Ingenia Lifestyle
Ingenia Gardens
Ingenia Holidays
Ingenia Care

Ingenia

ASX / Media Release

28 September 2020

Ingenia Communities Group (INA) provides its 2020 Annual Report which is authorised for release by the Ingenia Communities Group Board.

ENDS

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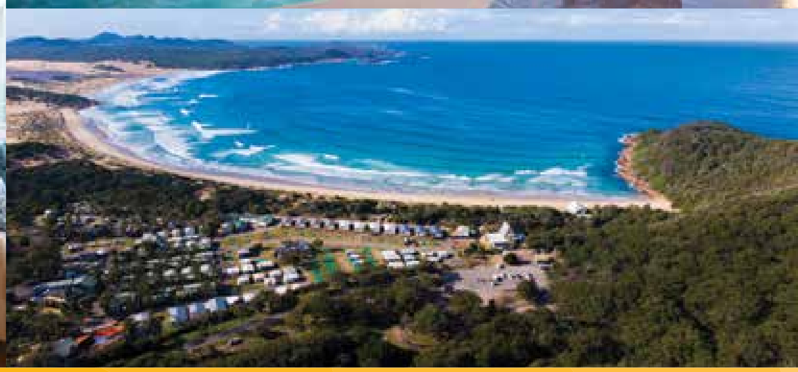
Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).

Ingenia

Ingenia Communities



Annual Report
2020

Ingenia Communities Holdings Limited Annual Reports

For the year ended 30 June 2020

Contents

www.ingeniacommunities.com.au

Directors' Report

For the year ended 30 June 2020

The Directors of Ingenia Communities Holdings Limited ("ICH" or the "Company") present their report together with the Company's financial report for the year ended 30 June 2020 (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 was 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	
Pippa Downes	(appointed, effective 4 December 2019)
Gary Shiffman	
John McLaren	(Alternate Director to Gary Shiffman)
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)

Qualifications, experience and special responsibilities

Jim Hazel – Non-Executive Chairman

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

His retirement village operations experience includes being Managing Director of Primelife Corporation Limited (now part of Lend Lease). He is also a director of Bendigo and Adelaide Bank Ltd.

Mr Hazel serves on the Boards of Coopers Brewery Limited, the University of South Australia and COTA Australia, the peak policy development, advocacy and representation organisation for older Australians. He is also Chairman of the Adelaide Festival Centre Trust.

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

Robert Morrison – Non-Executive Deputy Chairman

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

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

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

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

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

Amanda Heyworth – Non-Executive Director

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

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

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

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

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

Directors' Report

For the year ended 30 June 2020 | continued

Andrew McEvoy – Non-Executive Director

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

Mr McEvoy's prior roles include Managing Director, Tourism Australia, CEO, South Australian Tourism Commission, CEO, Life Media and Events for Fairfax Media and Chairman of advocacy group, the Tourism Transport Forum (TTF).

Mr McEvoy is currently a Director of Lux Group and Voyages Indigenous Tourism Australia and was Chairman of SeaLink Travel Group (ASX: SLK) until 30 June 2020.

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

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

Mr McEvoy has announced his intention to resign from the Board to take up a major new destination development role in the Middle East and will formally resign once a replacement Director is appointed.

Pippa Downes – Non-Executive Director

Ms Downes was appointed to the Board in December 2019. Ms Downes is a professional company director who has held executive and non-executive roles across listed, not-for-profit and government enterprises.

Ms Downes brings to the Board significant experience in international banking and capital markets as well as broad industry knowledge across financial services, technology, infrastructure and property. Prior executive roles include Managing Director and Equity Partner at Goldman Sachs JB Were.

Ms Downes currently serves on the boards of ALE Property Group and Australian Technology Innovators and is a Commissioner of Sport Australia.

Ms Downes was previously a Panel Member of the ASX Appeals Tribunal and a Director of ASX Clearing and Settlement Companies, Sydney Olympic Park Authority and Windlab. She has also served as a Director of The Pinnacle Foundation, Swimming Australia Foundation and Swimming Australia Limited.

Ms Downes holds a Masters in Applied Finance and a Bachelor of Science (Business Administration) and is a member of the Australian Institute of Company Directors and Women Corporate Directors.

Ms Downes is Chair of the Audit and Risk Committee and a member of the Investment Committee.

Gary Shiffman – Non-Executive Director

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

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

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

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

John McLaren – Alternate Director to Gary Shiffman

Mr McLaren was appointed an Alternate Director by Gary Shiffman in February 2019. Mr McLaren has over 25 years of experience in executive and non-executive roles in financial and real estate public companies listed on the NYSE.

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

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

Simon Owen – MD and CEO

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

He initiated the strategy to focus on developing and acquiring a leading portfolio of lifestyle and holiday communities which has seen the Group's market capitalisation grow from $30 million to over $1.3 billion today.

Mr Owen brings to the Group in-depth sector experience. He is currently a Director of BIG4 Holiday Parks, Australia's leading holiday parks group representing 175 parks across Australia and is a past member of the Retirement Living Division Council (part of the Property Council of Australia). He is also a past National President of the Retirement Villages Association (now part of the Retirement Living Council), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia, a role he held for four years.

Directors' Report

For the year ended 30 June 2020 | continued

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

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

Meetings

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

	Board		Audit & Risk Committee		Remuneration & Nomination Committee		Investment Committee	
	A	B	A	B	A	B	A	B
Jim Hazel	21	20	3	3	1	1	6	5
Robert Morrison	21	21	3	3	3	3	6	6
Amanda Heyworth	21	20	6	6	6	6	–	–
Andrew McEvoy	21	15	–	–	5	3	3	3
Pippa Downes	14	14	3	3	–	–	3	3
Valerie Lyons	7	5	3	3	3	3	–	–
Gary Shiffman	15	10	–	–	–	–	–	–
John McLaren (Alternate Director)	4	4	–	–	–	–	–	–
Simon Owen	21	19	–	–	–	–	–	–

A: Meetings eligible to attend B: Meetings attended

Interests of Directors

Securities in the Group held by directors or their associates as at 30 June 2020 were:

	Issued stapled securities	Rights
Jim Hazel	418,541	–
Robert Morrison	202,837	–
Amanda Heyworth	178,641	–
Andrew McEvoy	39,916	–
Pippa Downes	32,148	–
Gary Shiffman[(1)]	32,572,582	–
John McLaren[(1)]	32,572,582	–
Simon Owen	1,445,658	820,992

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

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

Company Secretaries

Natalie Kwok

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

Nhu Nguyen (appointed, effective 5 February 2020)

Ms Nguyen has over 10 years' company secretarial experience in both ASX and private entity environments and has worked in the property and financial services industries. Ms Nguyen holds a Bachelor of Business (Accounting)/Bachelor of Law and Graduate Diploma in Legal Practice. Ms Nguyen is also an Associate Member of the Governance Institute of Australia.

Directors' Report

For the year ended 30 June 2020 | continued

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 30 June 2020 were valued at $944.0 million, comprising 35 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group manages a further 11 communities through its development JV and funds management platform. The Group was included in the S&P/ASX 200 in December 2019 and had a market capitalisation of approximately $1.5 billion at 30 June 2020.

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 residents and guests.

Our Values

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

Strategy

The Group 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; deploy equity raised through the May equity raising to acquire existing communities and additional development sites; and, recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

- Capitalise on opportunities to expand the 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;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Continue to respond to operating environment, maintain focus on employee, resident and guest health and safety;
- Continue to advance focus on sustainable home design and construction; and
- Build on the Group's sustainability program and enhance disclosures as initiatives are progressed.

Directors' Report

For the year ended 30 June 2020 | continued

FY20 financial results

The year to 30 June 2020 delivered total revenue of $244.2 million, up 7% on the prior year. The Group built and sold 325[1] turnkey homes (30 Jun 2019: 336 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $72.5 million (30 Jun 2019: $67.7 million).

Statutory profit of $31.5 million was up 7% on the prior year. 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 $59.1 million, which represents an increase of $11.9 million (25%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 19% on prior corresponding period, and from the Ingenia Lifestyle and Holidays segment which was up 9% on the prior corresponding period. Ingenia Gardens EBIT was $10.2 million, up 2% from the prior corresponding period. The Lifestyle Development and Holidays segments were impacted by COVID-19 and the early 2020 bushfires, which had an adverse effect on the 2020 financial results.

Operating cash flow for the period was $67.2 million, up 13% from the prior year, reflecting growth in lifestyle home profits, growth in recurring rental income and the impact of new operational parks acquired in the period.

During the year, the Group successfully raised $328.3 million through the following:

- November 19: $131.1 million accelerated non-renounceable entitlement offer (ANREO) to existing security holders and a placement to institutional investors;
- May 20: $150.0 million placement to institutional investors;
- June 20: $27.9 million via a share purchase plan (SPP) to existing security holders; and
- $19.3 million under the Distribution Reinvestment Plan.

The proceeds from these equity raises have been and will continue to be invested into acquisitions to expand the Group's portfolio of lifestyle communities and to provide additional equity for the Group's joint venture with Sun Communities.

The Group 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 equity raised 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.

COVID-19 had an adverse impact on the FY20 result. The Group's holidays business was materially impacted with the mandated closure of tourist parks from late March until June 2020 and the closure of domestic and international borders. Home settlement figures were also negatively impacted by social distancing restrictions which prevented auctions and the viewing of open homes as well as consumer sentiment.

In response to COVID-19, Ingenia took decisive action, immediately reducing variable costs, standing down a number of casual staff and implementing companywide cost saving initiatives, including a voluntary 20% temporary pay reduction for salaried staff and NEDs. The Group was subsequently eligible to receive the JobKeeper subsidy, allowing the Group to re-employ eligible employees and limit further staff reductions.

Key metrics

- Income generating sites across the Group increased by 11% to 8,614 sites as at 30 June 2020.
- Statutory profit of $31.5 million, up 7% on the prior year.
- Underlying profit of $59.1 million, up 25% on the prior year.
- Basic earnings per security (Statutory) of 11.8 cps, down 9% on the prior year (30 Jun 2019: 13.0 cps).
- Basic earnings per security (Underlying) of 22.1 cps, up 5% on the prior year (30 Jun 2019: 21.0 cps).
- Operating cash flows of $67.2 million, up 13% on the prior year.
- Full year distribution of 10.0cps, down 11% on the prior year.

Net asset value is $2.90 per security, up 9% compared with $2.65 at 30 June 2019.

1 Including seven settlements at Ingenia Lifestyle Freshwater, the Group's first joint venture project with Sun Communities.

Directors' Report

For the year ended 30 June 2020 | continued

Group results summary

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
EBIT	**71,892**	61,490
Share of joint venture profit/(loss)	**134**	(1,157)
Net finance expense	**(6,649)**	(7,582)
Tax expense associated with underlying profit	**(6,268)**	(5,530)
Underlying profit(1)	**59,109**	47,221
Net (loss)/gain on change in fair value of:		
Investment properties	**(28,292)**	(12,468)
Acquisition costs	**(5,515)**	(6,494)
Financial liabilities	**(2,195)**	(5,400)
Other financial instruments	**32**	(2,288)
Other	**(1,567)**	(2,290)
Tax benefit associated with items below underlying profit	**9,880**	11,032
Statutory profit	**31,452**	29,313

(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 30 June 2020, Ingenia Lifestyle and Holidays comprised 35 communities that offer an affordable community experience for seniors and tourism guests. Ingenia Lifestyle and Holidays EBIT grew 9% on FY19 to $29.8 million.

During FY20, the Group continued to expand its rental assets by delivering 318 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 27% on the prior corresponding period, as a result of acquisitions completed in FY19 and the acquisitions of Taigum, Bevington Shores and Lake Munmorah in FY20, the settlement of new homes, investment in new rental cabins and rental growth across the portfolio.

Tourism rental income decreased by 6% largely driven by the impact of January bushfires on the NSW South Coast and COVID-19 restrictions requiring park closures and limiting travel for holiday makers. The Group's ability to manage its cost base during the closures reduced the impact on EBIT.

Lifestyle and Holidays EBIT stabilised margin improved marginally from the prior year driven by the increase in rental sites from development and acquisitions, offset by lower tourism revenue which was adversely impacted by NSW South Coast bushfires and COVID-19.

The carrying value of the Lifestyle and Holidays investment property at 30 June 2020 is $672.8 million (30 Jun 2019: $565.3 million).

Performance

	30 Jun 2020	30 Jun 2019	Change %
Permanent rental income ($m)	**31.8**	25.0	27%
Annuals rental income ($m)	**4.5**	4.7	(4%)
Tourism rental income ($m)	**35.9**	38.0	(6%)
Other ($m)	**4.5**	4.0	13%
EBIT contribution ($m)	**29.8**	27.4	9%
Stabilised EBIT margin (%)	**39.7**	39.3	1%

Directors' Report

For the year ended 30 June 2020 | continued

Strategic priorities

The strategic priorities for Ingenia Lifestyle and Holidays are: growing rental returns; integrating recent acquisitions and completed development sites; leveraging scale efficiencies, growing holiday bookings; and investing in new rental and tourism cabins.

The fuel, food and beverage offering continues to complement 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 down 5% from the prior year driven by a softer fourth quarter due to the impact of COVID-19. Ingenia delivered 318 new turnkey settlements in FY20 (30 Jun 2019: 336).

This result reflects increased awareness and interest in the market, the launch of a new community at Hervey Bay in QLD and Ingenia's quality sales and development platform. The Group currently has a strong development pipeline of 3,015 potential new home sites (30 Jun 2019: 3,713 sites).

The carrying value of the Ingenia Lifestyle Development investment property at 30 June 2020 is $131.3 million (30 Jun 2019: $149.4 million).

Performance

	30 Jun 2020	30 Jun 2019	Change %
New home settlements (#)	**318**	336	(5%)
Gross new home development profit ($m)	**59.0**	51.4	15%
Other home settlements (#)	**11**	12	(8%)
Gross refurbished home development profit ($m)	**1.0**	0.5	100%
EBIT contribution ($m)	**39.9**	33.4	19%
EBIT margin (%)	**31.5**	28.1	3%

Strategic priorities

The key strategic priorities for Ingenia Lifestyle Development include: completing the current development pipeline on time and within budget; building the sales and settlement momentum within a new selling environment; securing further development approvals for new homes within the current pipeline and on new properties under offer; securing land adjacent to existing Group communities and; delivering an outstanding move in experience for new residents. The Group will continue to identify future development opportunities and continuously seek to improve margins in a sustainable manner.

Development Joint Venture

The development Joint Venture with Sun Communities was established in November 2018.

The Joint Venture commenced development on its first greenfield acquisition located at Burpengary, QLD and settled on its first homes during the year. The Joint Venture is in the final stages of development planning on its second acquisition at Fullerton Cove, NSW and has other acquisition opportunities under exclusive due diligence or option.

During FY20, fees generated by Ingenia from the Joint Venture primarily relate to asset and development management.

Performance

	30 Jun 2020	30 Jun 2019	Change %
Greenfield properties (#)	**2**	2	–
Investment carrying value ($m)	**15.9**	11.6	37%
New home settlements (#)	**7**	–	NM
Fee income ($m)	**0.6**	0.8	(25%)
Share of profit/(loss) from joint venture ($m)	**0.1**	(1.2)	NM

Strategic priorities

The Joint Venture's objective is to acquire greenfield sites in 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 communities at market value. Ingenia generates origination, development and management fees for these services plus a performance fee for above hurdle rate returns.

Directors' Report

For the year ended 30 June 2020 | continued

Ingenia Gardens

Ingenia Gardens comprises 26 rental communities located across the eastern seaboard and Western Australia. Collectively, these communities have 1,376 sites for rent. The portfolio performed ahead of prior year, with record high occupancy of 94.4% at 30 June 2020.

The carrying value of these assets at 30 June 2020 is $139.9 million (30 Jun 2019: $132.1 million).

Performance

	30 Jun 2020	30 Jun 2019	Change %
Rental communities (#)	**26**	26	–
Occupancy (%)	**94.4**	90.8	4%
Rental income ($m)	**22.3**	21.7	3%
Catering income ($m)	**2.5**	2.6	(2%)
EBIT contribution ($m)	**10.2**	10.0	2%
EBIT margin (%)	**40.7**	40.7	–

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.

Funds Management

In November 2019, the Group acquired the share capital of Eighth Gate Capital Management Pty Limited and its wholly owned subsidiaries (collectively, "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.

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 is to leverage the Group's platform to provide additional growth and deliver fund performance to investors.

Capital management of the Group

During the year, the Group raised $328.3 million in new equity through the issue of 89.2 million new securities in FY20. The Group has three debt facilities with a combined facility limit of $450.0 million. The weighted average term to maturity of Ingenia's debt at 30 June 2020 is 3.3 years with the first debt expiry in February 2022. As at 30 June 2020, the debt facilities were drawn to $73.0 million.

The Group's Loan to Value Ratio ("LVR") was 8.4% and gearing was 5.7% at 30 June 2020, which are below FY19 due to the completion of the equity raise in June 2020. The funds raised are anticipated to be deployed across FY21 and FY22.

The Group intends to fund near term growth through deployment of the equity raise proceeds into new acquisitions, operating cash flows, divestment of non-core assets and drawing on committed debt facilities.

Directors' Report

For the year ended 30 June 2020 | continued

Financial position

The following table provides a summary of the Group's financial position as at 30 June 2020:

$'000	30 Jun 2020	30 Jun 2019	Change
Cash and cash equivalents	**10,751**	20,185	(9,434)
Inventories	**36,201**	35,987	214
Assets held for sale	**32,623**	12,835	19,788
Investment properties	**943,958**	846,835	97,123
Deferred tax asset	**13,129**	8,026	5,103
Other assets	**56,192**	29,019	27,173
Total assets	**1,092,854**	952,887	139,967
Borrowings	**85,398**	251,695	(166,297)
Liabilities held for sale	**5,175**	5,694	(519)
Other liabilities	**59,260**	69,751	(10,491)
Total liabilities	**149,833**	327,140	(177,307)
Net assets /equity	**943,021**	625,747	317,274

Assets held for sale represent the carrying value of the Group's investment in the regional lifestyle and holiday assets Albury and Sun Country, development land at Upper Coomera and a deferred management fee village at Gladstone, QLD.

Investment property book value increased by $97.1 million from 30 June 2019. This was primarily due to the acquisition of new communities, investment in community development and changes in fair value.

Borrowings decreased by $166.3 million due to proceeds received from the Group's equity raisings, offset by the acquisition of three lifestyle communities, investment in development and investment in fund management activities.

Cash flow

$'000	30 Jun 2020	30 Jun 2019	Change
Operating cash flow	**67,188**	59,307	7,881
Investing cash flow	**(187,113)**	(126,393)	(60,720)
Financing cash flow	**110,491**	72,821	37,670
Net change in cash and cash equivalents	**(9,434)**	5,735	(15,169)

Operating cash flow for the Group was up 13.3% to $67.2 million, reflecting the contribution from new acquisitions in FY19 and FY20, the growth in recurring net rental income from lifestyle and rental communities, and the cash inflow associated with the sale of new lifestyle homes at an improved margin.

Distributions

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

- On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to $15.2 million which was paid on 26 March 2020.
- On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

FY21 outlook

The Group's strong balance sheet and low level of gearing places Ingenia in a strong position to manage the risks associated with COVID-19. Ingenia expects to be a major beneficiary from the rebound in domestic tourism as international borders remain closed and is well positioned to meet the anticipated increase in demand for affordable housing from downsizers.

The Group will continue to grow its lifestyle communities business in FY21 with a significant development pipeline, an innovative and adaptable sales approach, increasing consumer awareness and demand and a broader range of capital partnerships. The Group will acquire mature lifestyle and holiday communities where on strategy opportunities can be identified.

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

Directors' Report

For the year ended 30 June 2020 | continued

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 financial year are set out in the various reports in this Financial Report. Refer to Note 11 for Australian investment properties acquired during the year, Note 20 for details of debt facility, and Note 22 for issued securities.

Events Subsequent to Reporting Date

Final FY20 distribution

On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

Acquisition of Sunnylake Shores

On 24 July 2020, the Group completed the acquisition of the Sunnylake Shores lifestyle community, located on the Central Coast of NSW, for a purchase price of $16.3 million.

Acquisition of Ballarat

On 28 July 2020, the Group completed the acquisition of a DA approved greenfield development site for a lifestyle community in Ballarat, VIC for a purchase price of $7.0 million.

Operating restrictions due to COVID-19

Post 30 June 2020, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our Holidays assets.

Likely Developments

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

- Developing greenfield sites and expanding existing lifestyle communities;
- Acquiring new communities;
- Growing the funds management platform; 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 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 24.

Directors' Report

For the year ended 30 June 2020 | continued

Non-Audit Services

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

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

Refer to Note 31 of the financial statements for details on the audit and non-audit fees.

Rounding Amounts

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

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

Jim Hazel
Chairman
Adelaide, 18 August 2020

Directors' Report

For the year ended 30 June 2020 | continued

Message from the Remuneration and Nomination Committee

Dear Security holders,

The Board of ICH (Ingenia) is pleased to present the Remuneration Report for FY20. The Board is committed to clear and transparent communication of Ingenia's remuneration arrangements and ongoing review of the Group's remuneration philosophy and practices. Consistent with this commitment, the Remuneration and Nomination Committee (RNC) undertakes regular reviews of the remuneration framework to ensure it is "fit for purpose" and aligns executive remuneration with performance outcomes and security holder returns.

There was no change to the basic structure of Executive Key Management Personnel (KMP) remuneration in FY20. We continue to be mindful of feedback from investors and over the past year reviewed a number of areas of remuneration, including our transparency in relation to achievement of short-term incentive KPIs and the grossing up of distributions on vested rights during the accrual period. Disclosure has been enhanced to address these concerns. We are appreciative of the support received for remuneration resolutions at our AGM in November 2019 and remain committed to ongoing engagement with investors.

Remuneration outcomes for FY20

Management achieved strong financial and operating performance in a year of extraordinary challenge posed by devastating bushfires in January and the COVID-19 pandemic in the final quarter which included mandated closure of a number of Holiday Parks. The Group's return on equity and earnings per security outcomes were adversely impacted by equity raisings completed during the year which strengthened our balance sheet but were dilutive as the proceeds take time to deploy.

During FY20, there was a moderate increase to KMP base salary which was offset by a 20% temporary reduction to salaries in April and May in response to the COVID-19 pandemic and the mandated closure of Ingenia's holiday parks.

Executive Short Term Incentive (STI) awards ranged from 65 to 67 percent of maximum opportunity in FY20, well below the prior year as a result of COVID-19. These outcomes were based on actual results achieved. The Board did not exercise any discretion to adjust for the impacts of the COVID-19 pandemic. The principal financial impacts of COVID-19 were reduced tourism revenues and slowed home settlements. These impacts were offset by the introduction of cost saving measures and the JobKeeper subsidy of $4.4M which allowed the Group to re-engage the majority of employees stood down at the start of the pandemic.

Mr Owen was awarded an STI of 67% based on his performance. Due to the adverse impact of COVID-19 on the business, staff and residents, it was agreed to award all of this STI in the form of deferred rights with no cash component.

