.5 million).

(c) Lease liabilities

Lease payments – excluding perpetual lease

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Lease payments:		
Within one year	2,033	786
Later than one year but not later than five years	4,923	3,306
Later than five years	12,521	12,955
Total lease payments	19,477	17,047
Future finance charges	(6,215)	(6,330)
Present value of lease payments	13,262	10,717
Present value of lease payments:		
Within one year	1,955	765
Later than one year but not later than five years	4,432	2,895
Later than five years	6,875	7,057
	13,262	10,717

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 (continued)

Ingenia Communities Holdings Limited
For the six months ended 31 December 2019

14. ISSUED SECURITIES

	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000
(a) Carrying values		
Balance at beginning of the period	900,417	814,243
Issued during the period:		
Dividend Reinvestment Plan (DRP)	4,252	14,462
Institutional Placement and Rights issue	131,134	74,564
Executive Incentive Plan	-	365
Equity raising costs	(4,813)	(3,217)
Balance at end of the period	1,030,990	900,417
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	21,294	12,985
Ingenia Communities Fund	940,387	831,792
Ingenia Communities Management Trust	69,309	55,640
	1,030,990	900,417
(b) Number of issued securities		
Balance at beginning of the period	236,375	208,092
Issued during the period:		
Dividend Reinvestment Plan (DRP)	1,101	4,931
Institutional Placement	33,367	23,177
Executive Incentive Plan	-	175
Balance at end of the period	270,843	236,375

(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.

15. CAPITAL COMMITMENTS

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of \$51,079,568 (30 Jun 2019: \$38,374,980).

16. SUBSEQUENT EVENTS

Interim distribution

On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million to be paid on 26 March 2020. The DRP will apply to the interim distribution and will be fully underwritten.

Debt facility

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank.

Joint venture debt facility

Post 31 December 2019, the joint venture has agreed terms for a new \$20.0 million debt facility with a major Australian bank, which will further support the joint ventures growth.

Acquisition of Lake Munmorah

On 17 February 2020, the Group signed an unconditional agreement to purchase the Lake Munmorah Residential Resort, located on the Central Coast of NSW for \$24.0 million.

Directors' Declaration

Ingenia Communities Holdings Limited
For the six months ended 31 December 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 half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the six months 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 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 half-year ended 31 December 2019.

On-behalf of the Board



Jim Hazel
Chairman
Sydney, 18 February 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Ingenia Communities Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the half year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

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

Ernst & Young

A handwritten signature in black ink that reads 'Yvonne Barnikel' in a cursive style.

Yvonne Barnikel
Partner
Sydney
18 February 2020

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**INGENIA COMMUNITIES FUND
AND
INGENIA COMMUNITIES MANAGEMENT TRUST**

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2019**

www.ingeniacommunities.com.au
Registered Office: Level 9, 115 Pitt Street, Sydney NSW 2000

Half-Year Financial Report

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

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Directors' Report

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 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 six months ended 31 December 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
Andrew McEvoy
Gary Shiffman
John McLaren (appointed Alternate Director to Gary Shiffman)
Phillipa Downes (appointed, effective 4 December 2019)
Valerie Lyons (resigned, effective 30 November 2019)

Executive Directors

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

Company Secretaries

Natalie Kwok
Nhu Nguyen (appointed, effective 5 February 2020)
Vanessa Chidrawi (resigned, effective 5 February 2020)

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, seniors rental and holiday communities across Australia. The Group's real estate assets at 31 December 2019 were valued at \$948.8 million, comprising 37 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group manages a further 9 communities through its development JV and funds management platform. The Group is in the ASX 200 with a market capitalisation of approximately \$1.3 billion at 31 December 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 underlying 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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019



Strategy

The Group is positioning for scale and long-term sector leadership whilst delivering growth in net operating income and enhancing 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, Inc (NYSE: SUI) and funds management platform; acquire existing communities and; recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

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

1H20 financial results

The six months to 31 December 2019 delivered total revenue of \$116.9 million, up 25% on prior corresponding period. The Group built and sold 140 turnkey homes (1H19: 115 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to \$38.5 million (1H19: \$33.0 million).

Statutory profit of \$23.6 million, was up 81% on the prior corresponding period. The statutory result reflects the combination of growth in underlying earnings and fair value movements on investment property arising from: improved capitalisation rates; offset by transaction costs on new acquisitions and; a reduction of fair value associated with the realisation of development profits on settlement.

