Ingenia
COMMUNITIES

ANNUAL REPORT 2014

57 quality Australian seniors living communities and growing

$11.6m
Underlying profit Increased by 97% on FY13

$14.2m
Operating cashflow Increased by 27% on FY13

49%
Increase in Total segment revenue

www.ingeniacommunities.com.au

GARDEN VILLAGES

Active Lifestyle ESTATES

SETTLERS

Friends | Freedom | Fulfillment

Business Strategy

Ingenia Communities Group (ASX ticker: INA) is a leading property group that owns, operates and develops a diversified portfolio of seniors living communities in Australia. Since February 2013 Ingenia has become the largest owner, operator and developer of lifestyle and tourism parks in NSW and is presently assessing opportunities in South East Queensland.

Ingenia Communities Holdings Limited Annual Reports

for the year ended 30 June 2014

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Directors' Report

for the year ended 30 June 2014

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 2014 (the "current year") 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") effectively as one security. Ingenia Communities RE Limited ("ICRE" or "Responsible Entity"), a wholly owned subsidiary of the Company is the responsible entity of the Trusts. In this report, the Company and the Trusts are referred to collectively as the Group.

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

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year were:

Non-executive Directors ("NEDs")

Jim Hazel (Chairman)	Appointed 1 March 2012
Philip Clark AM	Appointed 4 June 2012
Amanda Heyworth	Appointed 16 April 2012
Robert Morrison	Appointed 8 February 2013
Norah Barlow NZOM	Appointed 31 March 2014

Executive Directors

Simon Owen (Managing Director and CEO)	Appointed 24 November 2011

1.1 Qualifications, Experience and Special Responsibilities

Jim Hazel – Chairman

Mr Hazel has an extensive corporate career in both the banking and retirement sectors. His retirement village operations experience includes being Managing Director of Primelife Corporation Limited (now part of Lend Lease). Other listed company directorships include Bendigo and Adelaide Bank Limited since 2010, Centrex Metals Limited since 2010 and Impedimed Limited since 2006. Mr Hazel also serves on the Boards of Motor Accident Commission, Coopers Brewery Limited and the Council for Ageing (SA) Inc.

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

Philip Clark AM

Mr Clark is the Chair of SCA Property Group Limited and Hunter Hall Global Value Limited. He is a member of the J.P. Morgan Advisory Council and also chairs a number of government and private company boards. He was Managing Partner and Chief Executive Officer of Minter Ellison and worked with that firm from 1995 until June 2005. Prior to joining Minter Ellison, Mr Clark was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner with Mallesons Stephen Jaques for 16 years.

Mr Clark is Chair of the Remuneration and Nomination Committee.

Amanda Heyworth

Ms Heyworth is a professional company director. She previously served as Executive Director of Playford Capital Venture Capital Fund. She has a wealth of experience in the finance, technology and government sectors and teaches in the Australian Graduate School of Management's MBA program. Ms Heyworth brings a finance and growth focus to the Group, having worked on many product launches and geographic expansions and over 40 capital raisings and M&A transactions. She sits on a number of public sector and private boards.

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

Robert Morrison

Mr Morrison has extensive experience in property investment and funds management. During his 21 years at AMP, Mr Morrison's executive roles included Head of Property for Asia Pacific and Director of Asian Investments. Mr Morrison's investment experience includes senior portfolio management roles where he managed both listed and unlisted property funds on behalf of institutional investors.

Mr Morrison was previously an Executive Director of AMP Capital and a National Director of the Property Council of Australia. He is a founding partner and Executive Director of alternative investments firm, Barwon Investment Partners and is a Non-executive Director to the Board of Mirvac Funds Management Limited.

Mr Morrison is a member of the Audit and Risk Committee.

Directors' Report

for the year ended 30 June 2014 | continued

Norah Barlow NZOM

Ms Barlow is a professional company director. For the past 12 years, she served as the Chief Executive Officer of Summerset Group, the third largest retirement village operator and the second largest developer of villages in New Zealand. Ms Barlow is also a past President of Retirement Villages Association of New Zealand, a role she held for six years.

Ms Barlow currently sits on the Board of Cigna Life Insurance Limited, Vigil Monitoring Limited and Cooks Global Food Group Limited. She serves as a member of the New Zealand Government's National Advisory Council for the Employment of Women and remains with Summerset as a Non-executive Director.