The Board determined that the profit sustainability threshold had been met to allow FY19 deferred STIs to vest in full.

Security holders approved the FY20 Long Term Incentive (LTI) performance hurdles for the CEO/MD at the 2019 AGM, with these hurdles also applicable to the CFO and COO. These hurdles link LTI outcomes to security holder returns and the achievement of Return on Equity and underlying earnings growth targets.

Looking ahead

With the impact of the COVID-19 pandemic extending into FY21 the RNC will continue to monitor business performance and remuneration practices to ensure they remain fit for purpose. In particular:

- Review of base salaries has been deferred from the start of the financial year until later in 2020.
- We are considering the impact of a lower growth environment on the performance hurdles for future LTI issues.

We recommend Ingenia's Remuneration Report to investors and seek your support for the resolution to adopt the Remuneration Report at Ingenia's AGM on 10 November 2020.

A Heyworth

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Adelaide, 18 August 2020

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited)

Introduction

The Board is pleased to present the Remuneration Report for the Group for the year ended 30 June 2020, which forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (**Corporations Act**). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Corporations Act.

1. Remuneration Governance

1.1. Remuneration Policy

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

The structure of remuneration, as explained below, is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of long-term value creation for security holders.

The remuneration structures take into account a range of factors, including the following:

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

1.2. Link between remuneration and performance

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

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

Principles	Remuneration Component	Measure
Fixed remuneration should be fair, competitive and benchmarked to comparable market roles.	**Total Fixed Remuneration (TFR)** Annual salary, calculated on a total cost basis to include salary-packaged benefits grossed up for FBT, employer superannuation contributions and other non-cash benefits that may be agreed from time to time.	External benchmarking undertaken by Guerdon Associates. The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually.
A significant portion of remuneration should be 'at risk' and awarded to executives based on the achievement of agreed objectives and hurdles. Remuneration should be aligned to the interests of all security holders and build ownership and alignment. The Board maintains sole discretion over the granting of equity rights as remuneration to employees.	**Short Term Incentive (STIs)** For achievement of STIs in relation to executive KMP, the payment is: – CEO: 33% cash and 67% deferred equity rights – CFO and COO: 50% cash and 50% deferred equity rights STI equity rights are deferred for 12 months. The deferral element is rights to INA stapled securities, plus additional stapled securities equal to the value of distributions during the deferral period on a reinvestment basis. STI equity rights vest subject to a Board assessment and a malus provision during the deferral period where Rights may be forfeited if underlying earnings growth is not sustainable or circumstances set out in the Rights Plan Rules occur (such as fraud, dishonesty, a breach of obligations or material misstatement of Ingenia's financial position).	STIs are awarded to executive KMP whose achievements, behaviour and focus meet the Group's business plan and individual Key Performance Indicators (**KPI's**) measured over the financial year. KPIs comprise: – Financial outcomes – Operational targets – Health and safety – Capital management – People, Culture, Systems & Process

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

Principles	Remuneration Component	Measure
	Long-Term Incentive (LTIs) LTI equity rights are granted to executive KMP to align their focus with the Group's strategy and overall financial outcomes. LTI grants are made in equity rights to ensure alignment with security holders' interests. Each LTI Right vested equals one Ingenia security plus an additional number of Ingenia securities calculated based on the distributions that would have been paid during the relevant period being reinvested.	LTI performance conditions are as follows: – Total Shareholder Return (**TSR**) measured over three financial years. – Return on Equity (**ROE**) performance measured in the third year following the LTI grant. – Average Underlying Earnings per Security (**Underlying EPS**) growth over the three financial years.

1.3. Mix of remuneration components

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

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

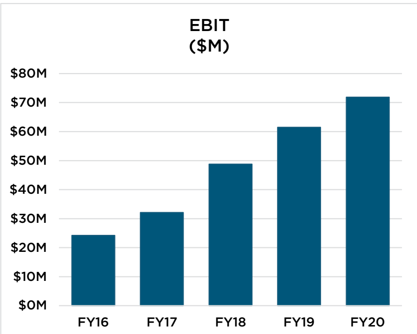
The remuneration mix the RNC is aiming to achieve for executives for FY20 and the maximum remuneration for executive KMP is detailed below.

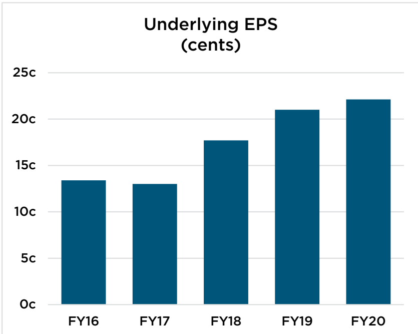
Maximum Total Remuneration	TFR	STI	LTI	Total Remuneration
Simon Owen (CEO)	$700,000	$614,000	$573,000	**$1,887,000**
Nicole Fisher (COO)	$410,000	$240,000	$150,000	**$800,000**
Scott Noble (CFO)	$410,000	$240,000	$150,000	**$800,000**

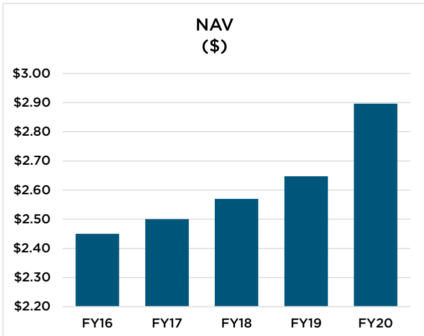
2. Remuneration Outcomes

2.1. Financial performance over the past five years

Despite challenges posed by the COVID-19 pandemic, the Group delivered stable returns, with EBIT, underlying EPS and NAV per security exceeding the record FY19 result. This continued a period of sustained growth over the past five years.







Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

The table below sets out further information about the Group's earnings and movement in security holder wealth for the five years to 30 June 2020:

	FY16	FY17	FY18	FY19	FY20
Income generating sites at 30 June (#)	5,337	6,999	7,170	7,775	**8,614**
EBIT ($'000)	24,200	32,093	48,759	61,490	**71,892**
Total Underlying profit ($'000)	20,161	23,521	36,771	47,221	**59,109**
Statutory profit ($'000)	24,280	26,408	34,243	29,313	**31,452**
Underlying (Basic) EPS(1) (cents)	13.4	13.0	17.7	21.0	**22.1**
Statutory (Basic) EPS(1) (cents)	16.1	14.6	16.5	13.0	**11.8**
Underlying ROE	5.6%	5.4%	7.0%	8.1%	**7.9%**
Statutory ROE	6.7%	6.1%	6.5%	5.0%	**4.2%**
Underlying EPS growth (3-year CAGR)	25.4%	6.4%	11.4%	16.2%	**19.4%**
EBIT Growth (3-year CAGR)	39.4%	38.3%	39.3%	36.5%	**30.8%**
Net asset value per security ($)	2.45	2.50	2.57	2.65	**2.90**
Security price at 30 June ($)	2.87	2.60	3.08	3.24	**4.49**
Distributions (cents)	9.30	10.20	10.75	11.20	**10.0**

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

2.2. Total fixed remuneration of Executive KMP

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

The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually. In reviewing fixed remuneration, the RNC reviews remuneration for comparable roles across a range of active Real Estate Investment Trusts (REITs) as well as property, health and specialised services companies.

For the 2020 financial year TFR increased modestly for the CEO and executive KMP, as shown in the table below. This was subsequently reduced by 20% for 6 weeks as a response to COVID-19.

KMP	FY20 TFR	FY19 TFR	Movement
Simon Owen (CEO)	**$700,000**	$682,500	2.6%
Nicole Fisher (COO)	**$410,000**	$400,000	2.5%
Scott Noble (CFO)	**$410,000**	$400,000	2.5%

Data ranges for the CEO, CFO and COO FY20 TFR were provided by Guerdon Associates. The RNC determined the appropriate TFR of individual KMP with reference to these data ranges and the individual role, experience and responsibilities. Those recommendations were approved by the Board.

2.3. Short-Term Incentive Plan (STIP)

The current Rights Plan was approved by security holders at the AGM held on 12 November 2019. The Rights Plan provides for the grant of Rights, which upon a determination by the Board that the performance conditions have been met, will result in the issue of stapled securities in the Group for each Right.

The Rights Plan provides for the grant of STI and LTI Rights to both executive KMP and other eligible employees.

Under the FY20 Rights Plan, 33% of the maximum STI for the CEO and 50% for the CFO and COO will be paid in cash, with the balance being a deferred equity element.

The FY20 STI Equity Rights are subject to the following terms and conditions:

- A one-year deferral period and are eligible to vest on the date that is 12 months following the grant date, which is expected to be 1 October 2020;
- A 'malus' provision during the deferral period;
- From the vesting date the executive may exercise their rights and have the relevant number of Ingenia securities issued in accordance with a prescribed formula; no amount is payable by the executive KMP for the issue or transfer of Ingenia securities to the executive KMP.

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

The STI award is subject to performance conditions that are summarised in the following table.

The KPIs are set with 'threshold', 'target' and 'stretch' performance levels, with entitlements calculated on a pro-rata basis between these levels. These KPIs have been chosen as they aim to focus individuals on meeting the Group's business plan. The KPIs specific to the executive are outlined below, together with what the Board will consider in determining the achievement of the KPI. Each assessment area is weighted.

The key considerations in assessing performance against the KPIs are:

KPI	Key considerations in achievement	Rating
Financial	– EBIT to exceed threshold level. – Underlying profit per security to exceed threshold level. – Deliver cost management outcomes.	At mid-point of target range
Health & Safety	– Champion and demonstrate safe systems of work. – Identify hazards and reinforce commitment to safe and efficient work practices.	Upper end of target range
Operational	– Achievement of rental growth and operations and sales metrics that deliver on business strategy (established for each executive KMP specific to their area of responsibility).	At mid-point of target range
Capital management	– Capital available on competitive pricing and flexible terms to fund high quality deal flow and development pipeline.	Upper end of target range
People, Culture, Systems & Process	– Cultivate and contribute to a mutually supportive, aligned and highly effective executive team. – Succession planning in place for key roles. – Drive process and system efficiencies resulting in improvements/innovations to further commercial prosperity.	Upper end of target range

The weighting to each of the above KPIs is as follows:

KMP	Financial	Health & Safety	Operational	Capital Management	People, Culture, Systems & Process	Total
Simon Owen (CEO)	40%	–	20%	20%	20%	**100%**
Nicole Fisher (COO)	40%	10%	25%	–	25%	**100%**
Scott Noble (CFO)	40%	–	15%	20%	25%	**100%**

FY20 STI outcomes – Executive KMP

The RNC recommended and the Board approved STIP awards as follows:

KMP	Maximum STIP (% of TFR)	STI Awarded	STIP Awarded as % of maximum STI
Simon Owen (CEO)	87.7%	$411,380	67.0%
Nicole Fisher (COO)	58.5%	$159,360	66.4%
Scott Noble (CFO)	58.5%	$157,440	65.6%

The CEO's maximum potential FY20 STIP deferred equity component was approved by security holders at the AGM held on 12 November 2019.

For FY20, Mr Owen was awarded an STI of 67% based on his performance. Due to the adverse impact of COVID-19 on the business, staff and residents, it was agreed to award all of this STI in the form of deferred rights with no cash component.

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

2.4. Long-Term Incentive Plan (LTIP)

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

Details of the FY19 LTIP Performance Conditions can be found in the 30 June 2019 Remuneration Report, available on the Group's website.

Relative TSR Performance Condition (40%)

The Relative TSR hurdle is growth in Ingenia's TSR relative to growth in the ASX 200 A-REIT index (Index), measured over a three-year period ending on 30 September 2022. Total TSR is the growth in the INA security price plus distributions, assuming distributions are reinvested.

To minimise the impact of any short-term volatility, Ingenia's TSR will be calculated using the weighted average of the closing security price over the 30 days up to and including the trading day prior to the start of the performance period and the 30 days up to and including the end-trading day of the performance period.

FY20 LTIP Rights will vest on the following basis:

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

ROE Performance Condition (30%)

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

ROE is defined as underlying profit divided by weighted average net assets (excluding the impact of asset revaluations on net assets between LTI issue date and the LTI vesting date). For FY20, the relevant metric is ROE achieved for FY22 on the following basis:

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

Average Underlying Earning Per Security (EPS) Performance Condition (30%)

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

Underlying EPS defined as underlying profit divided by the weighted average number of securities outstanding. The relevant metric is Average Underlying EPS Growth for the period FY20 to FY22, with the FY19 base year Underlying EPS being 21.0 cps.

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

The FY20 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30-day trading period ending on 1 October 2019. The number of LTIP Rights granted in FY20 was calculated by dividing the LTIP award by the security value (as defined above).

FY20 LTIP Rights grants will be entitled to Rights to stapled securities plus additional stapled securities equal to distributions paid during the vesting period. The Board aims to have executive KMP incentivised to grow distributions to security holders. Executives do not receive distributions (cash or accrued) on securities underlying any Rights that do not vest or remain unexercised.

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

LTI Awarded in FY20

FY17 LTIP rights were tested on 1 October 2019 resulting in the combined vesting of 132,282 rights for Mr Owen and Ms Fisher. This represented 79.8% of FY17 rights on issue based on the full achievement of the TSR condition and partial achievement of the ROE condition. Unvested LTIP Rights held by KMP during the year were:

	Balance 1 July 2019	Granted	Vested	Lapsed	Balance 30 June 2020
Directors					
Simon Owen	511,680	157,490	(110,855)	(25,181)	**533,134**
Executives					
Nicole Fisher	107,328	40,445	(21,427)	(4,867)	**121,479**
Scott Noble	86,762	38,234	–	–	**124,996**
Total	**705,770**	**236,169**	**(132,282)**	**(30,048)**	**779,609**

Granted rights issued include both new issues and distribution entitlement factor on vested rights. Refer to Note 32 for a summary of all vested and unvested rights.

Summary of LTIPs on issue to KMP

The following table sets out all LTIPs granted to-date and not vested at 30 June 2020.

KMP	Scheme year	Number of rights granted	Fair value of rights per award at award date	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
Simon Owen	FY20	146,052	$1.61	12-Nov-19(1)	$234,945	01-Oct-22	$176,208
	FY19	181,417	$1.22	13-Nov-18(2)	$221,641	01-Oct-21	$92,350
	FY18	205,665	$1.22	14-Nov-17	$251,431	01-Oct-20	$14,667
Nicole Fisher	FY20	38,234	$1.61	01-Oct-19	$61,505	01-Oct-22	$46,128
	FY19	39,872	$1.22	01-Oct-18	$48,712	01-Oct-21	$20,297
	FY18	43,373	$1.17	01-Oct-17	$50,932	01-Oct-20	$2,971
Scott Noble	FY20	38,234	$1.61	01-Oct-19	$61,505	01-Oct-22	$46,128
	FY19	39,872	$1.22	01-Oct-18	$48,712	01-Oct-21	$20,297
	FY18	46,890	$1.17	01-Oct-17	$55,062	01-Oct-20	$3,212
Total		**779,609**			**$1,034,445**		**$422,258**

(1) Grant date following the 2019 AGM with price based on 30-day VWAP at 1 October 2019 to align with other executives.
(2) Grant date following the 2018 AGM with price based on 30-day VWAP at 1 October 2018 to align with other executives.

Mr Owen holds 204,360 vested security rights and Ms Fisher holds 34,300 vested security rights that they have not exercised. Vested rights expire 15 years from the grant date of the LTI Rights and STI Rights.

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

2.5. Executive Remuneration for FY20

The following tables outline the remuneration provided to Executive KMP for FY19 and FY20. Separate to the numbers outlined below, the Group accrues annual leave and long service leave in accordance with statutory requirements.

Statutory presentation

		Short-Term			Post-employment	Share-based payments			Performance related	
FY20 Executive KMP	Financial Year	Salary ($)	STI[1] Cash ($)	Total ($)	Super-annuation Benefits ($)	STI[1] Deferred Rights ($)	LTI expense ($)	Total ($)	STI+LTI (%)	LTI (%)
Simon Owen	**2020**	**663,328**	**–**	**663,328**	**21,003**	**411,380**	**203,242**	**1,298,953**	**47**	**16**
Chief Executive Officer	2019	661,980	163,800	825,780	20,520	327,600	218,847	1,392,747	51	16
Nicole Fisher	**2020**	**380,020**	**79,680**	**459,700**	**21,003**	**79,680**	**45,895**	**606,278**	**34**	**8**
Chief Operating Officer	2019	379,480	96,000	475,480	20,520	96,000	44,002	636,002	37	7
Scott Noble	**2020**	**380,020**	**78,720**	**458,740**	**21,003**	**78,720**	**44,462**	**602,925**	**33**	**7**
Chief Financial Officer	2019	379,480	96,000	475,480	20,520	96,000	30,532	622,532	36	5
Total	**2020**	**1,423,368**	**158,400**	**1,581,768**	**63,009**	**569,780**	**293,599**	**2,508,156**	**41**	**12**
Total	2019	1,420,940	355,800	1,776,740	61,560	519,600	293,381	2,651,281	44	11

(1) Cash STIs were accrued in the year ended 30 June 2020. Deferred STI rights are expensed evenly over the performance and deferral periods.

Actual remuneration received or realised

FY20 Executive KMP	Financial Year	TFR ($)	STI awarded and received as cash[1] ($)	Total cash payments in relation to the financial year ($)	Previous years' STI that were realised[2] ($)	Previous years' LTI that were realised[2] ($)	Total remuneration (received and/or realised) ($)	Awards which lapsed or were forfeited[3] ($)
Simon Owen	**2020**	**684,331**	**–**	**684,331**	**509,812**	**434,552**	**1,628,695**	**98,710**
Chief Executive Officer	2019	682,500	163,800	846,300	307,762	273,605	1,427,667	124,316
Nicole Fisher	**2020**	**401,023**	**79,680**	**480,703**	**145,361**	**83,994**	**710,058**	**19,079**
Chief Operating Officer	2019	400,000	96,000	496,000	96,534	56,215	648,749	25,540
Scott Noble	**2020**	**401,023**	**78,720**	**479,743**	**145,361**	**–**	**625,104**	**–**
Chief Financial Officer	2019	400,000	96,000	496,000	–	–	496,000	–
Total	**2020**	**1,486,377**	**158,400**	**1,644,777**	**800,534**	**518,546**	**2,963,857**	**117,789**
Total	2019	1,482,500	355,800	1,838,300	404,296	329,820	2,572,416	149,856

(1) Represents 33% of Mr Owen's STI award and 50% of Ms Fisher's and Mr Noble's STI award. The remaining share of their respective STI was deferred in Rights which vest over 12 months following the performance year.

(2) This represents the value of all prior years' deferred STI and LTI rights that vested during FY20 based on the 30 day VWAP up to the 1 October 2019 vesting date of $3.92 (1 October 2018: $3.00).

(3) The value shown represents the value of any prior year equity awards that lapsed or were forfeited during the financial year. The FY20 values are based on the 30 day VWAP up to the 1 October 2019 vesting date of $3.92 (1 October 2018: $3.00).

During FY20 KMP salaries were reduced by 20% for a period of 6 weeks, as part of the Group's response to the COVID-19 pandemic and mandated closure of the Groups' holiday parks.

A short-term loan facility of $500,000 was made available to the CEO for a period of 15 days on commercial terms. Interest paid on the facility was $1,060. No balance is outstanding.

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

3. Non-executive Directors' Remuneration

Ingenia Communities Group's remuneration policy for Non-Executive Directors aims to ensure that the Group attracts and retains suitably skilled and experienced individuals to serve on the Board and to remunerate them appropriate for their time, expertise and responsibilities and liabilities as public company directors.

The Nomination and Remuneration Committees is responsible for reviewing and recommending to the Board any changes to Board and Committee remuneration, considering the size and scope of the Group's activities and the responsibilities and liabilities of directors. In developing its recommendations, the Committee may take advice from external consultants.

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

The Board has introduced a policy guideline for NEDs to hold the equivalent of one year's gross fees in Ingenia securities within a period of three years from the date of appointment. Once this hurdle has been met, NEDs are considered compliant with this guideline. All independent NEDs have self-funded the purchase of Ingenia securities on market as shown below in section 3.2.

3.1. Non-Executive Directors' Fees

The NED fee is reviewed annually with any changes effective 1 December. Annual NED fees, inclusive of superannuation, are detailed below:

	1 Dec 2019	1 Dec 2018
Chairman	$196,500	$191,500
Non-Executive Director	$101,500	$99,000
Deputy Chairman	$20,500	$20,000
Committee Chair	$15,350	$15,000
Committee Member	$2,600	$2,600

During FY20 Directors fees were reduced by 20% for a period of 2 months, as part of the Group's response to the COVID-19 pandemic.

3.2. Non-Executive Directors' Remuneration

The maximum aggregate fee pool available to NEDs is $1,000,000 as stipulated in the Constitution that was adopted prior to the Group's internalisation in 2012. Total remuneration paid to Directors in FY20 was $651,213, well below the total remuneration available to Directors.

The following table outlines the remuneration provided to NEDs for FY20 and FY19, inclusive of superannuation, and their compliance with the policy outlined above in relation to self-funding a security holding in excess of one year's gross Director fees.

NEDs – Directors' fees	FY20 ($)	FY19 ($)	Compliance with security holding policy
Jim Hazel	**188,509**	187,542	Yes
Robert Morrison	**133,848**	127,833	Yes
Amanda Heyworth	**125,398**	125,250	Yes
Andrew McEvoy	**101,238**	101,917	Yes
Pippa Downes	**58,887**	–	Yes
Gary Shiffman(1)	**–**	–	NA
John McLaren (Alternate)(1)	**–**	–	NA
Former Non-Executive Directors			
Valerie Lyons	**43,333**	101,917	NA
Total	**651,213**	644,459	

(1) Mr Shiffman is the appointed Nominee Director of Sun Communities which is entitled to appoint a Director to the Board of ICH, in accordance with the Subscription Agreement between ICH and Sun Communities which was entered into on 7 November 2018. Mr Shiffman appointed Mr McLaren as his Alternate Director effective 18 February 2019. As nominees of Sun Communities neither Mr Shiffman nor Mr McLaren are remunerated by ICH.

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

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

4. Other Remuneration Information

4.1. Remuneration governance

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

The RNC comprises the following NEDs:

- Amanda Heyworth (Chair);
- Robert Morrison; and
- Andrew McEvoy.

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

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

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

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

4.2. External remuneration advisers

Guerdon Associates, initially engaged in March 2014, provided independent remuneration advice during FY20 in respect of KMP and reviewed the rules of the Group's incentive plan. Guerdon Associates have been commissioned by, engaged with, and addressed reports directly to the Chair of the RNC.

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

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

Directors' Report

For the year ended 30 June 2020 | continued

Remuneration Report (Audited) (continued)

4.3. Ingenia Communities Group equity held by key management personnel

The table below shows securities held indirectly or beneficially by each KMP, including their related parties (excluding unvested equity holdings where applicable – refer to section 2.4 and Note 32). This table highlights the direct exposure that each Director and executive KMP has to the Ingenia Communities Group security price.