Underlying profit from continuing operations was \$26.5 million, which represents an increase of \$9.0 million (52%) on the prior corresponding period. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 72% on prior corresponding period, and an improved result from the Ingenia Lifestyle and Holidays segment (up 19% from the prior corresponding period), driven by the impact of acquisitions and increased permanent rental contracts for homes settled. Ingenia Gardens EBIT was \$5.2 million, up 2% from prior corresponding period.

Operating cash flow for the period was \$27.2 million, up 60% from the prior corresponding period, reflecting growth in lifestyle home settlements, growth in recurring rental income and the impact of new acquisitions made during the period.

Directors' Report (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

During the half, the Group successfully raised \$131.1 million through an accelerated non-renounceable entitlement offer ("ANREO") to existing security holders and a placement to institutional investors. The proceeds from the equity raise will be invested into identified acquisitions to expand the Group's portfolio of lifestyle communities and to provide additional equity for the Group's joint venture with Sun Communities.

ICH grew its investment in lifestyle communities during the period, 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. The Group invested part of the funds from the equity raise to acquire Bevington Shores, Taigum (Colonial Village) and land adjacent to Ingenia Holidays Rivershore.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the divestment of Ingenia Lifestyle Mudgee Valley in 1H20.

Key metrics

- Net profit for the current period for ICF \$13.9 million (1H19: \$14.3 million profit).
- Net loss for the current period for ICMT of \$2.0 million (1H19: \$1.6 million loss).
- Interim distribution of 5.6 cents per unit by ICF, nil from ICMT.

Capital management

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 31 December 2019 is 2.8 years with the first debt expiry in February 2022. As at 31 December 2019, the debt facilities were drawn to \$213.0 million.

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank. This continues to show the strong support the Group is receiving from its lenders. This will increase the Group's available debt facilities to \$450.0 million.

The Group's Loan to Value Ratio ("LVR") was 24.9% and gearing was 19.3% at 31 December 2019.

During the half, the Group raised \$131.1 million in equity through an ANREO and Institutional Placement.

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 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 half-year:

- On 20 August 2019, the Directors declared a final distribution of 5.8 cps amounting to \$13.7 million, which was paid on 26 September 2019.
- On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million which will be paid on 26 March 2020. The DRP will apply to the interim distribution and be fully underwritten to fund a confidential park acquisition which is in the advanced stages of due diligence.

The final distribution is 32% tax deferred and the dividend reinvestment plan will apply to the distribution.

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 Group will continue to acquire mature lifestyle and holiday communities where on strategy opportunities can be identified at value.

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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

The joint venture with Sun Communities and the funds management business 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 high-yield 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 half-year end financial report. Refer to Note 7 for investment properties acquired or disposed of during the current period and Note 11 for issued units.

EVENTS SUBSEQUENT TO REPORTING DATE

Interim distribution

On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million to be paid on 26 March 2020. The DRP will apply to the interim distribution and will be fully underwritten.

Debt facility

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank.

Joint venture debt facility

Post 31 December 2019, the joint venture has agreed terms for a new \$20.0 million debt facility with a major Australian bank.

Acquisition of Lake Munmorah

On 17 February 2020, ICMT signed an unconditional agreement to purchase the Lake Munmorah Residential Resort, located on the Central Coast of NSW for \$24.0 million.

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:

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

Detailed information about operations of the Group is included in the various reports in this financial report.

ENVIRONMENTAL REGULATIONS

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 half-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.

Directors' Report (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

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 7.

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, 18 February 2020

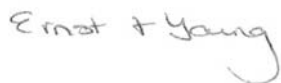
Auditor's Independence Declaration to the Directors of Ingenia Communities RE Limited as Responsible Entity for Ingenia Communities Fund and Ingenia Communities Management Trust

As lead auditor for the review of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ingenia Communities Fund and the entities it controlled and Ingenia Communities Management Trust and the entities it controlled during the financial period.