Ms Barlow is a member of the Audit and Risk Committee.

Simon Owen – Managing Director and CEO

Mr Owen joined the Group in November 2009 as the Chief Executive Officer. He initiated the internalisation of management and exit from the ING Group as well as Ingenia's recent focus on lifestyle parks. Mr Owen brings to the Group in-depth experience in the retirement sector and is the immediate 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.

Mr Owen's experience spans multiple disciplines including finance, funds management, mergers and acquisitions, business development and sales and marketing. Prior to Ingenia Communities, Mr Owen was the CEO of Aevum, a formerly listed retirement company. Mr Owen is a qualified accountant (CPA) with postgraduate diplomas in finance and investment, and advanced accounting.

1.2 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	
	A	B	A	B	A	B
Jim Hazel	20	20	–	–	4	4
Philip Clark AM	20	19	4	4	4	4
Amanda Heyworth	20	20	5	5	4	4
Robert Morrison	20	20	5	5	–	–
Norah Barlow	4	4	1	1	–	–
Simon Owen	20	20	–	–	–	–

A: Meetings eligible to attend B: Meetings attended

1.3 Interests of Directors

Securities in the Group held by directors as at 30 June 2014 were:

	Issued stapled securities	Performance quantum rights	Retention quantum rights
Jim Hazel	1,333,334	–	–
Philip Clark AM	208,334	–	–
Amanda Heyworth	561,334	–	–
Robert Morrison	221,667	–	–
Norah Barlow	178,000	–	–
Simon Owen	2,179,667	4,720,000	1,070,000

2. COMPANY SECRETARIES

Leanne Ralph

Ms Ralph was appointed to the position of Company Secretary in April 2012. Ms Ralph has over 20 years experience in chief financial officer and company secretarial roles for various publicly listed and unlisted entities. Ms Ralph is a member of the Governance Institute of Australia and the Australian Institute of Company Directors. Ms Ralph is the principal of Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

Tania Betts

Ms Betts was appointed as Chief Financial Officer ("CFO") in May 2012, after a six-year career at Stockland Group where she held various positions including National Finance Manager within their Retirement Living Division. Ms Betts' previous experience includes several years within the chartered accounting profession as well as working for a leading health care provider. She holds a Bachelor of Business in Accounting and Finance, and is a member of both the Institute of Chartered Accountants and the Governance Institute of Australia. Ms Betts was the 2011 winner of the Urban Development Institute of Australia NSW and SMEC Young Developers' Award for Excellence.

3. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices currently in place for Ingenia Communities Group and also addresses the 2nd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). The Board believes the Group accords with the majority of the principles and recommendations of the ASX Corporate Governance Council with the exception of one recommendation, which is outlined in the report.

The corporate governance policies and practices described below are those that have been in place for the 2013-14 financial year, or as at the date of this report where indicated. The Board continues to review the governance framework and practices of the Group to ensure they meet the interests of securityholders. As at the date of this report, a process to review the Group's governance practices against the 3rd Edition of the ASX Recommendations is underway.

All references to the Group's website are to: www.ingeniacommunitites.com.au

3.1 Corporate Governance Structure

a. Ingenia Communities Group and its Constitutions

Ingenia Communities Group is a triple stapled structure comprising the parent company, Ingenia Communities Holdings Limited, Ingenia Communities Fund and Ingenia Communities Management Trust, (together known as the Group). ICF and ICMT each have their own Constitution (the Constitutions) both of which have been lodged with the Australian Securities and Investments Commission ("ASIC"). The rights and obligations of unitholders are governed by these Constitutions and the *Corporations Act 2001*. The terms contained in each Constitution are substantially the same.

The responsible entity of ICF and ICMT, Ingenia Communities RE Limited is the holder of an Australian Financial Services Licence ("AFSL").

As a result of the stapling, ICH and ICRE operate as a coordinated Group with the Boards of both companies having the same composition and the meetings held concurrently where appropriate. References to the 'Board' in this statement are references to the Board of ICH and ICRE (as the Responsible Entity of ICF and ICMT).

b. Compliance Plans

In accordance with Corporations Act requirements, the Responsible Entity has registered compliance plans for ICF and ICMT with ASIC. The compliance plans describe the procedures that the Responsible Entity will apply in operating ICF and ICMT to ensure compliance with the Corporations Act and the Constitutions of ICF and ICMT.