	Balance 1 July 2019	Acquisitions	Disposals	Balance 30 June 2020
Non-Executive KMP				
Jim Hazel	**357,755**	60,786	–	**418,541**
Robert Morrison	**143,822**	59,015	–	**202,837**
Amanda Heyworth	**129,507**	49,134	–	**178,641**
Andrew McEvoy	**14,815**	25,101	–	**39,916**
Pippa Downes	**–**	32,148	–	**32,148**
Gary Shiffman(1)	**23,560,866**	9,011,716	–	**32,572,582**
John McLaren(1)	**23,560,866**	9,011,716	–	**32,572,582**
Executive KMP				
Simon Owen(2)(3)	**1,180,528**	275,416	(10,286)	**1,445,658**
Nicole Fisher(3)	**291,638**	21,427	(68,000)	**245,065**
Scott Noble(3)	**6,000**	66,277	(37,082)	**35,195**

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

(2) Mr Owen disposed of his securities in FY20 to meet personal tax obligations.

(3) A portion of securities acquired by Mr Owen, Ms Fisher and Mr Noble result from the exercise of FY17 LTIP and FY18 STIP rights which vested in FY20.

Ms Lyons opening security holding at 1 July 2019 was 35,655 and at the date of her resignation (30 November 2019) was 38,390 reflecting acquisitions of 2,735 in the period up until her resignation. As she is no longer a KMP she has not been included in the above table.

4.4. Executive KMP Employment Contracts and Termination Arrangements

Contract terms

The Managing Director and other Executive KMP are on rolling contracts until notice of termination is given by either Ingenia Communities Group or the relevant Executive KMP. The notice period for the Managing Director and other Executive KMP is twelve and six months respectively. In appropriate circumstances, payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements.

Other contract terms are noted below:

	Managing Director	Other Non-Executive KMP
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.	
Variable remuneration(1)	– Eligible for STI of up to 87.7% for any one year of the fixed annual remuneration, of which 66.6% is in the form of deferred equity. – Eligible for LTI of up to 81.9% for any one year of fixed annual remuneration.	– Eligible for STI of up to 58.5% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. – Eligible for LTI of up to 36.6% for any one year of fixed annual remuneration.
Non-compete period	12 months	
Non-solicitation period	12 months	

(1) The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the Executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.

Directors' Report

For the year ended 30 June 2020 | continued

Treatment of Rights

Where a Participant holding unvested Rights ceases to be an employee of the Group, those Rights immediately lapse. Notwithstanding the above, where a Participant holding unvested Rights ceases to be an employee of the Group due to a Qualifying Reason, the Board may determine in its discretion, the treatment of those unvested Rights.

Qualifying Reason means:

- the death, total and permanent disablement, retirement or redundancy of the Participant as determined by the Board in its absolute discretion; or
- any other reason with the approval of the Board.

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

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

4.5. Details of KMP

KMP for the year ended 30 June 2020 are those persons identified as having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Group, and include any Executive Director or NED of the Group.

KMP of the Group for the year ended 30 June 2020 have been determined by the Board as follows:

KMP	Position	Term
Non-Executive KMP		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Andrew McEvoy	Director	Full year
Pippa Downes	Director	Appointed 4 December 2019
Gary Shiffman	Director	Full year
John McLaren	Alternate Director	Full year
Valerie Lyons	Director	Resigned, effective 30 November 2019
Executive KMP		
Simon Owen	CEO & Managing Director	Full year
Nicole Fisher	Chief Operating Officer	Full year
Scott Noble	Chief Financial Officer	Full year

Signed in accordance with resolution of the Directors.

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Adelaide, 18 August 2020

Auditor's Independence Declaration

For the year ended 30 June 2020

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

As lead auditor for the audit of the financial report of Ingenia Communities Holdings Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Yvonne Barnikel
Partner
18 August 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	30 Jun 2020 $'000	30 Jun 2019 $'000
Rental income	5	**94,523**	89,758
Ancillary guest and resident income		**7,337**	6,626
Lifestyle home sales		**126,840**	119,060
Service station sales		**7,299**	7,016
Food and beverage sales		**5,394**	4,932
Fee income		**2,435**	814
Other revenue		**381**	502
Revenue		**244,209**	228,708
Property expenses		**(27,425)**	(26,869)
Cost of lifestyle homes sold		**(66,994)**	(67,109)
Employee expenses		**(49,929)**	(48,038)
Administrative expenses		**(8,014)**	(7,637)
Operational, marketing and selling expenses		**(10,432)**	(9,801)
Service station expenses		**(6,279)**	(6,153)
Depreciation and amortisation expense	12,13,14	**(3,244)**	(1,611)
Operating profit before interest and tax		**71,892**	61,490
Net finance expense	6	**(6,649)**	(7,582)
Operating profit before tax		**65,243**	53,908
Share of joint venture income/(loss)	15	**134**	(1,157)
Net (loss)/gain on change in fair value of:			
Investment properties	11(b)	**(33,807)**	(18,962)
Financial liabilities		**(2,195)**	(5,400)
Other financial instruments		**32**	(2,288)
Other		**(1,567)**	(2,290)
Profit before income tax		**27,840**	23,811
Income tax benefit	7	**3,612**	5,502
Net profit for the year		**31,452**	29,313
Total comprehensive income for the year net of income tax		**31,452**	29,313

	Note	30 Jun 2020 Cents	30 Jun 2019 Cents
Distributions per security paid[1]		**11.4**	11.1
Earnings/(loss) per security:			
Basic earnings/(loss)			
Per security	4(a)	**11.8**	13.0
Per security attributable to parent	4(b),33	**(1.0)**	2.0
Diluted earnings/(loss) per security			
Per security	4(a)	**11.7**	12.9
Per security attributable to parent	4(b),33	**(1.0)**	1.9

(1) Distributions relate to the amount paid during the financial year. A final FY20 distribution of 4.4 cps was declared on 18 August 2020 (payment due on 24 September 2020) resulting in a total FY20 distribution of 10.0 cps.

Consolidated Balance Sheet

As at 30 June 2020

	Note	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		**10,751**	20,185
Trade and other receivables	8	**8,794**	6,232
Inventories	9	**36,201**	35,987
Assets held for sale	10(a)	**32,623**	12,835
Total current assets		**88,369**	75,239
Non-current assets			
Trade and other receivables	8	**1,892**	1,917
Investment properties	11	**943,958**	846,835
Investment in a joint venture	15	**15,926**	11,593
Other financial assets	16	**13,862**	2,263
Plant and equipment	12	**5,158**	5,018
Intangibles	13	**8,339**	1,996
Right-of-use assets	14	**2,221**	–
Deferred tax asset	18	**13,129**	8,026
Total non-current assets		**1,004,485**	877,648
Total assets		**1,092,854**	952,887
Current liabilities			
Trade and other payables	19	**41,488**	52,940
Borrowings	20	**1,849**	765
Employee liabilities		**2,481**	1,961
Other financial liabilities	21	**3,577**	1,100
Liabilities held for sale	10(b)	**5,175**	5,694
Provision for income tax		**1,486**	–
Derivatives and other financial instruments	29(i)	**–**	70
Total current liabilities		**56,056**	62,530
Non-current liabilities			
Borrowings	20	**83,549**	250,930
Other financial liabilities	21	**9,588**	10,800
Employee liabilities		**640**	445
Derivatives and other financial instruments	29(i)	**–**	2,435
Total non-current liabilities		**93,777**	264,610
Total liabilities		**149,833**	327,140
Net assets		**943,021**	625,747
Equity			
Issued securities	22(a)	**1,218,908**	900,417
Reserves	23	**(1,933)**	1,933
Accumulated losses	24	**(273,954)**	(276,603)
Total equity		**943,021**	625,747
Net asset value per security ($)		**$2.90**	$2.65

Consolidated Cash Flow Statement

For the year ended 30 June 2020

	Note	30 Jun 2020 $'000	30 Jun 2019 $'000
Cash flows from operating activities			
Rental and other property income		**116,115**	107,444
Property and other expenses		**(102,656)**	(93,300)
Government subsidy		**2,906**	-
Proceeds from sale of lifestyle homes		**140,372**	131,629
Purchase of lifestyle homes		**(80,887)**	(75,909)
Proceeds from sale of service station inventory		**8,082**	7,810
Purchase of service station inventory		**(6,966)**	(7,086)
Net movement in resident loans		**(465)**	(2,410)
Interest received		**85**	121
Borrowing costs paid		**(9,398)**	(8,992)
	35	**67,188**	59,307
Cash flows from investing activities			
Payments for acquisition of investment properties		**(85,600)**	(78,836)
Additions to investment properties		**(77,390)**	(65,988)
Purchase and additions of plant and equipment		**(2,088)**	(2,180)
Purchase and additions of intangible asset		**(656)**	(390)
Proceeds from sale of investment properties		**2,591**	32,172
Payments for acquisition of financial assets		**(13,847)**	-
Net payments for acquisition of subsidiaries	17	**(5,923)**	-
Investment in joint venture		**(4,200)**	(12,750)
Other		**-**	1,579
		(187,113)	(126,393)
Cash flows from financing activities			
Proceeds from issue of stapled securities		**328,337**	89,391
Payments for security issue costs		**(9,846)**	(3,217)
Distributions to security holders		**(28,877)**	(24,295)
Proceeds from borrowings		**201,000**	136,706
Repayment of borrowings		**(369,000)**	(124,705)
Payments for debt issue costs		**(698)**	(360)
Termination of derivatives		**(2,496)**	-
Payment for securities under security plan		**(4,980)**	-
Other		**(2,949)**	(699)
		110,491	72,821
Net (decrease)/increase in cash and cash equivalents		**(9,434)**	5,735
Cash and cash equivalents at the beginning of the year		**20,185**	14,450
Cash and cash equivalents at the end of the year		**10,751**	20,185

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

		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		–	–	18,085	18,085	13,367	31,452
Total comprehensive income for the year		**–**	**–**	**18,085**	**18,085**	**13,367**	**31,452**
Transactions with security holders in their capacity as security holders:							
Issue of securities	22(a)	23,202	–	–	23,202	295,289	318,491
Share based payment transactions	23	–	884	74	958	–	958
Payment of distributions to security holders	24	–	–	–	–	(28,877)	(28,877)
Payments to employee share trust	23	–	(4,750)	–	(4,750)	–	(4,750)
Carrying value 30 Jun 2020		**36,187**	**(1,933)**	**38,353**	**72,607**	**870,414**	**943,021**
Carrying value 1 Jul 2018		**11,216**	**1,393**	**(1,782)**	**10,827**	**523,046**	**533,873**
Net profit		–	–	9,686	9,686	19,627	29,313
Total comprehensive income for the year		**–**	**–**	**9,686**	**9,686**	**19,627**	**29,313**
Transactions with security holders in their capacity as security holders:							
Issue of securities	22(a)	1,769	–	–	1,769	84,405	86,174
Share based payment transactions	23	–	800	142	942	–	942
Payment of distributions to security holders	24	–	–	–	–	(24,295)	(24,295)
Transfers from reserves	23	–	(260)	–	(260)	–	(260)
Other		–	–	12,148	12,148	(12,148)	–
Carrying value 30 Jun 2019		**12,985**	**1,933**	**20,194**	**35,112**	**590,635**	**625,747**

Notes to the Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies

(a) The Group

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

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

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

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

The financial report as at and for the year ended 30 June 2020 was authorised for issue by the Directors on 18 August 2020.

(b) Basis of preparation

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

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

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

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

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

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

(c) Adoption of new and revised accounting standards

The Group has adopted, for the first time, AASB 16 *Leases* for reporting periods beginning on 1 July 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.

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

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 value 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 20).

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

The Group has adopted for the first time AASB Interpretation 23 *Uncertainty over income tax treatment* for reporting periods beginning on 1 July 2020. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, the Group assessed whether the Interpretation had an impact on its consolidated financial statements and determined that the Interpretation did not have an impact.

(d) Principles of consolidation

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

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

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

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

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

(e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value aggregate of the consideration transferred at acquisition. 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 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.

(f) Assets held for sale

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

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

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

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

(g) Dividends and distributions

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(h) Foreign currency

Functional and presentation currencies:

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

Translation of foreign currency transactions:

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

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

(i) Leases

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.

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 20).

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

Prior year leases policy

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

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

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

(j) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment, and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment require replacing at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying value of the plant and equipment as a replacement, if the recognition criteria are satisfied.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(k) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 9 *Financial Instruments* are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method.

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

(l) Impairment of non-financial assets

Assets other than investment property and financial assets carried at fair value are tested for impairment whenever events or circumstance changes indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets excluding goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Cash and cash equivalents

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

(n) Trade and other receivables

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

(o) Inventories

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

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

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

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

(p) Derivative and financial instruments

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

(q) Investment property

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

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

(r) Intangible assets

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

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

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

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

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

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

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

(s) Trade and other payables

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

(t) Provisions, including employee benefits

General:

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

Wages, salaries, annual leave and sick leave:

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

Long service leave:

The liability for long service leave is recognised and measured as the present value of expected future payments made in respect of services provided by employees, up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employees departing, and period of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Resident loans

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

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

Refer to Note 1(cc) and Note 29(k) for information regarding the valuation of resident loans.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(v) Borrowings

Borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums that are yield related are included as part of the carrying value of the borrowing, and amortised over its expected life.

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

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

(w) Issued equity

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

(x) Revenue

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

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

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

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

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

(y) Share-based payment transactions

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

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

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

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

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

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

(z) Income tax

Current income tax:

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

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

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

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

Deferred income tax:

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

Tax consolidation:

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

(aa) Goods and services tax ("GST")

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

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

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

(bb) Investment in a joint venture

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(cc) Fair value measurement

The Group measures financial instruments, such as derivatives, investment properties, resident loans, certain non-financial assets and non-financial liabilities, at fair value at each balance sheet date. Refer to Note 29.

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

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

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy (see Note 29).

(dd) Earnings per share ("EPS")

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

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

(ee) Pending accounting standards

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.

(ff) Current versus non-current classification

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

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

A liability is current when it is:

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

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

(gg) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense, it is recognised net of the related expense for which it is intended to compensate. There are no unfilled conditions or other contingencies attached to the grants.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

2. Accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumptions

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

i. Valuation of investment property, other financial assets and other financial liabilities

The Group has investment properties and assets held for sale which together represent the estimated fair value of the Group's investment property. Other financial assets represent the Groups investment in a number of unlisted property funds. Other financial liabilities relate to a profit share arrangement with a third-party which is carried at fair value.

The carrying value of these assets 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. Refer to Note 11 for the impact of COVID-19 on valuation assumptions.

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

ii. Valuation of inventories

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

iii. Valuation of resident loans

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

iv. Calculation of deferred management fees ("DMF")

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

(b) Critical judgements in applying the entity's accounting policies

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information

(a) Description of segments

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

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

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

(b) 2020

	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	76,710	126,840	25,039	12,690	2,930	**244,209**
Total revenue	**76,710**	**126,840**	**25,039**	**12,690**	**2,930**	**244,209**
Segment underlying profit						
External segment revenue	76,710	126,840	25,039	12,690	2,930	**244,209**
Property expenses	(18,168)	(1,005)	(6,740)	(659)	(853)	**(27,425)**
Cost of lifestyle homes sold	–	(66,994)	–	–	–	**(66,994)**
Employee expenses	(22,307)	(12,578)	(5,996)	(2,918)	(6,130)	**(49,929)**
Administrative expenses	(3,207)	(1,293)	(965)	(67)	(2,482)	**(8,014)**
Operational, marketing and selling expenses	(2,583)	(4,186)	(902)	(2,126)	(635)	**(10,432)**
Service station expenses	–	–	–	(6,279)	–	**(6,279)**
Depreciation and amortisation expense	(599)	(880)	(233)	(52)	(1,480)	**(3,244)**
Earnings before interest and tax	**29,846**	**39,904**	**10,203**	**589**	**(8,650)**	**71,892**
Share of profit of a joint venture						**134**
Net finance expense						**(6,649)**
Income tax expense						**(6,268)**
Underlying profit						**59,109**
Net (loss)/gain on change in fair value of:						
Investment properties						**(33,807)**
Financial liabilities						**(2,195)**
Other financial instruments						**32**
Other						**(1,567)**
Income tax benefit						**9,880**
Profit after tax						**31,452**
Segment assets						
Segment assets	679,990	167,980	142,703	316	69,242	**1,060,231**
Assets held for sale	23,948	–	–	–	8,675	**32,623**
Total assets	**703,938**	**167,980**	**142,703**	**316**	**77,917**	**1,092,854**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information (continued)

(c) 2019

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

4. Earnings per security

	30 Jun 2020	30 Jun 2019
(a) Per security		
Profit attributable to security holders ($'000)	**31,452**	29,313
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**267,272**	224,872
Dilutive securities (thousands):		
Long-term incentives	**1,542**	1,237
Short-term incentives	**264**	265
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**269,078**	226,374
Basic earnings per security (cents)	**11.8**	13.0
Dilutive earnings per security (cents)	**11.7**	12.9
(b) Per security attributable to parent		
(Loss)/profit attributable to security holders ($'000)	**(2,722)**	4,402
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**267,272**	224,872
Dilutive securities (thousands):		
Long-term incentives	**1,542**	1,237
Short-term incentives	**264**	265
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**269,078**	226,374
Basic earnings per security (cents)	**(1.0)**	2.0
Dilutive earnings per security (cents)	**(1.0)**	1.9

5. Revenue

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Rental income		
Residential rental income – Ingenia Gardens	**22,326**	21,717
Residential rental income – Lifestyle and Holidays	**31,829**	25,008
Annuals rental income – Lifestyle and Holidays	**4,462**	4,680
Tourism rental income – Lifestyle and Holidays	**35,508**	38,023
Commercial rental income – Lifestyle and Holidays	**398**	330
Total rental income	**94,523**	89,758

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

6. Net finance expense

	30 Jun 2020 $'000	30 Jun 2019 $'000
Interest income	(85)	(121)
Debt facility interest expense	6,167	7,307
Lease interest expense [(1)]	567	396
Net finance expense	6,649	7,582

(1) Lease interest expense relates to lease of right-of-use assets and certain ground leases for investment properties that are long term in nature.

Interest costs of $3,136,000 have been capitalised into investment properties associated with development assets (30 Jun 2019: $3,004,000).

7. Income tax benefit

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Income tax benefit		
Current tax expense	(898)	(3,556)
Increase in deferred tax asset	4,510	9,058
Income tax benefit	3,612	5,502
(b) Reconciliation between tax expense and pre-tax profit		
Profit before income tax	27,840	23,811
Less amounts not subject to Australian income tax	(20,380)	(25,662)
	7,460	(1,851)
Income tax expense at the Australian tax rate of 30% (30 Jun 2019: 30%)	(2,238)	555
Tax effect of amounts which impact tax expense:		
Prior period income tax return true-ups	1,314	859
Recognition of previously unrecognised tax losses	-	1,839
Other	4,536	2,249
Income tax benefit	3,612	5,502

(c) Tax consolidation

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

8. Trade and other receivables

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current		
Trade receivables	**1,775**	636
Prepayments	**3,036**	2,993
Deposits	**260**	812
Other receivables	**3,723**	1,791
Total current trade and other receivables	**8,794**	6,232
Non-current		
Other receivables	**1,892**	1,917

9. Inventories

	30 Jun 2020 $'000	30 Jun 2019 $'000
Lifestyle homes:		
Completed	**27,150**	19,320
Display homes	**2,514**	1,895
Under construction	**6,222**	14,455
Fuel, food and beverage supplies	**315**	317
Total inventories	**36,201**	35,987

The lifestyle home balance includes:

- 132 new completed homes (30 Jun 2019: 99)
- 12 refurbished/renovated/annuals completed homes (30 Jun 2019: 18)
- 20 display homes (30 Jun 2019: 9)
- Lifestyle homes under construction includes 52 partially completed homes at different stages of development (30 Jun 2019: 84). It also includes demolition, site preparation costs and buybacks on future development sites.

10. Assets and liabilities held for sale

(a) Summary of carrying value - Assets

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
Investment properties held for sale:		
Gladstone, South Gladstone, QLD	**8,675**	10,173
Albury, Lavington, NSW	**4,475**	–
Sun Country, Mulwala, NSW	**8,973**	–
Upper Coomera, Upper Coomera, QLD	**10,500**	–
Mudgee Valley, Mudgee, NSW	**–**	2,662
Total assets held for sale	**32,623**	12,835

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

10. Assets and liabilities held for sale (continued)

(b) Summary of carrying value – Liabilities

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

	30 Jun 2020 $'000	30 Jun 2019 $'000
Net resident loans – Gladstone	**5,175**	5,694
Total liabilities held for sale	**5,175**	5,694

11. Investment properties

(a) Summary of carrying value

	30 Jun 2020 $'000	30 Jun 2019 $'000
Completed properties	**812,667**	697,447
Properties under development	**131,291**	149,388
Total carrying value	**943,958**	846,835

(b) Movements in carrying value

	Note	30 Jun 2020 $'000	30 Jun 2019 $'000
Carrying value at the beginning of the year		**846,835**	730,437
Acquisitions		**84,227**	85,543
Expenditure capitalised		**69,153**	69,611
Net loss on change in fair value		**(32,309)**	(18,962)
Transfer to assets held for sale	10(a)	**(23,948)**	(12,835)
Disposals		**–**	(6,959)
Carrying value at the end of the year		**943,958**	846,835

Fair value hierarchy disclosures for investment properties have been provided in Note 30(a).