Ernst & Young



Yvonne Barnikel
Partner
Sydney
18 February 2020

Consolidated Statement of Comprehensive Income

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

Note	ICF		ICMT	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Rental income	5,165	3,911	49,805	44,093
Ancillary guest and resident income	-	-	3,165	2,970
Lifestyle home sales	-	-	21,989	39,362
Service station sales	-	-	3,711	3,683
Food and beverage sales	-	-	3,487	2,106
Fee income	-	-	2,802	-
Other revenue	-	288	420	879
Revenue	5,165	4,199	85,379	93,093
Property expenses	(282)	(491)	(14,199)	(17,587)
Cost of lifestyle homes sold	-	-	(13,045)	(22,679)
Employee expenses	-	-	(23,016)	(19,772)
Administrative expenses	(318)	(218)	(2,621)	(2,198)
Operational, marketing and selling expenses	-	-	(4,985)	(4,616)
Service station expenses	-	-	(3,228)	(3,229)
Responsible entity fee and expenses	(1,993)	(1,742)	(1,787)	(1,716)
Depreciation and amortisation expense	(13)	(13)	(6,041)	(625)
Operating profit before interest and tax	2,559	1,735	16,457	20,671
Net finance income/(expense)	10,486	11,655	(12,926)	(15,219)
Operating profit before tax	13,045	13,390	3,531	5,452
Share of joint venture loss	8 (38)	-	-	-
Net gain/(loss) on change in fair value of:				
Investment properties	1,428	959	(3,060)	(6,941)
Financial liabilities	-	-	(572)	(1,450)
Other financial instruments	278	(35)	1	10
Other	(773)	-	(794)	(1,144)
Profit/(loss) before tax	13,940	14,314	(894)	(4,073)
Income tax (expense)/benefit	-	-	(1,091)	2,480
Net profit/(loss)	13,940	14,314	(1,985)	(1,593)
Total comprehensive income/(loss) for the period net of income tax expense	13,940	14,314	(1,985)	(1,593)
Profit/(loss) attributable to unit holders of:				
Ingenia Communities Fund	13,940	14,314	-	-
Ingenia Communities Management Trust	-	-	(1,985)	(1,593)
	13,940	14,314	(1,985)	(1,593)
Total comprehensive income/(loss) attributable to unit holders of:				
Ingenia Communities Fund	13,940	14,314	-	-
Ingenia Communities Management Trust	-	-	(1,985)	(1,593)
	13,940	14,314	(1,985)	(1,593)
Earnings per security:	Cents	Cents	Cents	Cents
Basic earnings per unit	4 5.6	6.6	(0.8)	(0.7)
Diluted earnings per unit	4 5.6	6.6	(0.8)	(0.7)

Consolidated Balance Sheet

Ingenia Communities Fund and Ingenia Communities Management Trust

As at 31 December 2019

	Note	ICF		ICMT	
		31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current assets					
Cash and cash equivalents		2,355	6,629	7,819	13,478
Trade and other receivables		391	377	3,452	5,495
Inventories	5	-	-	18,297	21,856
Assets held for sale	6(a)	-	-	8,982	12,835
Total current assets		2,746	7,006	38,550	53,664
Non-current assets					
Trade and other receivables		5,674	5,461	674	34
Receivable from related party		614,195	559,878	-	-
Investment properties	7	213,909	184,217	670,777	623,542
Investments in a joint venture	8	11,964	11,252	-	-
Other financial assets		-	773	-	1,490
Plant and equipment		17	31	4,215	4,081
Intangibles		-	-	1,568	1,717
Right-of-use assets		-	-	23,863	-
Deferred tax assets		-	-	5,712	6,803
Total non-current assets		845,759	761,612	706,809	637,667
Total assets		848,505	768,618	745,359	691,331
Current liabilities					
Trade and other payables	9	1,814	2,647	33,006	36,765
Borrowings	10	-	-	12,235	1,123
Employee liabilities		-	-	2,482	1,961
Other financial liabilities		-	-	1,060	1,100
Derivatives and other financial instruments		758	70	-	-
Liabilities held for sale	6(b)	-	-	5,482	5,694
Total current liabilities		2,572	2,717	54,265	46,643
Non-current liabilities					
Payable to related party		-	-	576,942	551,993
Borrowings	10	212,007	239,845	27,872	15,136
Other financial liabilities		-	-	7,711	10,800
Employee liabilities		-	-	571	445
Derivatives and other financial instruments		1,480	2,435	-	-
Total non-current liabilities		213,487	242,280	613,096	578,374
Total liabilities		216,059	244,997	667,361	625,017
Net assets		632,446	523,621	77,998	66,314
Equity					
Issued units	11(a)	940,387	831,792	69,309	55,640
(Accumulated losses)/Retained earnings		(307,941)	(308,171)	9,389	11,374
Unit holders interest		632,446	523,621	78,698	67,014
Non-controlling interest		-	-	(700)	(700)
Total equity		632,446	523,621	77,998	66,314
Attributable to unit holders of:					
Ingenia Communities Fund		632,446	523,621	(700)	(700)
Ingenia Communities Management Trust		-	-	78,698	67,014
		632,446	523,621	77,998	66,314