(c) Reconciliation of fair value

	Ingenia Gardens $'000	Lifestyle and Holidays $'000	Total $'000
Carrying value at the beginning of the year	**132,140**	**714,695**	**846,835**
Acquisitions	–	84,227	84,227
Expenditure capitalised	2,638	66,515	69,153
Net gain/(loss) on change in fair value	5,092	(37,401)	(32,309)
Transfer to assets held for sale	–	(23,948)	(23,948)
Carrying value at the end of the year	**139,870**	**804,088**	**943,958**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

(d) Individual property carrying value

Completed properties	Carrying value 30 Jun 2020 $'000	30 Jun 2019 $'000
Ingenia Gardens:		
Brooklyn, Brookfield, VIC	**5,420**	5,170
Carey Park, Bunbury, WA	**5,200**	4,900
Horsham, Horsham, VIC	**5,180**	4,700
Jefferis, Bundaberg North, QLD	**4,350**	4,300
Oxley, Port Macquarie, NSW	**5,380**	5,150
Townsend, St Albans Park, VIC	**5,170**	5,100
Yakamia, Yakamia, WA	**4,660**	4,600
Goulburn, Goulburn, NSW	**5,400**	4,940
Coburns, Brookfield, VIC	**5,190**	5,070
Hertford, Sebastopol, VIC	**4,290**	4,500
Seascape, Erskine, WA	**4,850**	4,410
Seville Grove, Seville Grove, WA	**3,770**	4,070
St Albans Park, St Albans Park, VIC	**5,930**	5,750
Taloumbi, Coffs Harbour, NSW	**6,480**	5,630
Wheelers, Dubbo, NSW	**6,230**	5,760
Taree, Taree, NSW	**4,920**	4,900
Grovedale, Grovedale, VIC	**5,580**	5,250
Marsden, Marsden, QLD	**11,670**	11,130
Swan View, Swan View, WA	**8,700**	7,980
Dubbo, Dubbo, NSW	**6,350**	5,560
Ocean Grove, Mandurah, WA	**3,920**	3,790
Peel River, Tamworth, NSW	**4,790**	4,640
Sovereign, Ballarat, VIC	**4,040**	3,050
Wagga, Wagga Wagga, NSW	**3,960**	3,580
Bathurst, Bathurst, NSW	**4,300**	4,380
Warrnambool, Warrnambool, VIC	**4,140**	3,830
	139,870	132,140

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

Completed properties	Carrying value 30 Jun 2020 $'000	Carrying value 30 Jun 2019 $'000
Ingenia Lifestyle and Holidays:		
The Grange, Morisset, NSW	**22,534**	18,922
Ettalong Beach, Ettalong Beach, NSW(2)	**6,953**	7,129
Albury, Lavington, NSW(1)	**–**	3,993
Nepean River, Emu Plains, NSW	**13,263**	13,235
Kingscliff, Kingscliff, NSW	**15,349**	15,138
One Mile Beach, One Mile, NSW(2)	**20,260**	19,662
Hunter Valley, Cessnock, NSW	**8,525**	8,019
Sun Country, Mulwala, NSW(1)	**–**	8,006
Stoney Creek, Marsden Park, NSW	**22,319**	20,469
White Albatross, Nambucca Heads, NSW	**26,575**	29,586
Noosa, Tewantin, QLD	**18,832**	18,500
Chambers Pines, Chambers Flat, QLD	**35,135**	30,393
Lake Macquarie (Holidays), Mannering Park, NSW	**9,114**	8,559
Sydney Hills, Dural, NSW	**15,848**	15,800
Bethania, Bethania, QLD	**14,621**	9,586
Conjola Lakeside, Lake Conjola, NSW	**39,534**	33,766
Soldiers Point, Port Stephens, NSW	**16,331**	15,750
Lara, Lara, VIC	**28,883**	20,994
South West Rocks, South West Rocks NSW(2)	**12,673**	12,282
Broulee, Broulee, NSW(2)	**6,510**	6,544
Ocean Lake, Ocean Lake, NSW	**9,783**	9,450
Avina, Vineyard, NSW	**22,485**	23,599
Hervey Bay (Holidays), Hervey Bay, QLD	**9,652**	9,800
Latitude One, Port Stephens, NSW(3)	**21,744**	8,161
Blueys Beach, Blueys Beach, NSW	**1,148**	2,949
Cairns Coconut, Woree, QLD	**55,920**	57,002
Bonny Hills, Bonny Hills, NSW	**13,900**	13,900
Durack Gardens, Durack, QLD	**27,709**	25,954
Eight Mile Plains, Eight Mile Plains, QLD	**27,063**	26,646
Plantations, Woolgoolga, NSW	**10,381**	864
Hervey Bay (Lifestyle), Hervey Bay, QLD	**1,124**	–
Rivershore, Diddillibah, QLD	**24,300**	23,250
Brisbane North, Aspley, QLD	**30,000**	29,500
Byron Bay, Byron Bay, NSW(2)	**18,079**	17,899
Taigum, Taigum, QLD	**17,250**	–
Bevington Shores, Halekulani, NSW	**25,000**	–
Lake Munmorah, Lake Munmorah, NSW	**24,000**	–
	672,797	565,307
Total completed properties	**812,667**	697,447

(1) Classified as held for sale at 30 June 2020.

(2) Includes a land component that is leased from the Crown, local municipalities or private lessors and are recognised as investment property with an associated ground lease. The value of the capitalised lease carried within investment property is $11,515,000 (30 June 2019: $11,850,000).

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

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.

Properties under development	Carrying value 30 Jun 2020 $'000	Carrying value 30 Jun 2019 $'000
Ingenia Lifestyle and Holidays:		
The Grange, Morisset, NSW	-	3,656
Albury, Lavington, NSW(1)	-	3,166
Hunter Valley, Cessnock, NSW	-	935
Sun Country, Mulwala, NSW(1)	-	1,030
Stoney Creek, Marsden Park, NSW	2,029	2,699
Chambers Pines, Chambers Flat, QLD	16,600	11,926
Bethania, Bethania, QLD	16,140	15,060
Conjola, Lake Conjola, NSW	3,992	10,370
Lara, Lara, VIC	7,060	7,090
South West Rocks, South West Rocks NSW(2)	-	553
Avina, Vineyard, NSW	13,020	10,400
Latitude One, Port Stephens, NSW(3)	23,062	32,944
Blueys Beach, Blueys Beach, NSW	6,452	3,410
Durack Gardens, Durack, QLD	2,066	3,218
Eight Mile Plains, Eight Mile Plains, QLD	2,096	3,468
Plantations, Woolgoolga, NSW	24,068	21,913
Hervey Bay (Lifestyle), Hervey Bay, QLD	11,956	7,550
Upper Coomera, Upper Coomera, QLD(1)	-	10,000
Rivershore, Diddillibah, QLD	2,750	-
Properties under development	**131,291**	149,388
Total investment properties	**943,958**	846,835

(1) Classified as held for sale at 30 June 2020.

(2) Includes a land component that is leased from the Crown, local municipalities or private lessors and are recognised as investment property with an associated ground lease. The value of the capitalised lease carried within investment property is $11,515,000 (30 June 2019: $11,850,000).

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

Investment properties are carried at fair value in accordance with the Group's accounting policy (Note 1 (q)). 13 Lifestyles villages and 2 Ingenia Garden villages were externally valued across May and June 2020.

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

(e) Description of valuations techniques used and key inputs to valuation on investment properties

	Valuation technique	Significant unobservable inputs	Range (weighted average) 30 Jun 2020	Range (weighted average) 30 Jun 2019	Relationship of unobservable input to fair value
Ingenia Gardens	Capitalisation method	Stabilised occupancy	78% – 97% (92.0%)	76% – 98% (92.0%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
		Capitalisation rate	9.4% – 10.3% (9.7%)	8.8% – 10.5% (10.0%)	Capitalisation has an inverse relationship to valuation.
Ingenia Lifestyle and Holidays	Capitalisation method (for existing rental streams)	Short-term occupancy	20% – 80% for powered and camp sites; 30% – 80% for tourism and short-term rental	20% – 80% for powered and camp sites; 30% – 80% for tourism and short-term rental	The higher the occupancy, the greater the value.
		Residential occupancy	100%	100%	
		Operating profit margin	30% – 80% dependent upon short-term and residential accommodation mix	20% – 76% dependent upon short-term and residential accommodation mix	A COVID-19 net profit shortfall adjustment has also been incorporated for some assets in line with external valuation methodology.
		Capitalisation rate	5.90% – 12.25%	6.3% – 12.3%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for investment properties under development)	Discount rate	8.0% – 16.5%	8.3% – 17.9%	Discount rate has an inverse relationship to valuation.
Gladstone DMF Village	Discounted cash flow	Current market value per unit	$125,000 – $185,000	$125,000 – $230,000	Market value and growth in property value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Long-term property growth rate	2.0%	0.0%	
		Average length of stay – future residents	7.2 years	8.9 years	Average length of stay has an inverse relationship with valuations. The longer the length of stay, later the company is able to recognise the deferred management fee accrued.
		Discount rate	11.5%	14.5%	

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

Capitalisation method

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

Discounted cash flow method

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

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

COVID-19 Valuation impact

In response to the uncertainty surrounding the COVID-19 pandemic, a COVID-19 net profit shortfall adjustment has also been incorporated for some assets in line with external valuation methodology. In assessing the fair value of investment properties, the Group has considered the following:

Segment	COVID-19 Considerations
Ingenia Gardens	– Limited increase in operational costs. – Recent occupancy rates are at historical highs, indicating strong segment resilience. – Strong debtor collection with no increase in defaults.
Ingenia Lifestyle and Rentals	– Limited increase in operational costs. – Strong debtor collection with no increase in defaults. – Continued market transactions in comparable lifestyle assets supporting capitalisation rates.
Ingenia Holidays	– Limited increase in operational costs. – Strong forward bookings for majority of assets. – Impact of travel restrictions on revenue.
Lifestyle Development	– Short term slow down in the residential housing market and the impact on settlements. – Limited impact on development progress.

Given the constantly changing nature of the situation, the fair value at reporting date involves uncertainties around the underlying assumptions. The external valuations undertaken during the period, contained material valuation uncertainty clauses given the impacts of COVID-19 and reduced levels of transactional evidence during the period. The valuation can be relied upon at the date of valuation however, a higher level of valuation uncertainty than normal is assumed. In the event that COVID-19 impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of Ingenia's investment properties.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

11. Investment properties (continued)

(f) Sensitivity analysis

The Group performed a sensitivity analysis to assess the impact on the fair value of investment properties given the uncertainty associated with COVID-19. The below tables summarise the fair value movements associated with changes in capitalisation rates and discount rates:

Investment Properties $'000	Fair value at 30 June 2020	Capitalisation rate impact -0.5%	Capitalisation rate impact +0.5%
Ingenia Gardens	**139,870**	7,100	(6,430)
Ingenia Lifestyle & Holidays	**804,088**	52,147	(45,423)
	943,958	59,247	(51,853)

Investment Properties $'000	Fair value at 30 June 2020	Discount rate -0.5%	Discount rate +0.5%
Ingenia Gardens	**139,870**	–	–
Ingenia Lifestyle & Holidays	**804,088**	1,730	(1,693)
	943,958	1,730	(1,693)

12. Plant and equipment

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying value		
Plant and equipment	**7,412**	8,372
Less: accumulated depreciation	**(2,254)**	(3,354)
Total plant and equipment	**5,158**	5,018
(b) Movements in carrying value		
Carrying value at the beginning of year	**5,018**	4,279
Additions	**1,904**	2,064
Disposals	**(283)**	(197)
Depreciation expense	**(1,481)**	(1,128)
Carrying value at the end of year	**5,158**	5,018

13. Intangibles

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying value		
Software & development	**4,338**	3,582
Less: accumulated amortisation	**(2,107)**	(1,586)
Goodwill	**6,108**	–
Total Intangibles	**8,339**	1,996
(b) Movements in carrying value		
Carrying value at the beginning of year	**1,996**	1,956
Additions	**6,884**	523
Disposals	**(10)**	–
Amortisation expense	**(531)**	(483)
Carrying value at the end of year	**8,339**	1,996

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For the year ended 30 June 2020 | continued

14. Right-of-use assets

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying value		
Plant and equipment	**1,035**	N/A
Buildings	**2,418**	N/A
Less: accumulated amortisation	**(1,232)**	N/A
Total right-of-use asset	**2,221**	N/A
(b) Movements in carrying value		
Carrying value at the beginning of year	**–**	N/A
Recognised on adoption of AASB 16	**3,453**	N/A
Additions	**–**	N/A
Disposals	**–**	N/A
Depreciation expense	**(1,232)**	N/A
Carrying value at the end of year	**2,221**	N/A

15. Investment in a 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 valuation methodology of the Joint Venture's assets and liabilities are consistent with that of the Group.

The following table illustrates the summarised financial information of the Group's investment in the joint venture entities:

Balance Sheet	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	**11,126**	5,859
Non-current assets(1)	**22,880**	17,623
Current liabilities	**(2,154)**	(296)
Equity	**31,852**	23,186
Group's share in equity – 50%	**15,926**	11,593
Group's carrying value in investment	**15,926**	11,593

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

Statement of Comprehensive Income	30 Jun 2020 $'000	30 Jun 2019 $'000
Revenue	**2,592**	–
Interest income	**33**	12
Cost of sales	**(1,106)**	–
Expenses	**(1,600)**	(436)
Depreciation	**(43)**	–
Net gain/(loss) on change in fair value of investment property	**242**	(1,941)
Profit/(loss) before income tax	**118**	(2,365)
Income tax benefit	**149**	51
Total comprehensive profit/(loss) for the year	**267**	(2,314)
Group's share of profit/(loss) for the year	**134**	(1,157)

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

16. Other financial assets

	30 Jun 2020 $'000	30 Jun 2019 $'000
Unlisted property funds	**13,862**	2,263
Total non-current	**13,862**	2,263

Other financial assets represent the Groups investment in a number of unlisted property funds. Refer to Note 2 for valuation assumptions.

17. 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.

From the date of acquisition, EGCM contributed $1,832,000 of revenue and $606,000 of to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of FY20, the Group's revenue would have been $2,200,000 and the profit before tax would have been $730,000.

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	6,108
Purchase consideration paid and accrued on acquisition	**6,173**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	199
Cash paid	(6,122)
Net cash flow on acquisition	**(5,923)**

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

	30 Jun 2020 $'000
Carrying value at the beginning of the period	–
Acquisition of subsidiary	**6,108**
Impairment losses recognised during the reporting period	–
Carrying value at the end of the period	**6,108**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

17. Business combinations (continued)

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.

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.

Discounted cash flow method

This method involves the projection of a series of cash flows of the funds management business. To this projected cash flow series, a pre-tax market-derived discount rate of 19% and a terminal growth rate of 2% was applied to establish the present value of the income streams associated with the CGU. The discounted cash flow was then tested against appropriate business EBIT multiples and a sensitivity analysis was conducted.

18. Deferred tax assets and liabilities

	30 Jun 2020 $'000	30 Jun 2019 $'000
Deferred tax assets		
Tax losses	**19,124**	12,540
Other	**1,984**	8
Deferred tax liabilities		
DMF receivable	**(460)**	(447)
Investment properties	**(7,519)**	(4,075)
Net deferred tax assets	**13,129**	8,026
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	**5,552**	6,052

The availability of carried forward tax losses of $5.6 million to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which these losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. Accordingly, a portion of these carried forward tax losses may not be available in the future.

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

19. Trade and other payables

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current		
Trade payables and accruals	**31,204**	45,212
Deposits	**9,215**	6,418
Other	**1,069**	1,310
Total current	**41,488**	52,940

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

20. Borrowings

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current		
Lease liabilities – Right-of-use assets	1,072	–
Lease liabilities – Ground leases	777	765
Total current	1,849	765
Non-current		
Bank debt	73,000	241,000
Prepaid borrowing costs	(1,400)	(1,155)
Lease liabilities – Right-of-use assets	1,209	–
Lease liabilities – Ground leases	10,740	11,085
Total non-current	83,549	250,930

(a) Bank debt

Ingenia has $450.0 million in available debt facilities at 30 Jun 2020 (30 Jun 2019: $350.0 million).

The total $450.0 million in debt facilities is provided by three Australian banks. The facility tranche dates are:

- 17 February 2022 ($175.4 million);
- 13 July 2023 ($174.6 million); and
- 21 February 2027 ($100.0 million).

As at 30 Jun 2020, the facilities have been drawn to $73.0 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 $909.0 million (30 Jun 2019: $797.2 million).

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2020 were $14.3 million (30 Jun 2019: $11.5 million).

(c) Right-of-use asset leases

Lease payments

	30 Jun 2020 $'000	30 Jun 2019 $'000
Lease payments:		
Within one year	1,072	–
Later than one year but not later than five years	1,289	–
Later than five years	–	–
Total lease payments	2,361	–
Future finance charges	(80)	–
Present value of lease payments	2,281	–
Present value of lease payments:		
Within one year	1,072	–
Later than one year but not later than five years	1,209	–
Later than five years	–	–
Total lease payments	2,281	–

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

20. Borrowings (continued)

(d) Ground leases

The Group has entered into ground leases in relation to certain Lifestyle and Holidays investment properties. The leases are long-term in nature and range between 6 years to perpetuity.

Lease payments – excluding perpetual lease

	30 Jun 2020 $'000	30 Jun 2019 $'000
Lease payments:		
Within one year	**802**	786
Later than one year but not later than five years	**3,374**	3,306
Later than five years	**12,086**	12,955
Total lease payments	**16,262**	17,047
Future finance charges	**(5,880)**	(6,330)
Present value of lease payments	**10,382**	10,717
Present value of lease payments:		
Within one year	**777**	765
Later than one year but not later than five years	**2,944**	2,895
Later than five years	**6,661**	7,057
Total lease payments	**10,382**	10,717

Minimum lease payments – perpetual lease:

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

21. Other financial liabilities

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current		
Financial liabilities	**3,577**	1,100
Total current	**3,577**	1,100
Non-current		
Financial liabilities	**9,588**	10,800
Total non-current	**9,588**	10,800

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

22. Issued securities

	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Carrying values		
Balance at beginning of the year	**900,417**	814,243
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	**19,273**	14,462
Institutional Placement, Rights Issue and Share Purchase Plan	**309,064**	74,564
Executive Incentive Plan	**-**	365
Equity raising costs	**(9,846)**	(3,217)
Balance at end of the year	**1,218,908**	900,417
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**36,187**	12,985
Ingenia Communities Fund	**1,093,696**	831,792
Ingenia Communities Management Trust	**89,025**	55,640
	1,218,908	900,417

	30 Jun 2020 '000	30 Jun 2019 '000
(b) Number of issued securities		
Balance at beginning of the year	**236,375**	208,092
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	**4,237**	4,931
Institutional Placement, Rights Issue and Share Purchase Plan	**84,941**	23,177
Executive Incentive Plan	**-**	175
Balance at end of the year	**325,553**	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.

23. Reserves

	30 Jun 2020 $'000	30 Jun 2019 $'000
Share-based payment reserve		
Balance at the beginning of year	**1,933**	1,393
Payments to employee share trust	**(4,750)**	-
Granting of securities	**-**	(260)
Lapsed rights	**(74)**	(142)
Share-based payment expense	**958**	942
Balance at the end of year	**(1,933)**	1,933

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

24. Accumulated losses

	30 Jun 2020 $'000	30 Jun 2019 $'000
Balance at beginning of the year	**(276,603)**	(281,763)
Net profit for the year	**31,452**	29,313
Distributions	**(28,877)**	(24,295)
Lapsed rights	**74**	142
Balance at end of the year	**(273,954)**	(276,603)
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**38,353**	20,194
Ingenia Communities Fund	**(316,668)**	(308,171)
Ingenia Communities Management Trust	**4,361**	11,374
	(273,954)	(276,603)

25. Commitments

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $28,407,358 (30 Jun 2019: $38,374,980).

During the period, a lease for office space was signed with a commencement date in FY21. The expected minimum lease payments over the term of the lease are $5,000,000.

26. Contingent liabilities

The Group has the following contingent liabilities:

- Bank guarantees totalling $14.3 million provided for under the $450.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

27. Share based payment transactions

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

(a) Short-Term Incentive Plan (STIP)

STIP performance rights are awarded to eligible employees whose achievements, behaviour, and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. STIP rights are subject to a one year vesting deferral period from the issue date and allow for certain lapsing conditions within the deferral period, should certain conditions occur. Under the FY20 Rights Plan, 33.3% of the maximum STI for the CEO and 50.0% for the CFO and COO will be paid in cash, with the balance being a deferred equity element.

The deferred expense for conditional STIP rights recognised for the period is $527,017 (30 Jun 2019: $452,487) and is based on an estimate of the Group's and individual employee's current period performance. The total value of STIP rights is subject to adjustment up until the final full-year audited result is known and KPIs reliably measured, being 1 October 2020.

(b) Long-Term Incentive Plan (LTIP)

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

The FY20 LTIP Rights are subject to the following LTIP Performance Conditions:

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

27. Share based payment transactions (continued)

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

	30 Jun 2020 Thousands	30 Jun 2019 Thousands
STIPs		
Outstanding at the beginning of year	**297**	151
Exercised during the year	**(267)**	(49)
Granted during the year	**139**	195
Outstanding at the end of year	**169**	297
Weighted average remaining life of outstanding rights (years)	**0.3**	0.3
LTIPs		
Outstanding at beginning of the year	**1,329**	989
Lapsed during the year	**(50)**	(83)
Exercised during the year	**(92)**	(92)
Granted during the year	**473**	515
Outstanding at end of the year	**1,660**	1,329
Weighted average remaining life of outstanding rights (years)	**1.3**	1.3

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

STIPs

Grant Date	01 Oct 2019
Security price at grant date	$4.01
30 day Volume Weighted Average Price (VWAP) at start of performance period	$4.18
Expected remaining life at grant date (years)	1
Risk-free interest rate at grant date	0.66%
Share price volatility	18.79%

LTIPs

Grant Date	01 Oct 2019
Security price at grant date	$4.01
30 day Volume Weighted Average Price (VWAP) at start of performance period	$4.18
Expected remaining life at grant date	3
Risk-free interest rate at grant date	0.66%
Distribution yield	3.50%
LTIP fair value	$1.61

The fair value of LTIPs is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period. The total LTIP expense recognised for the financial year was $560,820 (30 Jun 2019: $489,755).

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For the year ended 30 June 2020 | continued

28. Capital management

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

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

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

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

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant under the Group's $450.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, ground leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2020, the LVR of 8.4% (30 June 2019: 29.8%) is below target due to the completion of the equity raising in June 2020.

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities. At 30 June 2020, the Total Interest Cover Ratio was 8.35x (30 Jun 2019: 6.38x) and the Core Interest Cover Ratio was 6.15x (30 Jun 2019: 3.09x).

29. Financial instruments

(a) Introduction

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

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

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

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

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Group's profit. In addition, one or more of the Group's loan agreements may include minimum interest cover covenants. Higher interest costs resulting from increases in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investment, Derivatives, and Borrowing policy. At 30 June 2020, the Group had no derivative financial instruments or fixed debt in place (30 Jun 2019: 29%).

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

29. Financial instruments (continued)

(c) Interest rate risk exposure

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

30 Jun 2020 $'000	Floating interest rate	Fixed interest maturing in: Less than 1 year	1 to 5 years	More than 5 years	Total
Financial assets					
Cash at bank	**10,751**	**–**	**–**	**–**	**10,751**
Financial liabilities					
Bank debt	**73,000**	**–**	**–**	**–**	**73,000**
Lease Liabilities – Right-of-use-asset	**–**	**1,072**	**1,209**	**–**	**2,281**
Lease Liabilities – Ground leases	**–**	**777**	**2,944**	**6,661**	**10,382**

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

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

(d) Interest rate sensitivity analysis

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

	Effect on profit after tax higher/(lower) 30 Jun 2020 $'000	30 Jun 2019 $'000
Increase in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**(730)**	(2,410)
Interest rate swaps and collars (AUD denominated)	**–**	695
Decrease in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**730**	2,410
Interest rate swaps and collars (AUD denominated)	**–**	(4,507)

(e) Foreign exchange risk

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

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29. Financial instruments (continued)

(f) Net foreign currency exposure

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

	Net foreign currency assets	
	30 Jun 2020 $'000	**30 Jun 2019 $'000**
Net foreign currency exposure:		
United States dollars	**1,014**	1,089
New Zealand dollars	**264**	266

(g) Net foreign currency sensitivity analysis

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

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

	Effect on profit after tax higher/(lower)	
	30 Jun 2020 $'000	**30 Jun 2019 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**(92)**	(99)
New Zealand dollars	**(24)**	(24)

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

	Effect on profit after tax higher/(lower)	
	30 Jun 2020 $'000	**30 Jun 2019 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**113**	121
New Zealand dollars	**29**	30

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

(h) Credit risk

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

The major credit risk for the Group is default by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant.

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

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

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

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For the year ended 30 June 2020 | continued

29. Financial instruments (continued)

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

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

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

(i) Liquidity risk

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

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Group monitors adherence to loan covenants on a regular basis, and the Investment, Derivatives, and Borrowing policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

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

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

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

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

30 Jun 2020	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	**41,488**	**–**	**–**	**41,488**
Borrowings[1]	**2,182**	**77,546**	**–**	**79,728**
Right-of-use asset leases	**1,072**	**1,289**	**–**	**2,361**
Ground leases (excluding perpetual lease)	**802**	**3,374**	**12,086**	**16,262**
Ground leases (perpetual lease)[2]	**121**	**483**	**–**	**604**
	45,665	**82,692**	**12,086**	**140,443**
30 Jun 2019				
Trade and other payables	52,940	–	–	52,940
Borrowings[1]	7,884	270,941	–	278,825
Ground leases (excluding perpetual lease)	786	3,306	12,955	17,047
Ground leases (perpetual lease)[2]	121	483	–	604
	61,731	**274,730**	**12,955**	**349,416**

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

(2) For the purpose of the table above, lease payments are included for five years for the perpetual lease. Refer to Note 20(c).

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

29. Financial instruments (continued)

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

30 Jun 2020	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Liabilities				
Other financial liabilities	**3,741**	**9,424**	**–**	**13,165**
Derivative liabilities - net settled	**–**	**–**	**–**	**–**
	3,741	**9,424**	**–**	**13,165**
30 Jun 2019				
Liabilities				
Other financial liabilities	1,036	10,864	–	11,900
Derivative liabilities - net settled	70	2,435	–	2,505
	1,106	13,299	–	14,405

(j) Other Financial Instrument Risk

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

	Effect on profit after tax higher/(lower)	
	30 Jun 2020 $'000	**30 Jun 2019 $'000**
Increase in market prices of investment properties of 10%	**(149)**	(147)
Decrease in market prices of investment properties of 10%	**149**	147

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

(k) Fair Value

The Group uses the following fair value measurement hierarchy:

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

29. Financial instruments (continued)

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

Financial assets/ financial liabilities	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Residents' loans and liabilities held for sale	Loans measured as the ingoing resident's contribution plus the resident's share of capital appreciation to reporting date, less DMF accrued to reporting date.	Estimated current market value of residential property. Estimated length of stay of residents based on life tables.	The higher the appreciation, the higher the value of resident loans. The longer the length of stay, the lower the value of resident loans.
Deferred management fee accrued	DMF measured using the initial property price, estimated length of stay, various contract terms and projected property price at time of re-leasing.	Estimated length of stay of residents based on life tables.	The longer the length of stay, the higher the DMF accrued, capped at a predetermined period of time.
Derivative interest rate swaps and collars	Net present value of future cash flows discounted at market rates adjusted for the Group's credit risk.	N/A	N/A
Other financial assets	Capitalisation method for existing rental streams. Refer to Note 11.	N/A	N/A
Other financial liabilities	Discounted cash flow	N/A	N/A

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

There has been no movement from Level 3 to Level 2 during the year.

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

30. Fair value measurement

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

(a) Assets measured at fair value

		Fair value measurement using:			
30 Jun 2020	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment properties	30-Jun-20 Note 11(a)	**–**	**–**	**943,958**	**943,958**
Assets held for sale - investment property	30-Jun-20 Note 10(a)	**–**	**–**	**32,623**	**32,623**
Other financial assets	30-Jun-20 Note 16	**–**	**–**	**13,862**	**13,862**
30 Jun 2019					
Investment properties	30-Jun-19 Note 11(a)	–	–	846,835	846,835
Assets held for sale - investment property	30-Jun-19 Note 10(a)	–	–	12,835	12,835
Other financial assets	30-Jun-19 Note 16	–	–	2,263	2,263

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

30. Fair value measurement (continued)

(b) Liabilities measured at fair value

		Fair value measurement using:			
30 Jun 2020	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Resident loans	30-Jun-20	**–**	**–**	**308**	**308**
Liabilities held for sale	30-Jun-20 Note 10(b)	**–**	**–**	**5,175**	**5,175**
Other financial liabilities	30-Jun-20 Note 21	**–**	**–**	**13,165**	**13,165**
Derivatives	30-Jun-20	**–**	**–**	**–**	**–**
30 Jun 2019					
Resident loans	30-Jun-19	–	–	308	308
Liabilities held for sale	30-Jun-19 Note 10(b)	–	–	5,694	5,694
Other financial liabilities	30-Jun-19 Note 21	–	–	11,900	11,900
Derivatives	30-Jun-19	–	2,505	–	2,505

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

31. Auditor's remuneration

	30 Jun 2020 $	**30 Jun 2019 $**
Fees for auditing the statutory financial report	**497,500**	458,096
Fees for assurance services that are required by legislation:		
AFSL	**38,500**	37,750
Fees for other services:		
Technical advice	**–**	10,750
System review	**–**	12,500
Total fees to Ernst & Young	**536,000**	519,096

32. Related parties

(a) Key management personnel

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

	30 Jun 2020 $	**30 Jun 2019 $**
Directors fees	**651,213**	644,458
Salaries and other short-term benefits	**1,423,368**	1,420,940
Short-term incentives (payable in cash)	**158,400**	355,800
Superannuation benefits	**63,009**	61,560
Share-based payments	**863,379**	812,981
	3,159,369	3,295,739

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

32. Related parties (continued)

For FY20, Mr Owen was awarded an STI of 67% based on his performance. Due to the adverse impact of COVID-19 on the business, staff and residents, it was agreed to award all of this STI in the form of deferred rights with no cash component.

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

			Number outstanding	
Issue date	**Right Type**	**Vesting date**	**30 Jun 2020**	**30 Jun 2019**
FY16[(1)]	LTIP	FY19	**91,068**	91,068
FY17[(1)]	LTIP	FY20	**128,819**	248,432
FY17[(1)]	STIP	FY19	**2,437**	102,437
FY18	LTIP	FY21	**493,568**	493,568
FY18[(1)]	STIP	FY20	**34,300**	194,935
FY19	LTIP	FY22	**496,917**	496,917
FY19	STIP	FY21	**132,436**	–
FY20	LTIP	FY23	**450,234**	–
			1,829,779	1,627,357

(1) Rights are fully vested but not exercised. All other rights are still subject to vesting conditions.

A short-term loan facility of $500,000 was made available to the CEO for a period of 15 days on commercial terms. Interest paid on the facility was $1,060. No balance is outstanding.

(b) Joint venture

During the year, the Group generated fee income from the joint venture with Sun Communities.

	30 Jun 2020 $	30 Jun 2019 $
Fee income from associate	**602,691**	813,590
	602,691	813,590

33. Company financial information

Summary financial information about the Company is:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	**10,853**	41
Total assets	**26,121**	9,581
Current liabilities	**1,235**	1,068
Total liabilities	**1,233**	1,307
Net assets	**24,888**	8,274
Security holders' equity:		
Issued securities	**36,187**	12,985
Reserves	**(1,933)**	1,933
Accumulated losses	**(9,366)**	(6,644)
Total security holders' equity	**24,888**	8,274
(Loss)/profit from continuing operations	**(2,722)**	4,402
Net (loss)/profit attributable to security holders	**(2,722)**	4,402
Total comprehensive (loss)/income	**(2,722)**	4,402

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

33. Company financial information (continued)

Closed Group disclosures

The Company, INA Development Pty Ltd and INA Latitude One Development Pty Limited (collectively the "Closed Group"), entered into a deed of cross guarantee on 18 June 2020.

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to INA Development Pty Ltd and INA Latitude One Development Pty Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial report.

The effect of the deed is that the Company has guaranteed to pay any deficiency in the event of winding up of an entity subject to the deed of cross guarantee if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated results of the entities that are members of the Closed Group are as follows:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	**38,301**	24,173
Total assets	**51,818**	29,792
Current liabilities	**5,798**	8,105
Total liabilities	**10,345**	8,105
Net assets	**41,473**	21,687
Security holders' equity:		
Issued securities	**36,187**	12,987
Reserves	**(1,933)**	1,933
Accumulated losses	**7,219**	6,767
Total security holders' equity	**41,473**	21,687
Revenue	**52,376**	20,941
Operating expenses	**(51,997)**	(18,308)
Profit from continuing operations	**379**	2,633
Total comprehensive income	**379**	**2,633**

34. Subsidiaries

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

		Ownership interest	
	Country of residence	30 Jun 2020 %	30 Jun 2019 %
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Garden Villages Pty Ltd	Australia	**100**	100
INA Kiwi Communities Pty Ltd	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Management Pty Ltd	Australia	**100**	100
INA Settlers Co Pty Ltd	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

34. Subsidiaries (continued)

	Country of residence	Ownership interest 30 Jun 2020 %	30 Jun 2019 %
INA Sunny Communities Pty Ltd	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Ingenia Communities RE Limited	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
Settlers Operations Trust	Australia	**100**	100
Settlers Subsidiary Trust	Australia	**100**	100
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Ridge Estate Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No.1	Australia	**100**	100
INA Subsidiary Trust No.3	Australia	**100**	100
INA Operations Pty Ltd	Australia	**100**	100
INA Operations Trust No.1	Australia	**100**	100
INA Operations Trust No.2	Australia	**100**	100
INA Operations Trust No.3	Australia	**100**	100
INA Operations Trust No.4	Australia	**100**	100
INA Operations Trust No.6	Australia	**100**	100
INA Operations Trust No.7	Australia	**100**	100
INA Operations Trust No.8	Australia	**100**	100
INA Operations Trust No.9	Australia	**100**	100
INA DMF Management Pty Ltd (formerly Settlers Management Pty Ltd)	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Latitude One Development Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA Operations No.3 Pty Limited	Australia	**100**	100
IGC NZ Student Holdings Ltd	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No 1	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No 2	New Zealand	**100**	100
INA Community Living LLC	USA	**100**	100
INA Community Living Subsidiary Trust No. 2	Australia	**100**	100
INA Development Pty Limited	Australia	**100**	100
INA Development Management Pty Limited	Australia	**100**	100
INA Plantations Development Pty Limited	Australia	**100**	100
INA Hervey Bay Development Pty Limited	Australia	**100**	100
INA Bethania Development Pty Limited	Australia	**100**	100
INA Chambers Pines Development Pty Limited	Australia	**100**	100
INA Development No.1 Pty Limited	Australia	**100**	100
INA Development No.2 Pty Limited	Australia	**100**	100
INA Development No.3 Pty Limited	Australia	**100**	100
INA Lifestyle Operations Pty Limited	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

34. Subsidiaries (continued)

		Ownership interest	
	Country of residence	30 Jun 2020 %	30 Jun 2019 %
INA Lifestyle Landowner Pty Limited	Australia	100	100
INA Subsidiary Trust No.4	Australia	100	100
INA Lifestyle Landowner Trust	Australia	100	100
INA Lifestyle Operations Trust	Australia	100	100
INA Operations Management Trust	Australia	100	100
Emmetlow Pty Ltd	Australia	100	–
Park Trust	Australia	100	–
Eighth Gate Capital Management Pty Ltd	Australia	100	–
Eighth Gate Pty Ltd	Australia	100	–
Eighth Gate Capital Management No.3	Australia	100	–
Eighth Gate Capital Management No.4	Australia	100	–
Eighth Gate Capital Management No.5	Australia	100	–
Eighth Gate Capital Management No.6	Australia	100	–
Eighth Gate Capital Management No.7	Australia	100	–
Eighth Gate Capital Management No.8	Australia	100	–
Allswell Communities Pty Ltd	Australia	100	–

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

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	2,287	7,006	63,980	53,664
Non-current assets	849,161	761,612	719,005	637,667
Total Assets	851,448	768,618	782,985	691,331
Current liabilities	2,820	2,717	47,792	46,643
Non-current liabilities	71,600	242,280	642,507	578,374
Total Liabilities	74,420	244,997	690,299	625,017
Net Assets/Equity	777,028	523,621	92,686	66,314
Revenue	24,688	33,403	169,518	203,782
Expenses	(4,308)	(7,741)	(176,531)	(209,817)
Profit/(loss) after tax	20,380	25,662	(7,013)	(6,035)
Total comprehensive income/(loss)	20,380	25,662	(7,013)	(6,035)

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

35. Notes to cashflow statement

Reconciliation of profit to net cash flow from operating activities:

	30 Jun 2020 $'000	30 Jun 2019 $'000
Net profit for the year	**31,452**	29,313
Adjustments for:		
Share of joint venture (income)/loss	**(134)**	1,157
Net loss/(gain) on change in fair value of:		
Investment properties	**33,807**	18,962
Financial liabilities	**2,195**	5,400
Other financial instruments	**(32)**	2,288
Income tax benefit	**(3,612)**	(5,502)
Net loss on disposal of investment properties	**1,567**	1,527
Other	**–**	763
Operating profit before tax	**65,243**	53,908
Depreciation and amortisation	**3,244**	1,611
Share-based payments expense	**958**	942
GST recoverable on investing activities	**7,315**	6,505
Finance costs	**(2,664)**	(1,289)
Operating cash flow before changes in working capital	**74,096**	61,677
Changes in working capital:		
Increase in receivables	**(610)**	(612)
Increase in inventory	**(214)**	(5,759)
Increase in other payables and provisions	**(6,084)**	4,001
Net cash provided by operating activities	**67,188**	59,307

36. Subsequent events

Final FY20 distribution

On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

Acquisition of Sunnylake Shores

On 24 July 2020, the Group completed the acquisition of the Sunnylake Shores lifestyle community, located on the Central Coast of NSW, for a purchase price of $16.3 million.

Acquisition of Ballarat

On 28 July 2020, the Group completed the acquisition of a DA approved greenfield development site for a lifestyle community in Ballarat, VIC for a purchase price of $7.0 million.

Operating restrictions due to COVID-19

Post 30 June 2020, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our Holidays assets.

Directors' Declaration

For the year ended 30 June 2020

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

1. In the opinion of the directors:

    a) The financial statements and notes of Ingenia Communities Holdings Limited for the financial year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including:

        (i) giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

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

    c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 33.

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

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

On-behalf of the Board

Jim Hazel
Chairman
Adelaide, 18 August 2020

Independent Auditor's Report

For the year ended 30 June 2020

Building a better working world

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

1. Valuation of Investment Property

Why significant

Approximately 87% of the Group's total assets comprise investment properties (both those disclosed as investment properties and equity accounted investments). These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date.

This is considered a key audit matter as valuations contain several assumptions which are based on direct market comparisons or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation.

The Group has three categories of investment properties as disclosed in Note 11 to the financial report. Two of these categories are considered material and involve significant judgement.

- The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key judgements include capitalisation rates, a market and contractual rent and forecast occupancy levels.
- The Lifestyle & Holidays portfolio consists of investment properties earning revenue from a mix of longer-term land rental agreements and short-term accommodation rental. In addition, the group earns revenue from the sale of manufactured homes to residents of the properties.

How our audit addressed the key audit matter

The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2020 has resulted in a wider range of possible values than at past valuation points.

Our audit procedures included the following:

- We reviewed the controls in place relevant to the valuation process;
- We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis;
- We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group;
- We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer;
- On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance;

Independent Auditor's Report

For the year ended 30 June 2020 | continued

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Building a better working world

- The key judgements for the longer term and short-term rental include capitalisation rates, discount rates, market and contractual rents, forecast short-term and residential occupancy levels, historical transactions and remaining development potential for vacant land. In assessing the development potential, additional key judgements include future new homes sales prices, estimated capital expenditure and allocation between investment property and inventory, discount rates, projected property growth rates and operating profit margins.
- Specific assumptions and judgements of the impact of COVID-19 are contained within Note 11 to the financial report. These include impact on property sale settlements, revenue and operational costs.

As at 30 June 2020 there is increased valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020.

- On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;
- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 11 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2020 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 36.

Independent Auditor's Report

For the year ended 30 June 2020 | continued

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better
working world

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 23 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Yvonne Barnikel
Partner
Sydney
18 August 2020

Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports

For the year ended 30 June 2020

Contents

Directors' Report

For the year ended 30 June 2020

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

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

The Directors' Report is a combined Directors' Report that covers the Trusts for the year ended 30 June 2020 (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	
Pippa Downes	(appointed, effective 4 December 2019)
Gary Shiffman	
John McLaren	(Alternate Director to Gary Shiffman)
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 30 June 2020 were valued at $944.0 million, comprising 35 lifestyle and holiday communities (Ingenia Lifestyle and Holidays) and 26 rental communities (Ingenia Gardens). The Group manages a further 11 communities through its development JV and funds management platform. The Group was included in the S&P/ASX 200 in December 2019 and had a market capitalisation of approximately $1.5 billion at 30 June 2020.

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 residents and guests.

Our Values

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

Directors' Report

For the year ended 30 June 2020 | continued

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; deploy equity raised through the May equity raising to acquire existing communities and additional development sites; and, recycle capital through non-core asset sales.

The immediate business priorities of the Group are:

- Capitalise on opportunities to expand the 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;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Continue to respond to operating environment, maintain focus on employee, resident and guest health and safety;
- Continue to advance focus on sustainable home design and construction; and
- Build on the Group's sustainability program and enhance disclosures as initiatives are progressed.

FY20 Financial Results

The year to 30 June 2020 delivered total revenue of $244.2 million, up 7% on the prior year. The Group built and sold 325[1] turnkey homes (30 Jun 2019: 336 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $72.5 million (30 Jun 2019: $67.7 million).

Statutory profit of $31.5 million was up 7% on the prior year. 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 $59.1 million, which represents an increase of $11.9 million (25%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Lifestyle Development segment which was up 19% on prior corresponding period, and from the Ingenia Lifestyle and Holidays segment which was up 9% on the prior corresponding period. Ingenia Gardens EBIT was $10.2 million, up 2% from the prior corresponding period. The Lifestyle Development and Holidays segments were impacted by COVID-19 and the early 2020 bushfires, which had an adverse effect on the 2020 financial results.

Operating cash flow for the period was $67.2 million, up 13% from the prior year, reflecting growth in lifestyle home profits, growth in recurring rental income and the impact of new operational parks acquired in the period.

During the year, the Group successfully raised $328.3 million through the following:

- November 19: $131.1 million accelerated non-renounceable entitlement offer (ANREO) to existing security holders and a placement to institutional investors;
- May 20: $150.0 million placement to institutional investors;
- June 20: $27.9 million via a share purchase plan (SPP) to existing security holders; and
- $19.3 million under the Distribution Reinvestment Plan.

The proceeds from these equity raises have been and will continue to be invested into acquisitions to expand the Group's portfolio of lifestyle communities and to provide additional equity for the Group's joint venture with Sun Communities.

The Group 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 equity raised 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.

COVID-19 had an adverse impact on the FY20 result. The Group's holidays business was materially impacted with the mandated closure of tourist parks from late March until June 2020 and the closure of domestic and international borders. Home settlement figures were also negatively impacted by social distancing restrictions which prevented auctions and the viewing of open homes as well as consumer sentiment.

In response to COVID-19, Ingenia took decisive action, immediately reducing variable costs, standing down a number of casual staff and implementing companywide cost saving initiatives, including a voluntary 20% temporary pay reduction for salaried staff and NEDs. The Group was subsequently eligible to receive the JobKeeper subsidy, allowing the Group to re-employ eligible employees and limit further staff reductions.

Key Metrics

- Net profit for the year for ICF $20.4 million (30 Jun 2019: $25.7 million profit).
- Net loss for the year for ICMT of $7.0 million (30 Jun 2019: $6.0 million loss).
- Full year distributions of 10.0 cents per unit by ICF, nil from ICMT.

1 Including seven settlements at Ingenia Lifestyle Freshwater, the Group's first joint venture project with Sun Communities.

Directors' Report

For the year ended 30 June 2020 | continued

Development Joint Venture

The development Joint Venture with Sun Communities was established in November 2018.

The Joint Venture commenced development on its first greenfield acquisition located at Burpengary, QLD and settled on its first homes during the year. The Joint Venture is in the final stages of development planning on its second acquisition at Fullerton Cove, NSW and has other acquisition opportunities under exclusive due diligence or option.

During FY20, fees generated by Ingenia from the Joint Venture primarily relate to asset and development management.

Performance

	30 Jun 2020	30 Jun 2019	Change %
Greenfield properties (#)	**2**	2	–
Investment carrying value ($m)	**15.9**	11.6	37%
New home settlements (#)	**7**	–	NM
Fee income ($m)	**0.6**	0.8	(25%)
Share of profit/(loss) from joint venture ($m)	**0.1**	(1.2)	NM

Strategic Priorities

The Joint Venture's objective is to acquire greenfield sites in 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 communities at market value. Ingenia generates origination, development and management fees for these services plus a performance fee for above hurdle rate returns.

Capital Management

During the year, the Group raised $328.3 million in new equity through the issue of 89.2 million new securities in FY20. The Group has three debt facilities with a combined facility limit of $450.0 million. The weighted average term to maturity of Ingenia's debt at 30 June 2020 is 3.3 years with the first debt expiry in February 2022. As at 30 June 2020, the debt facilities were drawn to $73.0 million.

The Group's Loan to Value Ratio ("LVR") was 8.4% and gearing was 5.7% at 30 June 2020, which are below FY19 due to the completion of the equity raise in June 2020. The funds raised are anticipated to be deployed across FY21 and FY22.

The Group intends to fund near term growth through deployment of the equity raise proceeds into new acquisitions, operating cash flows, divestment of non-core assets and drawing on committed debt facilities.

Distributions

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

- On 18 February 2020, the Directors declared an interim distribution of 5.6 cps, amounting to $15.2 million which was paid on 26 March 2020.
- On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

FY21 Outlook

The Group's strong balance sheet and low level of gearing places Ingenia in a strong position to manage the risks associated with COVID-19. Ingenia expects to be a major beneficiary from the rebound in domestic tourism as international borders remain closed and is well positioned to meet the anticipated increase in demand for affordable housing from downsizers.

The Group will continue to grow its lifestyle communities business in FY21 with a significant development pipeline, an innovative and adaptable sales approach, increasing consumer awareness and demand and a broader range of capital partnerships. The Group will acquire mature lifestyle and holiday communities where on strategy opportunities can be identified.

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.

Directors' Report

For the year ended 30 June 2020 | continued

Significant Changes in the State of Affairs

Changes in the state of affairs during the current period are set out in the various reports in the year-end financial report. Refer to Note 9 for investment properties acquired or disposed of during the year and Note 19 for issued units.

Events Subsequent to Reporting Date

Final FY20 Distribution

On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

Acquisition of Sunnylake Shores

On 24 July 2020, the Group completed the acquisition of the Sunnylake Shores lifestyle community, located on the Central Coast of NSW, for a purchase price of $16.3 million.

Acquisition of Ballarat

On 28 July 2020, the Group completed the acquisition of a DA approved greenfield development site for a lifestyle community in Ballarat, VIC for a purchase price of $7.0 million.

Operating restrictions due to COVID-19

Post 30 June 2020, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our Holidays assets.