Consolidated Cash Flow Statement

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

Note	ICF		ICMT	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities				
Rental and other property income	-	-	62,309	54,040
Property and other expenses	(168)	(247)	(47,536)	(41,544)
Proceeds from sale of lifestyle homes	-	-	23,635	43,557
Purchase of lifestyle homes	-	-	(14,378)	(30,639)
Proceeds from sale of service station inventory	-	-	4,126	4,052
Purchase of service station inventory	-	-	(3,642)	(3,830)
Repayment of resident loans	-	-	(129)	(111)
Interest received	30	26	26	25
Borrowing costs paid	(5,488)	(4,775)	-	-
	(5,626)	(4,996)	24,411	25,550
Cash flows from investing activities				
Payments for acquisition of investment properties	(26,172)	-	(29,584)	(29,271)
Additions to investment properties	(2,239)	(2,725)	(23,564)	(25,771)
Purchase and additions of plant and equipment	-	-	(712)	(1,099)
Proceeds from sale of investment properties	-	-	2,591	1,885
Investment in joint venture	(750)	-	-	-
Other	-	-	(38)	(351)
	(29,161)	(2,725)	(51,307)	(54,607)
Cash flows from financing activities				
Proceeds from issue of stapled securities	112,595	64,795	14,171	10,711
Payments for security issue costs	(4,000)	(2,507)	(501)	(415)
Distributions to unit holders	(13,710)	(11,757)	-	-
(Repayment of)/proceeds from related party borrowings	(36,372)	(17,960)	7,704	15,819
Proceeds from borrowings	84,000	49,706	-	-
Repayment of borrowings	(112,000)	(77,000)	-	-
Payments for debt issue costs	-	(308)	-	-
Other	-	-	(137)	(321)
	30,513	4,969	21,237	25,794
Net decrease in cash and cash equivalents	(4,274)	(2,752)	(5,659)	(3,263)
Cash and cash equivalents at the beginning of the period	6,629	3,622	13,478	10,751
Cash and cash equivalents at end of the period	2,355	870	7,819	7,488

Consolidated Statement of Changes in Equity

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

		Attributable to unit holders				
		ICF				
	Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
Carrying value 1 Jul 2019		831,792	(308,171)	523,621	-	523,621
Net profit		-	13,940	13,940	-	13,940
Total comprehensive income		-	13,940	13,940	-	13,940

Transactions with unit holders in their capacity as unit holders:

Issue of units	11(a)	108,595	-	108,595	-	108,595
Payment of distributions to unit holders		-	(13,710)	(13,710)	-	(13,710)
Carrying value 31 Dec 2019		940,387	(307,941)	632,446	-	632,446

Carrying value 1 Jul 2018		759,337	(309,538)	449,799	-	449,799
Net profit		-	14,314	14,314	-	14,314
Total comprehensive income		-	14,314	14,314	-	14,314

Transactions with unit holders in their capacity as unit holders:

Issue of units		62,044	-	62,044	-	62,044
Payment of distributions to unit holders		-	(11,757)	(11,757)	-	(11,757)
Carrying value 31 Dec 2018		821,381	(306,981)	514,400	-	514,400

		Attributable to unit holders				
		ICMT				
	Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
Carrying value 1 Jul 2019		55,640	11,374	67,014	(700)	66,314
Net loss		-	(1,985)	(1,985)	-	(1,985)
Total comprehensive loss		-	(1,985)	(1,985)	-	(1,985)

Transactions with unit holders in their capacity as unit holders:

Issue of units	11(a)	13,669	-	13,669	-	13,669
Carrying value 31 Dec 2019		69,309	9,389	78,698	(700)	77,998

Carrying value 1 Jul 2018		43,690	29,557	73,247	(700)	72,547
Net loss		-	(1,593)	(1,593)	-	(1,593)
Total comprehensive loss		-	(1,593)	(1,593)	-	(1,593)

Transactions with unit holders in their capacity as unit holders:

Issue of units		10,256	-	10,256	-	10,256
Carrying value 31 Dec 2018		53,946	27,964	81,910	(700)	81,210

Notes to the Financial Statements

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 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 half-year ended 31 December 2019 was authorised for issue by the Directors on 18 February 2020.

(b) Basis of preparation

The half-year financial report is a general purpose financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all of the information required for a full-year financial report and should be read in conjunction with both the Ingenia Communities Fund and Ingenia Communities Management Trust annual reports for the year ended 30 June 2019 and any ASX announcements issued during the period.

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

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 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 accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Trusts' annual financial report the year ended 30 June 2019 with the exception of new amended standards and interpretations which have been applied as required.

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 16 *Leases* for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Upon adoption of AASB 16, the Trusts have recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Consequently, as permitted under the specific transitional provisions in the standard, the Trusts have not restated prior period comparatives.