Likely Developments

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

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

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

Environmental Regulation

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

Group Indemnities

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

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the reporting period.

Directors' Report

For the year ended 30 June 2020 | continued

Interests of Directors of the Responsible Entity

Securities of the Group held by directors of the Responsible Entity or associates of the directors as at 30 June 2020 were:

	Issued stapled securities	Rights
Jim Hazel	418,541	–
Robert Morrison	202,837	–
Amanda Heyworth	178,641	–
Andrew McEvoy	39,916	–
Pippa Downes	32,148	–
Gary Shiffman[1]	32,572,582	–
John McLaren[1]	32,572,582	–
Simon Owen	1,445,658	820,992

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

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

Other Information

Fees paid to the Responsible Entity and its associates, and the number of securities in each Trust held by the Responsible Entity and its associates as at the end of the financial year are set out in Note 27 in the financial report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 83.

Non-Audit Services

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

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

Refer to Note 26 of the financial statements for details on the audit and non-audit fees.

Rounding of Amounts

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

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

Jim Hazel
Chairman
Adelaide, 18 August 2020

Auditor's Independence Declaration

For the year ended 30 June 2020

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

As lead auditor for the audit of the financial reports of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
18 August 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	ICF 30 Jun 2020 $'000	ICF 30 Jun 2019 $'000	ICMT 30 Jun 2020 $'000	ICMT 30 Jun 2019 $'000
Rental Income		**10,664**	10,046	**94,523**	89,758
Ancillary guest and resident income		**-**	–	**7,337**	8,302
Lifestyle home sales		**-**	–	**47,467**	92,458
Service station revenue		**-**	–	**7,299**	7,016
Food and beverage sales		**-**	–	**5,394**	4,932
Other revenue		**-**	–	**381**	502
Fee income		**-**	–	**7,117**	814
Revenue		**10,664**	10,046	**169,518**	203,782
Property expenses		**(514)**	(655)	**(27,788)**	(36,872)
Cost of lifestyle homes sold		**-**	–	**(27,495)**	(53,332)
Employee expenses		**-**	–	**(43,044)**	(42,075)
Administrative expenses		**(690)**	(524)	**(5,651)**	(5,035)
Operational, marketing and selling expenses		**-**	–	**(9,735)**	(9,438)
Service station expenses		**-**	–	**(6,279)**	(6,153)
Responsible entity fee and expenses	27(b)	**(4,166)**	(3,654)	**(3,646)**	(3,582)
Depreciation and amortisation expense	10, 11, 12	**(26)**	(26)	**(12,435)**	(1,308)
Operating profit before interest and tax		**5,268**	5,187	**33,445**	45,987
Net finance income/(expense)		**14,024**	23,357	**(18,894)**	(31,061)
Operating profit before tax		**19,292**	28,544	**14,551**	14,926
Share of joint venture loss	13	**(42)**	(1,098)	**(26)**	–
Net gain/(loss) on change in fair value of:					
Investment properties	9(b)	**1,865**	514	**(24,507)**	(19,476)
Financial liabilities		**-**	–	**(417)**	(5,400)
Other financial instruments		**38**	(2,298)	**(6)**	10
Other		**(773)**	–	**(794)**	(2,290)
Profit/(loss) before tax		**20,380**	25,662	**(11,199)**	(12,230)
Income tax benefit	5	**-**	–	**4,186**	6,195
Net profit/(loss) for the year		**20,380**	25,662	**(7,013)**	(6,035)
Total comprehensive income/(loss) for the year net of income tax		**20,380**	25,662	**(7,013)**	(6,035)
Profit/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**20,380**	25,662	**-**	–
Ingenia Communities Management Trust		**-**	–	**(7,013)**	(6,035)
		20,380	25,662	**(7,013)**	(6,035)
Total comprehensive income/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**20,380**	25,662	**-**	–
Ingenia Communities Management Trust		**-**	–	**(7,013)**	(6,035)
		20,380	25,662	**(7,013)**	(6,035)
Earnings per unit:		Cents	Cents	Cents	Cents
Basic earnings per unit	4	**7.6**	11.4	**(2.6)**	(2.7)
Diluted earnings per unit	4	**7.6**	11.3	**(2.6)**	(2.7)

Consolidated Balance Sheet

As at 30 June 2020

		ICF		ICMT	
	Note	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets					
Cash and cash equivalents		**1,687**	6,629	**8,065**	13,478
Trade and other receivables	6	**600**	377	**5,746**	5,495
Inventories	7	**-**	–	**17,546**	21,856
Assets held for sale	8(a)	**-**	–	**32,623**	12,835
Total current assets		**2,287**	7,006	**63,980**	53,664
Non-current assets					
Trade and other receivables	6	**5,493**	5,461	**-**	34
Receivable from related party	27(e)	**614,299**	559,878	**-**	–
Investment properties	9	**217,404**	184,217	**669,818**	623,542
Plant and equipment	10	**5**	31	**4,323**	4,081
Investments in a joint venture	13	**11,960**	11,252	**-**	–
Other financial assets	14	**-**	773	**13,847**	1,490
Intangibles	11	**-**	–	**1,772**	1,717
Right-of-use-asset	12	**-**	–	**18,251**	–
Deferred tax asset	15	**-**	–	**10,994**	6,803
Total non-current assets		**849,161**	761,612	**719,005**	637,667
Total assets		**851,448**	768,618	**782,985**	691,331
Current liabilities					
Trade and other payables	16	**2,820**	2,647	**27,722**	36,765
Borrowings	17	**-**	–	**12,414**	1,123
Employee liabilities		**-**	–	**2,481**	1,961
Other financial liabilities	18	**-**	–	**-**	1,100
Derivatives and other financial instruments		**-**	70	**-**	–
Liabilities held for sale	8(b)	**-**	–	**5,175**	5,694
Total current liabilities		**2,820**	2,717	**47,792**	46,643
Non-current liabilities					
Payable to related party	27(e)	**-**	–	**611,236**	551,993
Borrowings	17	**71,600**	239,845	**22,015**	15,136
Other financial liabilities	18	**-**	–	**8,616**	10,800
Employee liabilities		**-**	–	**640**	445
Derivatives and other financial instruments		**-**	2,435	**-**	–
Total non-current liabilities		**71,600**	242,280	**642,507**	578,374
Total liabilities		**74,420**	244,997	**690,299**	625,017
Net assets		**777,028**	523,621	**92,686**	66,314

Consolidated Balance Sheet

As at 30 June 2020 | continued

		ICF		ICMT	
	Note	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Equity					
Issued units	19(a)	**1,093,696**	831,792	**89,025**	55,640
(Accumulated losses)/Retained earnings	20	**(316,668)**	(308,171)	**4,361**	11,374
Security holders interest		**777,028**	523,621	**93,386**	67,014
Non-controlling interest		**–**	–	**(700)**	(700)
Total equity		**777,028**	523,621	**92,686**	66,314
Attributable to unit holders of:					
Ingenia Communities Fund		**777,028**	523,621	**(700)**	(700)
Ingenia Communities Management Trust		**–**	–	**93,386**	67,014
		777,028	523,621	**92,686**	66,314

Consolidated Cash Flow Statement

For the year ended 30 June 2020

	Note	ICF 30 Jun 2020 $'000	ICF 30 Jun 2019 $'000	ICMT 30 Jun 2020 $'000	ICMT 30 Jun 2019 $'000
Cash flows from operating activities					
Rental and other property income		**-**	–	**114,879**	107,444
Property and other expenses		**(128)**	(1,497)	**(89,114)**	(97,999)
Government subsidy		**-**	–	**2,906**	–
Proceeds from sale of lifestyle homes		**-**	–	**52,274**	102,065
Purchase of lifestyle homes		**-**	–	**(32,843)**	(60,706)
Proceeds from sale of service station inventory		**-**	–	**8,082**	7,810
Purchase of service station inventory		**-**	–	**(6,966)**	(7,086)
Net movement in resident loans		**-**	–	**(465)**	(2,410)
Interest received		**44**	57	**38**	64
Borrowing costs paid		**(9,271)**	(8,992)	**(16)**	–
	30	**(9,355)**	(10,432)	**48,775**	49,182
Cash flows from investing activities					
Payments for investment properties		**(26,296)**	(34,816)	**(59,304)**	(44,020)
Additions to investment properties		**(4,517)**	(4,535)	**(43,728)**	(50,413)
Purchase and additions of plant and equipment		**-**	–	**(1,600)**	(1,616)
Purchase and additions of intangible assets		**-**	–	**(492)**	(390)
Proceeds from sale of investment properties		**-**	–	**2,591**	32,172
Payments for acquisition of financial assets		**-**	–	**(13,847)**	–
Investment in joint venture		**(750)**	(12,350)	**-**	–
Other		**-**	1,579	**-**	–
		(31,563)	(50,122)	**(116,380)**	(64,267)
Cash flows from financing activities					
Proceeds from issue of stapled securities		**270,012**	74,848	**34,414**	12,345
Payments for security issue costs		**(8,108)**	(3,217)	**(1,029)**	–
Distributions to unit holders		**(28,877)**	(24,295)	**-**	–
(Repayment of)/proceeds from related party borrowings		**(25,857)**	4,584	**29,079**	6,166
Proceeds from borrowings		**201,000**	136,706	**-**	–
Repayment of borrowings		**(369,000)**	(124,705)	**-**	–
Payments for debt issue costs		**(698)**	(360)	**-**	–
Termination for derivatives		**(2,496)**	–	**-**	–
Other		**-**	–	**(272)**	(699)
		35,976	63,561	**62,192**	17,812
Net (decrease)/increase in cash and cash equivalents		**(4,942)**	3,007	**(5,412)**	2,727
Cash and cash equivalents at the beginning of the year		**6,629**	3,622	**13,478**	10,751
Cash and cash equivalents at end of the year		**1,687**	6,629	**8,066**	13,478

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

		Attributable to security 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		**-**	**20,380**	**20,380**	**-**	**20,380**
Total comprehensive income		**-**	**20,380**	**20,380**	**-**	**20,380**
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	**261,904**	**-**	**261,904**	**-**	**261,904**
Payment of distributions to security holders	20	**-**	**(28,877)**	**(28,877)**	**-**	**(28,877)**
Carrying value 30 Jun 2020		**1,093,696**	**(316,668)**	**777,028**	**-**	**777,028**
Carrying value 1 Jul 2018		759,337	(309,538)	449,799	–	449,799
Net profit		–	25,662	25,662	–	25,662
Total comprehensive income		–	25,662	25,662	–	25,662
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	72,455	–	72,455	–	72,455
Payment of distributions to security holders	20	–	(24,295)	(24,295)	–	(24,295)
Carrying value 30 Jun 2019		831,792	(308,171)	523,621	–	523,621

		Attributable to security 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		**-**	**(7,013)**	**(7,013)**	**-**	**(7,013)**
Total comprehensive income		**-**	**(7,013)**	**(7,013)**	**-**	**(7,013)**
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	**33,385**	**-**	**33,385**	**-**	**33,385**
Other		**-**	**-**	**-**	**-**	**-**
Carrying value 30 Jun 2020		**89,025**	**4,361**	**93,386**	**(700)**	**92,686**
Carrying value 1 Jul 2018		43,690	29,557	73,247	(700)	72,547
Net profit		–	(6,035)	(6,035)	–	(6,035)
Total comprehensive income		–	(6,035)	(6,035)	–	(6,035)
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	11,950	–	11,950	–	11,950
Other		–	(12,148)	(12,148)	–	(12,148)
Carrying value 30 Jun 2019		55,640	11,374	67,014	(700)	66,314

Notes to the Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies

(a) The Trusts

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

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

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

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

The financial report as at and for the year ended 30 June 2020 was authorised for issue by the Directors on 18 August 2020.

(b) Basis of preparation

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

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

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

The financial report 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, residents' loans, derivative financial instruments, other financial assets and other financial liabilities, which are measured at fair value.

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

(c) Adoption of new and revised accounting standards

The Trusts has adopted, for the first time, *AASB 16 Leases* for reporting periods beginning on 1 July 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.

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.

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.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

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 value 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 17).

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

The Trusts have adopted for the first time AASB Interpretation 23 *Uncertainty over income tax treatment* for reporting periods beginning on 1 July 2020. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Trusts apply significant judgement in identifying uncertainties over income tax treatments. Since the Trusts operates in a complex environment, the Trusts have assessed whether the Interpretation had an impact on its consolidated financial statements and determined that the Interpretation did not have an impact.

(d) Principles of consolidation

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

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

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

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

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

(e) Business combinations and goodwill

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

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

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

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 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.

(f) Assets held for sale

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

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

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

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

(g) Dividends and distributions

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(h) Foreign currency

Functional and presentation currencies:

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

Translation foreign currency transactions:

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

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

(i) Leases

The Trusts 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 Trusts 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 Trusts 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 Trusts 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.

Lease liabilities

At the commencement date of the lease, the Trusts 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 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 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 Trusts' lease liabilities are included in Borrowings (Note 17).

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

Prior year leases policy

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

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

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

(j) Plant and equipment

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(k) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 9 *Financial Instruments* are classified as; fair value through profit or loss; fair value through other comprehensive income; or amortised cost. The Trusts determine the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction costs, unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method.

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

(l) Impairment of non-financial assets

Assets other than investment property and financial assets carried at fair value are tested for impairment whenever events or circumstance changes indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets excluding goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Cash and cash equivalents

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

(n) Trade and other receivables

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

(o) Inventories

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

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

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

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

(p) Derivative and financial instruments

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

(q) Investment property

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(r) Intangible assets

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

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

The Trusts policy applied to capitalised development costs is as follows:

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

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

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

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

(s) Trade and other payables

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

(t) Provisions, including for employee benefits

General:

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

Wages, salaries, annual leave and sick leave:

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

Long service leave:

The liability for long service leave is recognised and measured as the present value of expected future payments made in respect of services provided by employees, up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employees departing, and period of service. Expected future payments are discounted using market yields on high quality corporate bonds at the reporting date, with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Resident loans

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

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

Refer to Notes 1(bb) information regarding the valuation of resident loans.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

(v) Borrowings

Borrowings are initially recorded at the fair value of the consideration received, less directly attributable transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums that are yield related are included as part of the carrying value of the borrowing, and amortised over its expected life.

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

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

(w) Issued equity

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

(x) Revenue

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

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

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

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

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

(y) Income tax

Current income tax:

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

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

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

Deferred income tax:

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

Tax consolidation:

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

(z) Goods and services tax ("GST")

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

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

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

(aa) Investment in a joint venture

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

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

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

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

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

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

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

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

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

(bb) Fair value measurement

The Trusts measure financial instruments, such as derivatives, investment properties, resident loans, certain non-financial assets and non-financial liabilities, at fair value at each balance sheet date. Refer to Note 25.

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

For the purpose of fair value disclosures, the Trusts have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 25).

(cc) Earnings per share ("EPS")

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

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

(dd) 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.

(ee) Current versus non-current classification

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

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

A liability is current when:

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

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

(ff) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense, it is recognised net of the related expense for which it is intended to compensate. There are no unfilled conditions or other contingencies attached to the grants.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

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 value of assets and liabilities within the next financial year are discussed below.

i. Valuation of investment property, other financial assets and other financial liabilities

The Trusts have investment properties and assets held for sale which together represent the estimated fair value of investment property. Other financial assets represent ICMT's investment in a number of unlisted property funds. Other financial liabilities relates to a profit share arrangement between ICMT and a third-party which is carried at fair value.

These carrying value 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. Refer to Note 9 for the impact of COVID-19 on valuation assumptions.

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

ii. Valuation of inventories

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

iii. Fair value of derivatives

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

iv. Valuation of assets acquired in business combinations

Upon recognising the acquisition, management uses estimations of the fair value of assets and liabilities assumed at the date of acquisition, involving judgements related to valuation of investment property as discussed above.

v. Valuation of resident loans

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

vi. Calculation of deferred management fees ("DMF")

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

(b) Critical judgements in applying the entity's accounting policies

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information

(a) Description of Segments

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

- Ingenia Lifestyle and Holidays – comprising long-term and tourism accommodation within lifestyle communities;
- Ingenia Lifestyle Development – comprising the development and sale of lifestyle homes;
- Ingenia Gardens – rental villages;
- Fuel, Food & Beverage Services – consists of the Trusts' investment in service station operations and food & beverage activities attached to Ingenia Lifestyle and Holiday communities;
- Corporate & Other – comprises the Trusts' remaining assets and operating activities including, development joint venture 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 – 2020

	L&H Operations $'000	Ingenia Gardens $'000	Corporate & Other $'000	Total $'000
Segment revenue				
External segment revenue	1,675	8,989	–	**10,664**
Total revenue	**1,675**	**8,989**	**–**	**10,664**
Segment underlying profit				
External segment revenue	1,675	8,989	–	**10,664**
Property expenses	–	–	(514)	**(514)**
Administrative expenses	–	–	(690)	**(690)**
Depreciation expense	(2)	–	(24)	**(26)**
Earnings before interest and tax	**1,673**	**8,989**	**(1,228)**	**9,434**
Share of loss of a joint venture				**(42)**
Net finance income				**14,024**
Underlying profit				**23,416**
Net gain/(loss) on change in fair value of:				
Investment properties				**1,865**
Other financial instruments				**38**
Other				**(773)**
Responsible entity fees				**(4,166)**
Profit after tax				**20,380**
Segment assets	58,829	161,665	630,954	**851,448**
Total assets	**58,829**	**161,665**	**630,954**	**851,448**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information (continued)

(c) ICF – 2019

	L&H Operations $'000	Ingenia Gardens $'000	Corporate & Other $'000	Total $'000
Segment revenue				
External segment revenue	770	8,989	287	**10,046**
Total revenue	**770**	**8,989**	**287**	**10,046**
Segment underlying profit				
External segment revenue	770	8,989	287	**10,046**
Property expenses	(2)	–	(653)	**(655)**
Administrative expenses	–	–	(524)	**(524)**
Depreciation expenses	(2)	–	(24)	**(26)**
Earnings before interest and tax	**766**	**8,989**	**(914)**	**8,841**
Share of loss of a joint venture				**(1,098)**
Net finance income				**23,357**
Underlying profit				**31,100**
Net gain/(loss) on change in fair value of:				
Investment properties				**514**
Other financial instruments				**(2,298)**
Responsible entity fees				**(3,654)**
Profit after tax				**25,662**
Segment assets	1,100	152,653	614,865	**768,618**
Total assets	**1,100**	**152,653**	**614,865**	**768,618**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information (continued)

(d) ICMT – 2020

	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	76,710	47,467	25,039	12,690	7,612	**169,518**
Total revenue	**76,710**	**47,467**	**25,039**	**12,690**	**7,612**	**169,518**
Segment underlying profit						
External segment revenue	76,710	47,467	25,039	12,690	7,612	**169,518**
Property expenses	(18,168)	(900)	(6,739)	(659)	(1,322)	**(27,788)**
Cost of lifestyle homes sold	–	(27,495)	–	–	–	**(27,495)**
Employee expenses	(22,307)	(11,704)	(5,996)	(2,918)	(119)	**(43,044)**
Administrative expenses	(3,207)	(1,278)	(966)	(67)	(133)	**(5,651)**
Operational, marketing and selling expenses	(2,583)	(3,579)	(902)	(2,126)	(545)	**(9,735)**
Service station expenses	–	–	–	(6,279)	–	**(6,279)**
Depreciation and amortisation expense	(599)	(721)	(233)	(52)	(10,830)	**(12,435)**
Earnings before interest and tax	**29,846**	**1,790**	**10,203**	**589**	**(5,337)**	**37,091**
Share of loss of a joint venture						**(26)**
Net finance expense						**(18,894)**
Income tax expense						**(5,344)**
Underlying profit/(loss)						**12,827**
Net (loss)/gain on change in fair value of:						
Investment properties						**(24,507)**
Financial liabilities						**(417)**
Other financial instruments						**(6)**
Other						**(794)**
Income tax benefit						**9,530**
Responsible entity fees						**(3,646)**
Loss after tax						**(7,013)**
Segment assets						
Segment assets	608,698	92,473	3,313	339	45,539	**750,362**
Assets held for sale	23,948	–	–	–	8,675	**32,623**
Total assets	**632,646**	**92,473**	**3,313**	**339**	**54,214**	**782,985**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

3. Segment information (continued)

(e) ICMT – 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	71,722	92,461	24,639	11,950	3,010	**203,782**
Total revenue	**71,722**	**92,461**	**24,639**	**11,950**	**3,010**	**203,782**
Segment underlying profit						
External segment revenue	71,722	92,461	24,639	11,950	3,010	**203,782**
Property expenses	(17,772)	(966)	(6,788)	(686)	(10,660)	**(36,872)**
Cost of lifestyle homes sold	–	(53,332)	–	–	–	**(53,332)**
Employee expenses	(20,821)	(11,595)	(6,474)	(2,631)	(554)	**(42,075)**
Administrative expenses	(3,105)	(651)	(378)	(51)	(850)	**(5,035)**
Operational, marketing and selling expenses	(2,001)	(4,311)	(828)	(1,755)	(543)	**(9,438)**
Service station expenses	–	–	–	(6,153)	–	**(6,153)**
Depreciation and amortisation expense	(625)	(468)	(140)	(49)	(26)	**(1,308)**
Earnings before interest and tax	**27,398**	**21,138**	**10,031**	**625**	**(9,623)**	**49,569**
Net finance expense						**(31,061)**
Income tax expense						**(4,837)**
Underlying profit/(loss)						**13,671**
Net (loss)/gain on change in fair value of:						
Investment properties						**(19,476)**
Financial liabilities						**(5,400)**
Other financial instruments						**10**
Other						**(2,290)**
Income tax benefit						**11,032**
Responsible entity fees						**(3,582)**
Loss after tax						**(6,035)**
Segment assets						
Segment assets	533,746	129,577	3,563	860	10,750	**678,496**
Assets held for sale	2,662	–	–	–	10,173	**12,835**
Total assets	**536,408**	**129,577**	**3,563**	**860**	**20,923**	**691,331**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

4. Earnings per unit

	ICF		ICMT	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Profit/(loss) attributable to security holders ($'000)	**20,380**	25,662	**(7,013)**	(6,035)
Weighted average number of securities outstanding (thousands)				
Issued securities (thousands)	**267,272**	224,872	**267,272**	224,872
Dilutive securities (thousands)				
Long-term incentives	**1,542**	1,237	**1,542**	1,237
Short-term incentives	**264**	265	**264**	265
Weighted average number of issued and dilutive potential units outstanding (thousands)	**269,078**	226,374	**269,078**	226,374
Basic earnings per unit (cents)	**7.6**	11.4	**(2.6)**	(2.7)
Dilutive earnings per unit (cents)	**7.6**	11.3	**(2.6)**	(2.7)

5. Income tax benefit

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Income tax benefit				
Current tax benefit/(expense)	**-**	–	**1,301**	(2,319)
Increase in deferred tax asset	**-**	–	**2,885**	8,514
Income tax benefit	**-**	–	**4,186**	6,195
(b) Reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax	**20,380**	25,662	**(11,199)**	(12,230)
Less amounts not subject to Australian income tax	**(20,380)**	(25,662)	**-**	–
	-	–	**(11,199)**	(12,230)
Income tax at the Australian tax rate of 30% (30 June 2019: 30%)	**-**	–	**3,360**	3,669
Tax effect of amounts which impact tax expense:				
Prior period income tax return true-ups	**-**	–	**1,314**	859
Other	**-**	–	**(488)**	1,667
Income tax benefit	**-**	–	**4,186**	6,195

(c) Tax consolidation

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

6. Trade and other receivables

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current				
Trade receivables	**10**	–	**494**	607
Prepayments	**-**	–	**1,449**	2,158
Deposits	**-**	–	**260**	812
Other receivables	**232**	19	**3,543**	1,918
Finance lease receivable from stapled entity	**358**	358	**-**	–
Total current trade and other receivables	**600**	377	**5,746**	5,495
Non-current				
Finance lease receivable from stapled entity	**4,051**	4,051	**-**	–
Other receivables	**1,442**	1,410	**-**	34
Total non-current and other receivables	**5,493**	5,461	**-**	34

Rental amounts due are typically paid in advance and other amounts due are receivable within 30 days.