The Trusts also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a short-term lease of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low-value.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised accounting standards (continued)

The Trusts assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Trusts apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised as an expense on a straight-line basis over the lease term. The Trusts recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Trusts recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

On the 1 July 2019, the Trusts recognised \$29,207,000 of right-of-use assets.

Lease liabilities

At the commencement date of the lease, the Trusts recognise lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trusts and payments of penalties for terminating the lease, if the lease term reflects the Trusts exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trusts use the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Trusts' lease liabilities are included in Borrowings (refer to Note 10).

On 1 July 2019, the Trusts recognised \$29,207,000 of lease liabilities.

Leases for investment property which apply the fair value model are classified as investment property per AASB 140 *Investment Properties*.

(d) Pending accounting standards

In the current period, the Trusts have adopted all the new and revised accounting standards, amendments to accounting standards, and interpretations that are relevant to its operations and effective for the current annual reporting period.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. For each business combination, the Trusts elect 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 Trusts 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.

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.

Goodwill is tested annually for impairment, or more frequently if changes in circumstances indicate that it might be impaired. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount, calculated as the higher of fair value less costs of disposal and the value in use. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for management purposes and allocated to cash generating units (CGU). The assumptions used for determining the recoverable amount of the CGU are based on the expectation for the future, utilising both internal and external sources of data and relevant market trends.

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 \$893,668,000 (30 Jun 2019: \$820,594,000) (refer Note 6 and Note 7), and combined retirement village resident loans of \$5,790,000 (30 Jun 2019: \$6,002,000) which together represent the estimated fair value of the Trust'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 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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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. 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.

iv. 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.

v. Valuation of other financial assets

The carrying value of the Trusts other financial assets reflect the fair value of the assets. Fair value is calculated using inputs for the assets that underpin the investments including assumptions on 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.

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

(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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the six months ended 31 December 2019

3. SEGMENT INFORMATION

(a) Description of segments

The Trusts invest predominantly in rental properties located in Australia with five reportable segments:

- Ingenia Lifestyle & Holidays Operations - 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 included in Corporate & Other.

(b) ICF - 31 Dec 2019	L&H Operations \$'000	Ingenia Gardens \$'000	Corporate & Other \$'000	Total \$'000
Segment revenue				
External segment revenue	670	4,495	-	5,165
Total revenue	670	4,495	-	5,165
Segment underlying profit				
External segment revenue	670	4,495	-	5,165
Property expenses	-	-	(282)	(282)
Administrative expenses	-	-	(318)	(318)
Depreciation expense	-	-	(13)	(13)
Earnings before interest and tax	670	4,495	(613)	4,552
Share of loss of a joint venture	-	-	(38)	(38)
Net finance income	-	-	10,486	10,486
Underlying profit	670	4,495	9,835	15,000
Net (loss)/gain on change in fair value of:				
Investment properties	(3,574)	5,002	-	1,428
Other financial instruments	-	-	278	278
Other	-	-	(773)	(773)
Responsible entity fees	-	-	(1,993)	(1,993)
(Loss)/profit after tax	(2,904)	9,497	7,347	13,940
Segment assets	24,612	159,308	664,585	848,505
Total assets	24,612	159,308	664,585	848,505

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

3. SEGMENT INFORMATION (CONTINUED)

(c) ICF - 31 Dec 2018	L&H Operations \$'000	Ingenia Gardens \$'000	Corporate & Other \$'000	Total \$'000
Segment revenue				
External segment revenue	192	3,719	288	4,199
Total revenue	192	3,719	288	4,199
Segment underlying profit				
External segment revenue	192	3,719	288	4,199
Property expenses	-	-	(491)	(491)
Administrative expenses	-	-	(218)	(218)
Depreciation expense	-	-	(13)	(13)
Earnings before interest and tax	192	3,719	(434)	3,477
Net finance income	-	-	11,655	11,655
Underlying profit	192	3,719	11,221	15,132
Net (loss)/gain on change in fair value of:				
Investment properties	(942)	1,901	-	959
Other financial instruments	-	-	(35)	(35)
Other	-	-	-	-
Responsible entity fees	-	-	(1,742)	(1,742)
Profit/(loss) after tax	(750)	5,620	9,444	14,314
Segment assets	15,760	150,084	551,184	717,028
Total assets	15,760	150,084	551,184	717,028