ICF has leased a property to ICMT which has been classified as a ground lease. The remaining term of the agreement is 90 years. There are no purchase options. Minimum payments under the agreements and their present values are:

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Minimum lease payments receivable:				
Not later than one year	**358**	358	**-**	–
Later than one year and not later than five years	**1,500**	1,500	**-**	–
Later than five years	**31,651**	32,026	**-**	–
	33,509	33,884	**-**	–
Unearned finance income	**(29,100)**	(29,475)	**-**	–
Net present value of minimum lease payments	**4,409**	4,409	**-**	–
Net present value of minimum lease payments receivable:				
Not later than one year	**358**	358	**-**	–
Later than one year and not later than five years	**1,165**	1,165	**-**	–
Later than five years	**2,886**	2,886	**-**	–
	4,409	4,409	**-**	–
Finance income recognised and included in interest income in the statement of comprehensive income	**358**	358	**-**	–

Information about the related ground lease payable by ICMT is given in Note 27.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

7. Inventories

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Lifestyle homes				
Completed	-	–	**12,056**	14,913
Display homes	-	–	**2,232**	1,134
Under construction	-	–	**2,943**	5,492
Fuel, food and beverage	-	–	**315**	317
Total inventories	-	–	**17,546**	21,856

The lifestyle home balance includes:

- 64 new completed homes (30 Jun 2019: 78)
- 12 refurbished/renovated/annuals completed homes (30 Jun 2019: 18)
- 12 display homes (30 Jun 2019: 6)
- Lifestyle homes under construction includes 29 partially completed homes at different stages of development (30 Jun 2019: 20). 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:

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Investment properties held for sale:				
Gladstone, South Gladstone, QLD	-	–	**8,675**	10,173
Albury, Lavington, NSW	-	–	**4,475**	–
Sun Country, Mulwala, NSW	-	–	**8,973**	–
Upper Coomera, Upper Coomera, QLD	-	–	**10,500**	–
Mudgee Valley, Mudgee, NSW	-	–	-	2,662
Total assets held for sale	-	–	**32,623**	12,835

(b) Summary of carrying value – Liabilities

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

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Net resident loans – Gladstone	–	–	5,175	5,694
Total liabilities held for sale	-	–	**5,175**	5,694

9. Investment properties

(a) Summary of carrying value

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Completed properties	**217,404**	180,562	**595,080**	515,990
Properties under development	-	3,655	**74,738**	107,552
Total carrying value	**217,404**	184,217	**669,818**	623,542

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

9. Investment properties (continued)

(b) Movements in carrying value

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Carrying value at beginning of the year	**184,217**	143,561	**623,542**	586,876
Acquisitions	**18,697**	31,874	**65,530**	53,669
Expenditure capitalised	**12,625**	8,268	**29,201**	22,267
Net gain/(loss) on change in fair value	**1,865**	514	**(24,507)**	(19,476)
Transfer to assets held for sale	**-**	–	**(23,948)**	(12,835)
Disposals	**-**	–	**-**	(6,959)
Carrying value at the end of the year	**217,404**	184,217	**669,818**	623,542

(c) Description of valuation techniques used and key inputs to valuation of investment properties

Capitalisation method

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

Discounted cash flow method

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

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

COVID-19 Valuation impact

In response to the uncertainty surrounding the COVID-19 pandemic, a COVID-19 net profit shortfall adjustment has also been incorporated for some assets in line with external valuation methodology. In assessing the fair value of investment properties, the Trusts have considered the following:

Segment	COVID-19 Considerations
Ingenia Gardens	– Limited increase in operational costs. – Recent occupancy rates are at historical highs, indicating strong segment resilience. – Strong debtor collection with no increase in defaults.
Ingenia Lifestyle and Rentals	– Limited increase in operational costs. – Strong debtor collection with no increase in defaults. – Continued market transactions in comparable lifestyle assets supporting capitalisation rates.
Ingenia Holidays	– Limited increase in operational costs. – Strong forward bookings for majority of assets. – Impact of travel restrictions on revenue.
Lifestyle Development	– Short term slow down in the residential housing market and the impact on settlements. – Limited impact on development progress.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

9. Investment properties (continued)

Given the constantly changing nature of the situation, the fair value at reporting date involves uncertainties around the underlying assumptions. The external valuations undertaken during the period, contained material valuation uncertainty clauses given the impacts of COVID-19 and reduced levels of transactional evidence during the period. The valuation can be relied upon at the date of valuation however, a higher level of valuation uncertainty than normal is assumed. In the event that COVID- 19 impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of Ingenia's investment properties.

10. Plant and equipment

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying value				
Plant and equipment	**10**	205	**6,276**	6,438
Less: accumulated depreciation	**(5)**	(174)	**(1,953)**	(2,357)
Total plant and equipment	**5**	31	**4,323**	4,081
(b) Movements in carrying value				
Carrying value at beginning of the year	**31**	57	**4,081**	3,699
Additions	**–**	–	**1,500**	1,293
Disposals	**–**	–	**(282)**	(75)
Depreciation expense	**(26)**	(26)	**(976)**	(836)
Carrying value at end of the year	**5**	31	**4,323**	4,081

11. Intangibles

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying value				
Software and development	**–**	–	**3,838**	3,288
Less: accumulated amortisation	**–**	–	**(2,066)**	(1,571)
Total intangibles	**–**	–	**1,772**	1,717
(b) Movements in carrying value				
Carrying value at beginning of the year	**–**	–	**1,717**	1,919
Additions	**–**	–	**568**	270
Disposals	**–**	–	**(10)**	–
Amortisation expense	**–**	–	**(503)**	(472)
Carrying value at end of the year	**–**	–	**1,772**	1,717

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For the year ended 30 June 2020 | continued

12. Right-of-use assets

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
(a) Summary of carrying amounts				
Plant and equipment	-	–	1,035	–
Land and buildings	-	–	28,172	–
Less: accumulated depreciation	-	–	(10,956)	–
Carrying amount at end of the year	-	–	18,251	–
(b) Movements in carrying amount				
Carrying value at beginning of the year	-	–	-	–
Recognised on adoption of AASB 16		–	29,207	–
Additions	-	–	-	–
Disposals	-	–	-	–
Depreciation expense	-	–	(10,956)	–
Carrying amount at end of the year	-	–	18,251	–

ICF has leased investment properties to ICMT, which it has been classified as operating leases. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Within one year	11,651	–	-	–
Later than one year but not later than five years	4,188	–	-	–
Later than five years	3,938	–	-	–
Carrying amount at end of the year	19,777	–	-	–

13. Investment in a joint venture

Together, ICF and ICMT hold a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Trusts' interest in the Joint Venture is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Trusts investment in the joint venture entities:

Balance Sheet	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	4,564	5,203	6	–
Non-current assets(1)	19,451	17,500	177	–
Current liabilities	(95)	(199)	(183)	–
Non-current liabilities	-	–	-	–
Equity	23,920	22,504	-	–
Trusts' share in equity – 50%	11,960	11,252	-	–
Goodwill	-	–	-	–
Group's carrying value in investment	11,960	11,252	-	–

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

13. Investment in a joint venture (continued)

Statement of Comprehensive Income	ICF 30 Jun 2020 $'000	ICF 30 Jun 2019 $'000	ICMT 30 Jun 2020 $'000	ICMT 30 Jun 2019 $'000
Revenue	-	–	8	–
Cost of sales	-	–	-	–
Expenses	(353)	(266)	(75)	–
Interest income	27	12	-	–
Depreciation	-	–	(8)	–
Net gain/(loss) on change in fair value of:				
Investment properties	242	(1,941)	-	–
Loss before income tax	(84)	(2,195)	(75)	–
Income tax expense	-	–	23	–
Total comprehensive loss for the year	(84)	(2,195)	(52)	–
Group's share of loss for the year	(42)	(1,098)	(26)	–

14. Other financial assets

	ICF 30 Jun 2020 $'000	ICF 30 Jun 2019 $'000	ICMT 30 Jun 2020 $'000	ICMT 30 Jun 2019 $'000
Unlisted property funds	-	773	13,847	1,490
Total non-current	-	773	13,847	1,490

Other financial assets represent the Groups investment in a number of unlisted property funds. Refer to Note 2 for valuation assumptions.

15. Deferred tax assets and liabilities

	ICF 30 Jun 2020 $'000	ICF 30 Jun 2019 $'000	ICMT 30 Jun 2020 $'000	ICMT 30 Jun 2019 $'000
Deferred tax assets				
Tax losses	-	–	18,973	11,704
Other	-	–	-	–
Deferred tax liabilities				
DMF receivable	-	–	(460)	(447)
Investment properties	-	–	(7,519)	(4,454)
Net deferred tax assets	-	–	10,994	6,803
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	-	–	5,552	6,052

The availability of carried forward tax losses of $5.6 million to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which these losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. Accordingly, a portion of these carried forward tax losses may not be available in the future.

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

16. Trade and other payables

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current				
Trade payables and accruals	**2,820**	2,647	**18,675**	29,312
Deposits	**-**	–	**7,978**	6,143
Other unearned income	**-**	–	**1,069**	1,310
	2,820	2,647	**27,722**	36,765
Non-current				
Other	**-**	–	**-**	–

17. Borrowings

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current				
Lease liabilities – Right-of-use assets	**-**	–	**11,278**	–
Lease liabilities – Ground leases	**-**	–	**1,136**	1,123
	-	–	**12,414**	1,123
Non-current				
Bank debt	**73,000**	241,000	**-**	–
Prepaid borrowing costs	**(1,400)**	(1,155)	**-**	–
Lease liabilities – Right-of-use assets	**-**	–	**7,227**	–
Lease liabilities – Ground leases	**-**	–	**14,788**	15,136
	71,600	239,845	**22,015**	15,136

(a) Bank debt

Ingenia has $450.0 million in available debt facilities at 30 June 2020 (30 Jun 2019: $350.0 million).

The total $450.0 million in debt facilities is provided by three Australian banks. The facility tranche dates are:

- 17 February 2022 ($175.4 million);
- 13 July 2023 ($174.6 million); and
- 21 February 2027 ($100.0 million).

As at 30 June 2020, the facilities have been drawn to $73.0 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 $909.0 million (30 Jun 2019: $797.2 million).

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2020 were $14.3 million (30 Jun 2019: $11.5 million).

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

17. Borrowings (continued)

(c) Right-of-use asset

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Minimum lease payments:				
Within one year	**-**	–	**11,297**	–
Later than one year but not later than five years	**-**	–	**4,542**	–
Later than five years	**-**	–	**3,938**	–
Total minimum lease payments	**-**	–	**19,777**	–
Future finance charges	**-**	–	**(1,273)**	–
Present value of minimum lease payments	**-**	–	**18,504**	–
Present value of minimum lease payments:				
Within one year	**-**	–	**11,297**	–
Later than one year but not later than five years	**-**	–	**3,568**	–
Later than five years	**-**	–	**3,639**	–
	-	–	**18,504**	–

(d) Ground leases

The Group has entered into ground leases in relation to certain Lifestyle and Holidays investment properties. The leases are long-term in nature and range between 6 years to perpetuity.

Minimum lease payments – excluding perpetual lease

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Minimum lease payments:				
Within one year	**-**	–	**1,177**	1,161
Later than one year but not later than five years	**-**	–	**4,874**	4,806
Later than five years	**-**	–	**43,924**	44,981
Total minimum lease payments	**-**	–	**49,975**	50,948
Future finance charges	**-**	–	**(35,184)**	(35,822)
Present value of minimum lease payments	**-**	–	**14,791**	15,126
Present value of minimum lease payments:				
Within one year	**-**	–	**1,135**	1,123
Later than one year but not later than five years	**-**	–	**4,109**	4,060
Later than five years	**-**	–	**9,547**	9,943
	-	–	**14,791**	15,126

Minimum lease payments – perpetual lease

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

18. Other financial liabilities

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

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current				
Financial liabilities	**–**	–	**–**	1,100
Total current	**–**	–	**–**	1,100
Non-current				
Financial liabilities	**–**	–	**8,616**	10,800
Total non-current	**–**	**–**	**8,616**	**10,800**

19. Issued units

(a) Carrying values

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Balance at beginning of the year	**831,792**	759,337	**55,640**	43,690
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	**15,854**	12,178	**2,095**	1,983
Institutional Placement, Rights Issue and Share Purchase Plan	**254,158**	62,671	**32,319**	10,363
Executive Incentive plan	**–**	310	**–**	51
Equity raising costs	**(8,108)**	(2,704)	**(1,029)**	(447)
Balance at end of the year	**1,093,696**	831,792	**89,025**	55,640
The closing balance is attributable to the security holders of:				
Ingenia Communities Fund	**–**	831,792	**–**	–
Ingenia Communities Management Trust	**1,093,696**	–	**89,025**	55,640
	1,093,696	831,792	**89,025**	55,640

(b) Number of issued securities

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Balance at beginning of the year	**236,375**	208,092	**236,375**	208,092
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	**4,237**	4,931	**4,237**	4,931
Institutional Placement, Rights Issue and Share Purchase Plan	**84,941**	23,177	**84,941**	23,177
Executive Incentive Plan	**–**	175	**–**	175
Balance at end of the year	**325,553**	236,375	**325,553**	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.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

20. Accumulated losses and retained earnings

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Balance at beginning of the year	**(308,171)**	(309,538)	**11,374**	29,557
Net profit/(loss) for the year	**20,380**	25,662	**(7,013)**	(6,035)
Distributions	**(28,877)**	(24,295)	**–**	–
Other	**–**	–	**–**	(12,148)
Balance at end of the year	**(316,668)**	(308,171)	**4,361**	11,374
The closing balance is attributable to the security holders of:				
Ingenia Communities Fund	**(316,668)**	(308,171)	**–**	–
Ingenia Communities Management Trust	**–**	–	**4,361**	11,374
	(316,668)	(308,171)	**4,361**	11,374

21. Commitments

ICMT has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $10,072.103 (30 Jun 2019: $11,938,070).

22. Contingent liabilities

The Trusts have the following contingent liabilities:

– Bank guarantees totalling $14.3 million provided for under the $450.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

23. Capital management

The capital management of ICF and ICMT is managed at a consolidated Group level (ICH and subsidiaries).

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

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

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

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

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant under the Group's $450.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, ground leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2020, the LVR of 8.4% (30 June 2019: 29.8%) is below target due to the completion of the equity raising in June 2020.

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities.
At 30 June 2020, the Total Interest Cover Ratio was 8.35x (30 Jun 2019: 6.38x) and the Core Interest Cover Ratio was 6.15x (30 Jun 2019: 3.09x).

Notes to the Financial Statements

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24. Financial instruments

(a) Introduction

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

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

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

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

The main risks arising from ICMT's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. These risks are not separately managed. Management of these risks for the ICF may result in consequential changes for ICMT.

(b) Interest rate risk

The Trusts' exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Trust's profit. In addition, one or more of the Trust's loan agreements may include minimum interest cover covenants. Higher interest costs resulting from increases in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

The Trusts manage the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investments, Derivatives, and Borrowing Policy. At 30 June 2020, the Trusts' had no derivative financial instruments or fixed debt in place (30 Jun 2019: 29%).

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

(c) Interest rate risk exposure

	ICF				
		Fixed interest maturing in:			
30 Jun 2020 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**1,687**	**–**	**–**	**–**	**1,687**
Ground leases (excluding perpetual lease)	**–**	**358**	**1,165**	**2,886**	**4,409**
Financial liabilities					
Bank debt	**73,000**	**–**	**–**	**–**	**73,000**
Interest rate swaps: Fund pays fixed rate	**–**	**–**	**–**	**–**	**–**
Interest rate collar; Group pays fixed rate on floor	**–**	**–**	**–**	**–**	**–**
30 Jun 2019 $'000					
Financial assets					
Cash at bank	6,629	–	–	–	6,629
Ground leases (excluding perpetual lease)	–	358	1,165	2,886	4,409
Financial liabilities					
Bank debt	241,000	–	–	–	241,000
Interest rate swaps: Fund pays fixed rate	(70,000)	–	70,000	–	–
Interest rate collar; Group pays fixed rate on floor	(125,000)	45,000	80,000	–	–

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

24. Financial instruments (continued)

ICMT's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date were:

	ICMT				
		Fixed interest maturing in:			
30 Jun 2020 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**8,065**	**-**	**-**	**-**	**8,065**
Financial liabilities					
Lease liabilities – Right-of-use-asset	**-**	**11,297**	**3,568**	**3,639**	**18,504**
Lease liabilities – Ground leases (excluding perpetual lease)	**-**	**1,135**	**4,109**	**9,547**	**14,791**
30 Jun 2019 $'000					
Financial assets					
Cash at bank	13,478	–	–	–	13,478
Financial liabilities					
Lease liabilities – Ground leases (excluding perpetual lease)	–	1,123	4,060	9,943	15,126

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

(d) Interest rate sensitivity analysis

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

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2020 $'000	**30 Jun 2019 $'000**	**30 Jun 2020 $'000**	**30 Jun 2019 $'000**
Increase in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**(730)**	(2,410)	**-**	–
Interest rate swaps and collars (AUD denominated)	**-**	695	**-**	–
Decrease in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**730**	2,410	**-**	–
Interest rate swaps and collars (AUD denominated)	**-**	(4,507)	**-**	–

(e) Foreign exchange risk

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

24. Financial instruments (continued)

(f) Net foreign currency exposure

	Net foreign currency asset			
	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Net foreign currency exposure:				
United States dollars	**1,014**	1,089	**-**	–
New Zealand dollars	**264**	266	**-**	–
Total net foreign currency assets	**1,278**	1,355	**-**	–

(g) Foreign exchange sensitivity analysis

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

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
i. Effect of appreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	**(92)**	(99)	**-**	–
New Zealand dollars	**(24)**	(24)	**-**	–
ii. Effect of depreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	**113**	121	**-**	–
New Zealand dollars	**29**	30	**-**	–

(h) Credit risk

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

The major credit risk for the Trusts is default by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant.

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

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

Rent receivable balances are monitored on an ongoing basis and arrears actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default.

The Responsible Entity believes that the Trusts' receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Trusts. The Trusts' investment, derivatives, and borrowing policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Trusts, after allowing for appropriate set offs which are legally enforceable.

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

24. Financial instruments (continued)

(i) Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Trusts do not have the resources available to meet their financial obligations and working capital and committed capital expenditure requirements. The Trusts' investment, derivatives, and borrowing policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events such as tenant default.

The Trusts may also be exposed to contingent liquidity risk under term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Trusts monitor adherence to loan covenants on a regular basis, and the investment, derivatives, and borrowing policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Trusts monitor the debt expiry profile and aims to achieve debt maturities below a target level of total committed debt facilities, where possible, to reduce refinance risk in any one year.

The contractual maturities of the Trusts' non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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

	ICF			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
30 Jun 2020				
Trade and other payables	**2,820**	**–**	**–**	**2,820**
Borrowings(1)	**2,182**	**77,546**	**–**	**79,728**
	5,002	**77,546**	**–**	**82,548**
30 Jun 2019				
Trade and other payables	2,647	–	–	2,647
Borrowings(1)	7,884	270,941	–	278,825
	10,531	270,941	–	281,472

	ICMT			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total(2) $'000
30 Jun 2020				
Trade and other payables	**27,722**	**–**	**–**	**27,722**
Right-of-use asset leases	**11,297**	**4,542**	**3,938**	**19,777**
Ground leases (excluding perpetual lease)	**1,177**	**4,874**	**43,924**	**49,975**
Ground leases (perpetual lease)(2)	**121**	**483**	**–**	**604**
	40,317	**9,899**	**47,862**	**98,078**
30 Jun 2019				
Trade and other payables	36,765	-	-	36,765
Ground leases (excluding perpetual lease)	1,161	4,806	44,981	50,948
Ground leases (perpetual lease)(2)	121	483	-	604
	38,047	5,289	44,981	88,317

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

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

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

24. Financial instruments (continued)

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

	ICF			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
30 Jun 2020				
Liabilities				
Other financial liabilities	**163**	**8,453**	**–**	**8,616**
Derivative liabilities – net settled	**–**	**–**	**–**	**–**
	163	**8,453**	**–**	**8,616**
30 Jun 2019				
Liabilities				
Other financial liabilities	1,036	10,864	–	11,900
Derivative liabilities – net settled	70	2,435	–	2,505
	1,106	13,299	–	14,405

(j) Other financial instrument risk

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

	Effect on profit after tax			
	ICF		ICMT	
	Higher/(lower)		Higher/(lower)	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Increase in market prices of investment properties of 10%	**–**	–	**(149)**	(147)
Decrease in market prices of investment properties of 10%	**–**	–	**149**	147

These effects are largely offset by corresponding changes in the fair value of the Trusts' investment properties. The effect on unit holders' interest would have been the same as the effect on profit.