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

3. SEGMENT INFORMATION (CONTINUED)

(d) ICMT – 31 Dec 2019	L&H Operations \$'000	L&H Development \$'000	Ingenia Gardens \$'000	Fuel, Food & Beverage Services \$'000	Corporate & Other \$'000	Total \$'000
Segment revenue						
External segment revenue	40,801	21,989	12,422	7,199	2,968	85,379
Total revenue	40,801	21,989	12,422	7,199	2,968	85,379
Segment underlying profit						
External segment revenue	40,801	21,989	12,422	7,199	2,968	85,379
Property expenses	(9,532)	(375)	(3,353)	(375)	(564)	(14,199)
Cost of lifestyle homes sold	-	(13,045)	-	-	-	(13,045)
Employee expenses	(12,002)	(6,298)	(2,984)	(1,668)	(64)	(23,016)
Administrative expenses	(1,540)	(591)	(411)	(34)	(45)	(2,621)
Operational, marketing and selling expenses	(1,356)	(1,671)	(407)	(1,355)	(196)	(4,985)
Service station expenses	-	-	-	(3,228)	-	(3,228)
Depreciation and amortisation expense	(279)	(275)	(115)	(26)	(5,346)	(6,041)
Earnings before interest and tax	16,092	(266)	5,152	513	(3,247)	18,244
Net finance expense	-	-	-	-	(12,926)	(12,926)
Income tax expense	-	-	-	-	(2,015)	(2,015)
Underlying profit/(loss)	16,092	(266)	5,152	513	(18,188)	3,303
Net (loss)/gain on change in fair value of:						
Investment properties	(1,869)	-	-	-	(1,191)	(3,060)
Financial liabilities	(572)	-	-	-	-	(572)
Other financial instruments	-	-	-	-	1	1
Other	(62)	-	-	-	(732)	(794)
Income tax benefit	-	-	-	-	924	924
Responsible entity fees	-	-	-	-	(1,787)	(1,787)
Profit/(loss) after tax	13,589	(266)	5,152	513	(20,973)	(1,985)
Segment assets						
Segment assets	574,952	126,304	3,393	1,275	34,046	739,970
Assets held for sale	-	-	-	-	8,982	8,982
Total assets	574,952	126,304	3,393	1,275	43,028	748,952

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

3. SEGMENT INFORMATION (CONTINUED)

(e) ICMT – 31 Dec 2018	L&H Operations \$'000	L&H Development \$'000	Ingenia Gardens \$'000	Fuel, Food & Beverage Services \$'000	Corporate & Other \$'000	Total \$'000
Segment revenue						
External segment revenue	34,966	39,362	12,545	5,789	431	93,093
Total revenue	34,966	39,362	12,545	5,789	431	93,093
Segment underlying profit						
External segment revenue	34,966	39,362	12,545	5,789	431	93,093
Property expenses	(8,654)	(584)	(7,155)	(262)	(932)	(17,587)
Cost of lifestyle homes sold	-	(22,679)	-	-	-	(22,679)
Employee expenses	(10,524)	(4,632)	(3,313)	(1,016)	(287)	(19,772)
Administrative expenses	(1,409)	(304)	(200)	(26)	(259)	(2,198)
Operational, marketing and selling expenses	(814)	(2,140)	(390)	(802)	(470)	(4,616)
Service station expenses	-	-	-	(3,229)	-	(3,229)
Depreciation and amortisation expense	(266)	(261)	(64)	(24)	(10)	(625)
Earnings before interest and tax	13,299	8,762	1,423	430	(1,527)	22,387
Net finance expense	-	-	-	-	(15,219)	(15,219)
Income tax expense	-	-	-	-	(1,659)	(1,659)
Underlying profit/(loss)	13,299	8,762	1,423	430	(18,405)	5,509
Net (loss)/gain on change in fair value of:						
Investment properties	(7,269)	-	-	-	328	(6,941)
Financial liabilities	(1,450)	-	-	-	-	(1,450)
Other financial instruments	-	-	-	-	10	10
Other	-	-	-	-	(1,144)	(1,144)
Income tax benefit	-	-	-	-	4,139	4,139
Responsible entity fees	-	-	-	-	(1,716)	(1,716)
Profit/(loss) after tax	4,580	8,762	1,423	430	(16,788)	(1,593)
Segment assets						
Segment assets	491,719	176,127	4,414	435	11,149	683,844
Assets held for sale	30,512	-	-	-	10,632	41,144
Total assets	522,231	176,127	4,414	435	21,781	724,988

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

4. EARNINGS PER UNIT

	ICF		ICMT	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Profit/(loss) attributable to unit holders (\$'000)	13,940	14,314	(1,985)	(1,593)
Weighted average number of units outstanding (thousands)				
Issued units (thousands)	248,096	215,497	248,096	215,497
Dilutive units (thousands)				
Long-term incentives	1,418	1,071	1,418	1,071
Short-term incentives	314	234	314	234
Weighted average number of issued and dilutive potential units outstanding (thousands)	249,828	216,802	249,828	216,802
Basic earnings per unit (cents)	5.6	6.6	(0.8)	(0.7)
Dilutive earnings per unit (cents)	5.6	6.6	(0.8)	(0.7)

5. INVENTORIES

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Lifestyle homes:				
Completed	-	-	7,536	14,913
Display homes	-	-	2,582	1,134
Under construction	-	-	7,820	5,492
Fuel, food and beverage	-	-	359	317
Total inventories	-	-	18,297	21,856

The lifestyle home balance includes:

- 39 new completed homes (30 Jun 2019: 78) of which 17 are contracted and 6 deposited.
- 11 refurbished/renovated completed homes (30 Jun 2019: 18)
- 14 display homes (30 Jun 2019: 6)
- Lifestyle homes under construction includes 79 partially completed homes at different stages of development (30 Jun 2019: 20) of which 16 are contracted and 15 are deposited. It also includes demolition, site preparation costs and buybacks on future development sites.

6. ASSETS AND LIABILITIES HELD FOR SALE

(a) Summary of carrying values - Assets

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

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Investment properties held for sale:				
Gladstone, South Gladstone, QLD	-	-	8,982	10,173
Mudgee Valley, Mudgee, NSW	-	-	-	2,662
Total assets held for sale	-	-	8,982	12,835

(b) Summary of carrying value - Liabilities

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

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Net resident loans - Gladstone	-	-	5,482	5,694
Total liabilities held for sale	-	-	5,482	5,694

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

7. INVESTMENT PROPERTIES

(a) Summary of carrying value	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Completed properties	213,909	180,562	562,878	515,990
Properties under development	-	3,655	107,899	107,552
Total carrying value	213,909	184,217	670,777	623,542

(b) Movements in carrying value	ICF		ICMT	
	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000
Carrying value at beginning of the period	184,217	143,561	623,542	586,876
Acquisitions	26,372	31,874	31,685	53,669
Expenditure capitalised	1,892	8,268	17,419	22,267
Net change in fair value ⁽¹⁾ :				
Investment property	1,428	514	(1,869)	(17,272)
Resident loans	-	-	-	(2,204)
Transfer to assets held for sale	-	-	-	(12,835)
Disposals	-	-	-	(6,959)
Carrying value at the end of the period	213,909	184,217	670,777	623,542

(1) Excludes fair value movement for assets held for sale.

8. INVESTMENT IN 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:

Balance Sheet	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current assets	6,481	5,203	1	-
Non-current assets ⁽¹⁾	17,500	17,500	3	-
Current liabilities	(54)	(199)	(4)	-
Non-current liabilities	-	-	-	-
Equity	23,927	22,504	-	-
Trusts' share in equity – 50%	11,964	11,252	-	-
Group's carrying value of investment	11,964	11,252	-	-

(1) Non-current assets represent the fair value of investment property.

Statement of Comprehensive Income	ICF		ICMT	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Expenses	(94)	-	-	-
Net finance costs	18	-	-	-
Loss before income tax	(76)	-	-	-
Income tax expense	-	-	-	-
Loss for the period (continuing operations)	(76)	-	-	-
Total comprehensive loss for the period net of income tax	(76)	-	-	-
Group's share of loss for the period	(38)	-	-	-

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

9. TRADE AND OTHER PAYABLES

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current				
Trade payables and accruals	1,814	2,647	24,044	29,312
Deposits	-	-	7,928	6,143
Other	-	-	1,034	1,310
Total current	1,814	2,647	33,006	36,765

10. BORROWINGS

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current				
Lease liabilities – right-of-use assets	-	-	11,104	-
Lease liabilities – ground leases	-	-	1,131	1,123
Total current	-	-	12,235	1,123
Non-current				
Bank debt	213,000	241,000	-	-
Prepaid borrowing costs	(993)	(1,155)	-	-
Lease liabilities – right-of-use assets	-	-	12,909	-
Lease liabilities – ground leases	-	-	14,963	15,136
Total non-current	212,007	239,845	27,872	15,136

(a) Bank debt

Ingenia has \$350.0 million in available debt facilities at 31 December 2019 (30 Jun 2019: \$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 31 December 2019, the facilities have been drawn to \$213.0 million (30 Jun 2019: \$241.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is \$873.2 million (30 Jun 2019: \$797.2 million).

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank. This continues to show the strong support the Group is receiving from its lenders. This will increase the Group's available debt facilities to \$450.0 million.