25. Fair value measurement

(a) Ingenia Communities Fund

The following table provides the fair value measurement hierarchy of Ingenia Communities Fund assets and liabilities:

i. Assets measured at fair value		Fair value measurement using:			
30 Jun 2020	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investment properties	30-Jun-20 Note 9(a)	**–**	**–**	**217,404**	**217,404**
Other financial assets	30-Jun-20 Note 14	**–**	**–**	**–**	**–**

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

25. Fair value measurement (continued)

30 Jun 2019	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investment properties	30-Jun-19 Note 9(a)	–	–	184,217	184,217
Other financial assets	30-Jun-19 Note 14	–	–	773	773

ii. Liabilities measured at fair value

30 Jun 2020					
Derivatives	30-Jun-20	**-**	**-**	**-**	**-**

30 Jun 2019					
Derivatives	30-Jun-19	–	2,505	–	2,505

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

(b) Ingenia Communities Management Trust

The following table provides the fair value measurement hierarchy of Ingenia Communities Management Trust assets and liabilities:

i. Assets measured at fair value

30 Jun 2020	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investment properties	30-Jun-20 Note 9(a)	**-**	**-**	**669,818**	**669,818**
Assets held for sale – investment property	30-Jun-20 Note 8(a)	**-**	**-**	**32,623**	**32,623**
Other financial assets	30-Jun-20 Note 14	**-**	**-**	**13,847**	**13,847**

30 Jun 2019					
Investment properties	30-Jun-19 Note 9(a)	–	–	623,542	623,542
Assets held for sale – investment property	30-Jun-19 Note 8(a)	–	–	12,835	12,835
Other financial assets	30-Jun-19 Note 14	–	–	1,490	1,490

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

25. Fair value measurement (continued)

ii. Liabilities measured at fair value

		Fair value measurement using:			
30 Jun 2020	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Resident loans	30-Jun-20	**–**	**–**	**308**	**308**
Liabilities held for sale	30-Jun-20 Note 8(b)	**–**	**–**	**5,175**	**5,175**
Other financial liabilities	30-Jun-20 Note 18	**–**	**–**	**8,616**	**8,616**
30 Jun 2019					
Resident loans	30-Jun-19	–	–	**308**	**308**
Liabilities held for sale	30-Jun-19 Note 8(b)	–	–	**5,694**	**5,694**
Other financial liabilities	30-Jun-19 Note 18	–	–	**11,900**	**11,900**

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

26. Auditor's remuneration

	ICF		ICMT	
	30 Jun 2020 $	**30 Jun 2019 $**	**30 Jun 2020 $**	**30 Jun 2019 $**
Fees for auditing the statutory financial report	**198,000**	200,518	**198,000**	200,518
Fees for assurance services that are required by legislation:				
AFSL	**10,000**	9,875	**10,000**	9,875
Fees for other services:				
Technical advice	–	4,838	–	4,838
System review	–	5,625	–	5,625
Total fees to Ernst & Young	**208,000**	220,856	**208,000**	220,856

27. Related parties

(a) Responsible entity

The Responsible Entity for both Trusts from 4 June 2012 is Ingenia Communities RE Limited ("ICRE"). ICRE is an Australian domiciled company and is a wholly owned subsidiary of ICH.

(b) Fees of the responsible entity and its related parties

	ICF		ICMT	
	30 Jun 2020 $	**30 Jun 2019 $**	**30 Jun 2020 $**	**30 Jun 2019 $**
Ingenia Communities RE Limited:				
Asset management fees	**4,165,601**	3,654,049	**3,645,980**	3,582,448

The Responsible Entity is entitled to a fee of 0.5% of total assets. In addition, it is entitled to recover certain expenses.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

27. Related parties (continued)

The gross amount accrued and recognised but unpaid at reporting date was:

	ICF		ICMT	
	30 Jun 2020 $	30 Jun 2019 $	30 Jun 2020 $	30 Jun 2019 $
Current trade payables	**1,100,918**	988,035	**947,130**	939,191

The above ICF balances are netted against the receivable from related party balance on the face of the balance sheet. The above ICMT balances are included in the payable to related party balance on the face of the balance sheet, which is shown net of related party receivables.

(c) Holdings of the responsible entity and its related parties

There were no holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2020 and 30 June 2019.

(d) Joint venture

During the year ICMT generated fee income from the joint venture with Sun Communities.

	ICF		ICMT	
	30 Jun 2020 $	30 Jun 2019 $	30 Jun 2020 $	30 Jun 2019 $
Fee income from associate	**–**	–	**406,000**	813,590

(e) Other related party transactions

ICF has leased its investment property to ICMT. Rental villages have been classified as operating leases and the DMF village has been classified as a ground lease.

Intercompany loans are subject to a loan deed, amended on and effective from 1 July 2015, encompassing ICH, ICF and ICMT and their respective subsidiaries. The revised deed stipulates that interest is calculated on the intercompany balances between ICH, ICF and ICMT for the preceding month. Interest is charged at a margin of 3.95% on the monthly Australian Bank Bill Swap Reference Rate. Intercompany loan balances are payable in the event of default or on termination date, being 30 June 2025 (or such other date as agreed by the parties in writing).

ICMT has entered into development agreements with subsidiaries of ICH to develop land into lifestyle communities. These agreements are on arms-length terms and eliminate on consolidation in the Group results. Pursuant to the terms of the agreements, subsidiaries of ICH received a development fee of $4,470,000 (30 June 2019: $1,520,000).

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

	ICF		ICMT	
	30 Jun 2020 $	30 Jun 2019 $	30 Jun 2020 $	30 Jun 2019 $
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**374,936**	374,936	**(374,936)**	(374,936)
Finance lease balance receivable/(payable) between ICF and ICMT	**4,408,747**	4,408,931	**(4,408,747)**	(4,408,931)
Finance lease commitments	**33,525,542**	33,900,478	**(33,525,542)**	(33,900,478)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**10,664,106**	9,758,622	**(10,664,106)**	(9,758,622)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities	**23,155,347**	33,703,896	**(17,972,592)**	(30,325,076)
Intercompany loan balances between stapled entities	**614,299,043**	559,877,745	**(611,235,769)**	(551,992,587)

(f) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

27. Related parties (continued)

The names of the directors and KMP of ICRE, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

Directors

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Andrew McEvoy	
Pippa Downes	(appointed, effective 4 December 2019)
Gary Shiffman	
John McLaren	(Alternate Director to Gary Shiffman)
Valerie Lyons	(resigned, effective 30 November 2019)
Simon Owen	(Managing Director and Chief Executive Officer (MD and CEO))

Other KMP

Nicole Fisher	(Chief Operating Officer)
Scott Noble	(Chief Financial Officer)

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

	30 Jun 2020 $	30 Jun 2019 $
Directors fees	**651,213**	644,458
Salaries and other short-term benefits	**1,423,368**	1,420,940
Short-term incentives (payable in cash)	**158,400**	355,800
Superannuation benefits	**63,009**	61,560
Share-based payments	**863,379**	812,981
	3,159,369	3,295,739

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

For FY20, Mr Owen was awarded an STI of 67% based on his performance. Due to the adverse impact of COVID-19 on the business, staff and residents, it was agreed to award all of this STI in the form of deferred rights with no cash component.

The aggregate Rights of the Group held directly, by KMP, are as follows:

			Number outstanding	
Issue date	**Right Type**	**Vesting date**	**30 Jun 2020**	**30 Jun 2019**
FY16[(1)]	LTIP	FY19	**91,068**	91,068
FY17[(1)]	LTIP	FY20	**128,819**	248,432
FY17[(1)]	STIP	FY19	**2,437**	102,437
FY18	LTIP	FY21	**493,568**	493,568
FY18[(1)]	STIP	FY20	**34,300**	194,935
FY19	LTIP	FY22	**496,917**	496,917
FY19	STIP	FY21	**132,436**	–
FY20	LTIP	FY23	**450,234**	–
			1,829,779	1,627,357

(1) Rights are fully vested but not exercised. All other rights are still subject to vesting conditions.

A short-term loan facility of $500,000 was made available to the CEO for a period of 15 days on commercial terms. Interest paid on the facility was $1,060. No balance is outstanding.

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

28. Parent entity financial information

Summary financial information about the parent of each Trust is:

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Current assets	**1,713**	6,629	**1,300**	150
Total assets	**816,066**	734,495	**31,498**	25,546
Current liabilities	**2,681**	5,126	**1,578**	282
Total liabilities	**74,283**	244,973	**50,358**	63,863
Net assets/(liabilities)	**741,783**	489,522	**(18,860)**	(38,317)
Security holders' equity:				
Issued securities	**1,093,696**	831,792	**89,025**	55,640
Accumulated losses	**(351,913)**	(342,270)	**(107,885)**	(93,957)
Total security holders' equity	**741,783**	489,522	**(18,860)**	(38,317)
Profit/(loss) from continuing operations	**19,233**	24,955	**(16,252)**	(12,912)
Net profit/(loss) attributable to security holders	**19,233**	24,955	**(16,252)**	(12,912)
Total comprehensive income/(loss)	**19,233**	24,955	**(16,252)**	(12,912)

29. Subsidiaries

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

	Country of residence	30 Jun 2020 %	30 Jun 2019 %
Subsidiaries of ICF			
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
Settlers Subsidiary Trust	Australia	**100**	100
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No.1	Australia	**100**	100
INA Community Living LLC	USA	**100**	100
INA Subsidiary Trust No.4	Australia	**100**	100
INA Lifestyle Landowner Trust	Australia	**100**	100
INA Community Living Subsidiary Trust No. 2	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

29. Subsidiaries (continued)

	Country of residence	30 Jun 2020 %	30 Jun 2019 %
Subsidiaries of ICMT			
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
Settlers Operations Trust	Australia	**100**	100
INA DMF Management Pty Ltd (formerly Settlers Management Pty Ltd)	Australia	**100**	100
INA Operations Trust No.1	Australia	**100**	100
INA Operations Trust No.2	Australia	**100**	100
INA Operations Trust No.3	Australia	**100**	100
INA Operations Trust No.4	Australia	**100**	100
INA Operations Trust No.6	Australia	**100**	100
INA Operations Trust No.7	Australia	**100**	100
INA Operations Trust No.8	Australia	**100**	100
INA Operations Trust No.9	Australia	**100**	100
Ridge Estate Trust	Australia	**100**	100
INA Subsidiary Trust No.3	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA NZ Subsidiary Unit Trust No. 1	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No. 2	New Zealand	**100**	100
INA Lifestyle Operations Trust	Australia	**100**	100
INA Operations Management Trust	Australia	**100**	100
Emmetlow Pty Ltd	Australia	**100**	-
Park Trust	Australia	**100**	-

The Trusts' voting interest in all other subsidiaries is the same as the ownership interest.

30. Notes to the cash flow statements

Reconciliation of profit to net cash flows from operations:

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Net profit/(loss) for the year	**20,380**	25,662	**(7,013)**	(6,035)
Adjustments for:				
Share of joint venture loss	**42**	1,098	**26**	–
Net loss on disposal of investment properties	**773**	–	**794**	2,290
Net loss/(gain) on change in fair value of:				
Investment properties – continuing	**(1,865)**	(514)	**24,507**	19,476
Financial liabilities	**-**	–	**417**	5,400
Other	**(38)**	2,298	**6**	(10)
Income tax (benefit)/expense	**-**	–	**(4,186)**	(6,195)
Operating profit before tax	**19,292**	28,544	**14,551**	14,926
Depreciation and amortisation expense	**26**	26	**12,435**	1,308
Finance (cost)/income	**(51)**	1,469	**(16)**	–
Operating cash flow before changes in working capital	**19,267**	30,039	**26,970**	16,234

Notes to the Financial Statements

For the year ended 30 June 2020 | continued

30. Notes to the cash flow statements (continued)

	ICF		ICMT	
	30 Jun 2020 $'000	30 Jun 2019 $'000	30 Jun 2020 $'000	30 Jun 2019 $'000
Changes in working capital:				
(Increase)/decrease in receivables	**(255)**	1,230	**(217)**	1,617
Decrease in inventory	**–**	–	**4,310**	8,372
Increase/(decrease) in other payables and provisions	**173**	(1,739)	**(9,043)**	(506)
(Decrease)/increase in loans to related parties	**(28,540)**	(39,962)	**26,755**	23,465
Net cash provided by operating activities	**(9,355)**	(10,432)	**48,775**	49,182

31. Subsequent events

Final FY20 distribution

On 18 August 2020, the Directors declared a final distribution of 4.4 cps amounting to $14.3 million, to be paid on 24 September 2020.

Acquisition of Sunnylake Shores

On 24 July 2020, the Group completed the acquisition of the Sunnylake Shores lifestyle community, located on the Central Coast of NSW, for a purchase price of $16.3 million.

Acquisition of Ballarat

On 28 July 2020, the Group completed the acquisition of a DA approved greenfield development site for a lifestyle community in Ballarat, VIC for a purchase price of $7.0 million.

Operating restrictions due to COVID-19

Post 30 June 2020, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our Holidays assets.

Directors' Declaration

For the year ended 30 June 2020

In accordance with a resolution of the directors of Ingenia Communities Fund and of Ingenia Communities Management Trust, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Ingenia Communities Fund and of Ingenia Communities Management Trust are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of each Trust's financial position as at 30 June 2020 and of their performance for the year ended on that date; and

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

   (b) there are reasonable grounds to believe that Ingenia Communities Fund and Ingenia Communities Management Trust will be able to pay their debts as and when they become due and payable.

2. The notes to the financial statements include an explicit and unreserved statement of compliance with international financial reporting standards at Note 1(b).

3. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board

Jim Hazel
Chairman
Adelaide, 18 August 2020

Independent Auditor's Report

For the year ended 30 June 2020

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Independent Auditor's Report to the unitholders of Ingenia Communities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Fund (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

1. Valuation of Investment Properties

Why significant	How our audit addressed the key audit matter
Approximately 27% of the Group's total assets comprise investment properties (both those disclosed as investment properties and equity accounted investments). These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date. This is considered a key audit matter as valuations contain a number of assumptions which are based on direct market comparisons, or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The investment properties, as disclosed in Note 9 to the financial report, earn revenue predominantly from longer term rental agreements and the key judgments include capitalisation rates, discount rates, market and contractual rent and forecast occupancy levels. As at 30 June 2020 there is increased valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to this. This means that the property values may change significantly and unexpectedly over a relatively short period of time.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2020 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: ▸ We reviewed the controls in place relevant to the valuation process; ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer; ▸ On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ▸ On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020.

- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 9 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2020 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 31.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

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

Ernst & Young

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
Sydney
18 August 2020

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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200 George Street
Sydney NSW 2000 Australia
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Independent Auditor's Report to the unitholders of Ingenia Communities Management Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Management Trust (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

1. Valuation of Investment Property

Why significant	How our audit addressed the key audit matter
Approximately 86% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date. This is considered a key audit matter as valuations contain several assumptions which are based on direct market comparisons or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The Group has two categories of investment properties as disclosed in Note 9 of the financial report. One of these categories is considered material and involve significant judgement. ▸ The Lifestyle & Holidays portfolio consists of investment properties earning revenue from a mix of longer-term land rental agreements and short-term accommodation rental. In addition, the group earns revenue from the sale of manufactured homes to residents of the properties.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2020 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: ▸ We reviewed the controls in place relevant to the valuation process; ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer; ▸ On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ▸ On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better
working world

- The key judgements for the longer term and short-term rental include capitalisation rates, discount rates, market and contractual rents, forecast short-term and residential occupancy levels, historical transactions and remaining development potential for vacant land. In assessing the development potential, additional key judgements include future new homes sales prices, estimated capital expenditure and allocation between investment property and inventory, discount rates, projected property growth rates and operating profit margins.
- Specific assumptions and judgements of the impact of COVID-19 are contained within Note 9 to the financial report. These include impact on property sale settlements, revenue and operational costs.

As at 30 June 2020 there is increased valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to this. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2020.

- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 9 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2020 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 31.

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

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

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

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

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

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

Independent Auditor's Report

For the year ended 30 June 2020 | continued

Building a better working world

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

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

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

Ernst & Young

Ernst & Young

Yvonne Barnikel
Partner
Sydney
18 August 2020

Security Holder Information

For the year ended 30 June 2020

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 1 September 2020.

The information set out below applies equally to units in the trusts and shares in the company under the terms of the joint quotation on the Australian Securities Exchange.

Twenty Largest Security Holders

The twenty largest security holders of quoted equity securities are as follows:

Security holder	Number of securities held	Percentage of issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	113,217,711	34.78
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	54,179,647	16.64
CITICORP NOMINEES PTY LIMITED	36,353,657	11.17
SUN INA EQUITY LLC	32,572,582	10.01
BNP PARIBAS NOMINEES PTY LTD	16,448,424	5.05
NATIONAL NOMINEES LIMITED	12,202,202	3.75
BNP PARIBAS NOMS PTY LTD	10,846,724	3.33
BNP PARIBAS NOMS(NZ) LTD	6,197,816	1.90
CITICORP NOMINEES PTY LIMITED	3,999,139	1.23
BRAHMAN PURE ALPHA PTE LTD	3,100,478	0.95
CUSTODIAL SERVICES LIMITED	1,254,575	0.39
BOND STREET CUSTODIANS LIMITED	798,786	0.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	752,709	0.23
GWYNVILL TRADING PTY LTD	688,961	0.21
THE TRUST COMPANY (AUSTRALIA) LIMITED	654,750	0.20
PACIFIC CUSTODIANS PTY LIMITED	603,770	0.19
BODIAM PROPERTIES PTY LTD	590,431	0.18
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	581,517	0.18
ONE MANAGED INVT FUNDS LTD	545,599	0.17
PACIFIC CUSTODIANS PTY LIMITED	545,343	0.17
Total	**296,134,821**	**90.96**
Total Quoted Equity Securities	**325,552,633**	**100.00**

Less than marketable parcels of ordinary securities

There are 348 security holders with unmarketable parcels totalling 5,229 securities.

Distribution of Stapled Security Holders

The distribution of quoted stapled securities is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	53	303,660,384	93.28
10,001 to 100,000	627	14,286,630	4.39
5,001 to 10,000	477	3,467,717	1.07
1,001 to 5,000	1,392	3,598,140	1.11
1 to 1,000	1,427	539,762	0.17
Total	**3,976**	**325,552,633**	**100**

Security Holder Information

For the year ended 30 June 2020 | continued

Distribution of Long Term Incentive Plan Rights Holders

The distribution of unquoted Long Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	4	1,116,742	67.25
10,001 to 100,000	14	508,215	30.60
5,001 to 10,000	5	31,462	1.89
1,001 to 5,000	1	4,187	0.25
1 to 1,000	–	–	–
Total	**24**	**1,660,606**	**100.00**

The Long Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Distribution of Short Term Incentive Plan Rights Holders

The distribution of unquoted Short Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	–	–	0.00
10,001 to 100,000	3	169,173	100.00
5,001 to 10,000	–	–	0.00
1,001 to 5,000	–	–	0.00
1 to 1,000	–	–	0.00
Total	**3**	**169,173**	**100.00**

The Short Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 1 September 2020.

24 holders of long term incentive rights issued as part of an incentive scheme	1,660,606
3 holders of short term incentive rights issued as part of an incentive scheme	169,173

Substantial Security Holders

The names of the Substantial Security Holders pursuant to notices released to the ASX as at 1 September 2020:

Security holder	Number of securities	Percentage of issued capital
Sun INA Equity LLC	31,873,650	10.040
The Vanguard Group Inc	25,007,362	9.233
AMP Limited and its related bodies corporate	17,419,487	5.560
Perennial Value Management Limited (PVM)	13,290,772	5.560

Restricted Securities

There are no restricted securities on issue as at 1 September 2020.

Voting

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid stapled security, on a poll.

Holders of Long Term Incentive Plan Rights and Short Term Incentive Plan Rights have no voting rights.

On-Market Buyback

There is no current on-market buy-back in relation to the Company's securities.

Investor Relations

For the year ended 30 June 2020

Enquiries relating to Ingenia Communities Group (ASX code: INA) can be directed to the Link Market Services Investor Information line on 1300 554 474 (or from outside Australia +61 1300 554 474). This service is available from 8:30am to 5:30pm (Sydney time) on all business days.

Link Market Services can assist with:

- Change of address details
- Requests to receive communications online
- Provision of tax file numbers
- Changes to payment instructions
- General enquiries about your security holding.

www.ingeniacommunities.com.au

Ingenia Communities' corporate website provides investors with extensive information about the Group. You can visit the website to find: information on Ingenia and its property portfolios; the latest financial information; reports; announcements; sustainability; and corporate governance information. Security holders can access their investment details, including holding balance and payment history, from the link to the Registry which is contained on the site.

Distribution Payments

Distribution payments are made twice a year, for the six months ending 30 June and the six months ending 31 December. Distributions are declared and paid in Australian dollars.

The table below details distribution payments for the 2019/2020 financial year. A history of distribution payments made since 2005 is available from the Group's website www.ingeniacommunities.com.au.

Period Ended	Date Paid	Total Amount
June 2020	24 Sept 2020	$0.044
December 2019	26 March 2020	$0.056

* Information on the tax components of distributions can be found on the Ingenia Communities Group website or the Attribution Managed Investment Trust Member Annual Statement (AMMA Statement).

Ingenia Communities Group operates a Distribution Reinvestment Plan through which security holders can elect to reinvest all or part of their distributions in additional securities. The rules of the Plan and how to apply can be found on the website or obtained from the Registry, Link Market Services.

AMMA Statements

AMMA Statements, which summarise payments made during the year and include information required to complete an Australian tax return, are dispatched each September. Details of past distributions and relevant tax information are available on the Group's website.

Annual General Meeting

The Annual General Meeting will be held on 10 November 2020. The Group will hold a virtual meeting and information on how to attend and vote at the meeting will be provided to all investors in advance of the meeting.

2020/2021 Security Holder Calendar*

24 September 2020	Final FY20 distribution paid
24 September 2020	AMMA Statement dispatched
10 November 2020	Annual General Meeting
February 2021	1H21 Result announced
March 2021	Interim FY21 distribution paid

* Dates are indicative.

Privacy Policy

Ingenia Communities Group is committed to ensuring the confidentiality and security of your personal information. The Group's Privacy Policy, detailing our handling of personal information, is available online at: www.ingeniacommunities.com.au. If you have any questions or concerns as to how Ingenia deals with your personal information please contact the Privacy Officer at privacy@ingeniacommunities.com.au.

Complaints

Any security holder wishing to register a complaint should direct it to Investor Relations in the first instance, at the Responsible Entity's address listed in this Report.

Ingenia Communities RE Limited is a member of an independent dispute resolution scheme, the Australian Financial Complaints Authority (AFCA). If a security holder feels that a complaint remains unresolved or wishes it to be investigated further, AFCA can be contacted as detailed below:

By telephone: 1800 931 678
Website: www.afca.org.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 17 August 2020 and can be found at: http://www.ingeniacommunities.com.au/wp-content/uploads/2020/08/Corporate-Governance-Statement.pdf

Corporate Directory

For the year ended 30 June 2020

Ingenia Communities Group

Ingenia Communities Holdings Limited
ACN 154 444 925

Ingenia Communities Management Trust
ARSN 122 928 410

Ingenia Communities Fund
ARSN 107 459 576

Responsible Entity

Ingenia Communities RE Limited
ACN 154 464 990 (AFSL 415862)

Registered Office

Level 9, 115 Pitt Street Sydney NSW 2000

Telephone: 1300 132 946
Facsimile: +61 2 8263 0500

Email: investor@ingeniacommunities.com.au
Website: www.ingeniacommunities.com.au

Directors of Ingenia Communities Group (as at 31 August 2020)

J Hazel (Chairman)
R Morrison (Deputy Chairman)
A Heyworth
S Owen
P Downes
A McEvoy
G Shiffman
J McLaren (Alternate Director)

Secretary

N Nguyen
N Kwok

Security Registry

Link Market Services Limited
Level 12, 680 George Street Sydney NSW 2000
Locked Bag A14 Sydney South NSW 1235

Telephone: 1300 554 474 (local call cost) or from outside Australia: +61 1300 554 474
Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Auditors

Ernst & Young
200 George Street Sydney NSW 2000

Stock Exchange Quotation

Ingenia Communities Group is listed on the Australian Securities Exchange under ASX listing code: INA.

Ingenia Communities Group
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