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 31 December 2019 were \$12.1 million (30 Jun 2019: \$11.5 million).

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

10. BORROWINGS (CONTINUED)

(c) Lease liabilities

Lease payments – excluding perpetual lease

	ICF		ICMT	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Lease payments:				
Within one year	-	-	12,813	1,161
Later than one year but not later than five years	-	-	14,479	4,806
Later than five years	-	-	48,672	44,981
Total lease payments	-	-	75,964	50,948
Future finance charges	-	-	(36,991)	(35,822)
Present value of lease payments	-	-	38,973	15,126
Present value of lease payments:				
Within one year	-	-	12,269	1,123
Later than one year but not later than five years	-	-	12,986	4,060
Later than five years	-	-	13,718	9,943
	-	-	38,973	15,126

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.

11. ISSUED UNITS

	ICF		ICMT	
	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000	6 months to 31 Dec 2019 \$'000	12 months to 30 Jun 2019 \$'000
(a) Carrying values				
Balance at beginning of the period	831,792	759,337	55,640	43,690
Issued during the period:				
Dividend Reinvestment Plan (DRP)	3,554	12,178	518	1,983
Institutional Placement and rights issue	109,041	62,671	13,652	10,363
Executive Incentive plan	-	310	-	51
Institutional placement and rights issue costs	(4,000)	(2,704)	(501)	(447)
Balance at end of the period	940,387	831,792	69,309	55,640
The closing balance is attributable to the unit holders of:				
Ingenia Communities Fund	940,387	831,792	-	-
Ingenia Communities Management Trust	-	-	69,309	55,640
	940,387	831,792	69,309	55,640

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

11. ISSUED UNITS (CONTINUED)

	ICF		ICMT	
	6 months to 31 Dec 2019 Thousands	12 months to 30 Jun 2019 Thousands	6 months to 31 Dec 2019 Thousands	12 months to 30 Jun 2019 Thousands
(b) Number of issued units				
Balance at beginning of the period	236,375	208,092	236,375	208,092
Issued during the period:				
Dividend Reinvestment Plan (DRP)	1,101	4,931	1,101	4,931
Institutional Placement and rights issue	33,367	23,177	33,367	23,177
Executive Incentive Plan	-	175	-	175
Balance at end of the period	270,843	236,375	270,843	236,375

(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.

12. CAPITAL COMMITMENTS

ICMT has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of \$18,943,482 (30 Jun 2019: \$11,938,070).

13. SUBSEQUENT EVENTS

Interim distribution

On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to \$15.2 million to be paid on 26 March 2020. The DRP will apply to the interim distribution and will be fully underwritten.

Debt facility

Post 31 December 2019, the Group has agreed terms for an additional \$100.0 million debt facility, for a seven-year term, with a major Australian bank.

Joint venture debt facility

Post 31 December 2019, the joint venture has agreed terms for a new \$20.0 million debt facility with a major Australian bank.

Acquisition of Lake Munmorah

On 17 February 2020, ICMT signed an unconditional agreement to purchase the Lake Munmorah Residential Resort, located on the Central Coast of NSW for \$24.0 million.

Directors' Declaration

Ingenia Communities Fund and Ingenia Communities Management Trust
For the six months ended 31 December 2019

In accordance with a resolution of the Directors of Ingenia Communities RE Limited, 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 for the half-year ended 31 December 2019 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of each Trust's financial position as at 31 December 2019 and of their performance for the six months 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 half-year ended 31 December 2019.

On behalf of the Board



Jim Hazel
Chairman
Sydney, 18 February 2020

Independent Auditor's Review Report to the unitholders of Ingenia Communities Fund and Ingenia Communities Management Trust (“the Trusts”)

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial reports which have been prepared in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and comprise:

- the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Ingenia Communities Fund, comprising Ingenia Communities Fund and the entities it controlled at half-year end or from time to time during the half-year.
- the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity and the consolidated statement of cash flow for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Ingenia Communities Management Trust, comprising Ingenia Communities Management Trust and the entities it controlled at half-year end or from time to time during the half-year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial reports of the Trusts are not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of each consolidated entity's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Ingenia Communities RE Limited as Responsible Entity of the Trusts are responsible for the preparation of the half-year financial reports that give 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 half-year financial reports that are free from material misstatement, whether due to fraud or error.

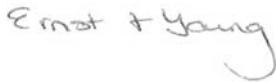
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of each consolidated entity's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trusts and the entities they controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

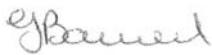
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Ernst & Young



Yvonne Barnikel
Partner
Sydney
18 February 2020