The Board of the Responsible Entity is responsible for monitoring the Group's compliance with the compliance plans. Further details are provided under the section on risk management.

3.2 Role of the Board

The Board of Ingenia Communities Group is responsible for overseeing the effective management and operation of the Group. The Board operates under a formal charter, which can be found on the Group's website. In addition to the functions prescribed by law, the Board has the following responsibilities outlined in its charter:

Corporate Strategy

- Evaluate, approve and monitor the strategic and financial plans for the Group.
- Evaluate, approve and monitor the annual financial budgets of the Group.
- Evaluate, approve and monitor major capital expenditure, capital management and all major corporate transactions.

Board Composition and Structure

- Review the composition of the Board and consider Board succession.
- Ensure an annual review of the performance of the Board, its committees and directors is carried out.

Directors' Report

for the year ended 30 June 2014 | continued

Other Corporate

- Approve changes to the Group's capital structure.
- Approve the establishment and issue of any equity rights in the Group via incentive plans.
- Establish and approve a distribution policy to securityholders and any changes to that policy.
- Oversee the effective management and operation of the Group.
- Approve the issue of Public Disclosure Statements.

Executive Management

- Appointment and removal of the Chief Executive Officer ("CEO").
- Approve the employment terms and conditions of the CEO.
- Review and provide feedback on the performance of the CEO.
- Approve the appointment of the CEO's direct reports and oversee their performance and remuneration.
- Review and ratify the employment terms of the CEO's direct reports (as recommended by the CEO).
- Review management succession planning.
- Approve the level of delegated authority to the CEO, via the Delegations and Authorities Policy.
- Appointment and removal of the Company Secretary.

Governance and Risk Management

- Monitor and review the overall Risk Management framework for the Group.
- Approve and monitor compliance with the Group's key corporate policies, and conduct a review of these policies on an annual basis.
- Monitor the Group's operations in relation to, and compliance with, relevant regulatory requirements, and any other contractual, statutory or legal obligation.
- Monitor compliance with the Group Delegations and Authorities Policy.
- Recommending to securityholders the appointment of the external auditor.
- Review and approve at least annually the Group's Corporate Governance Statement.

Financial Reporting

- Review and approve all financial reports of the Group.
- Establish an Audit and Risk Committee to review the Group's financial reporting and oversee the independence of the external auditors, and to review reports provided by the Audit and Risk Committee.
- Review and approve the disclosure in the annual report and any departures from the ASX Corporate Governance Principles and Recommendations.

Investor Communications

- Approve all material reporting and other external communications by the Group in accordance with the Group's Continuous Disclosure Policy.
- Review management's strategy and program for investor communications annually.
- Review management's written policies and procedures to ensure compliance with the ASX continuous disclosure requirements.

Generally, the CEO is responsible for all matters not specifically identified as the responsibility of the Board.

3.3 Role of the Board of the Responsible Entity

As the Responsible Entity, the Board of Ingenia Communities RE Limited has additional responsibilities for the operation of ICF and ICMT. The Responsible Entity must exercise its powers and perform the obligations conferred on it under the Constitutions and the *Corporations Act 2001* and ensure that the activities of the Group are conducted in a proper and efficient manner in the best interests of unitholders. The Responsible Entity must also ensure compliance with the conditions of the AFSL and approve and monitor compliance with compliance plans.

3.4 Board size and Composition

The Constitution of the Group provides that there will be a minimum of three directors and not more than ten directors.

Directors are appointed with the aim of ensuring the Board has:

- an appropriate range of skills, experience and expertise;
- a proper understanding of, and competence to deal with, current and emerging issues in the industry in which it engages;
- the ability to effectively review and challenge the performance of management and exercise independent judgement; and
- a majority of independent directors.

If additional directors are required specific skill sets deemed appropriate for the Board to collectively possess are identified and if required, an executive search may be engaged to assist in this recruitment process.

a. Terms of Appointment

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

b. Directors' Interests

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Group, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

The Group has also entered into a deed of disclosure with each director, which is designed to facilitate the Group's compliance with its obligations under the ASX Listing Rules relating to disclosure of changes in directors' security holdings. Directors and their nominated related party security holdings, are also monitored to identify changes that may require urgent disclosure.

c. Independent Advice

The Board has a policy of enabling directors to seek independent professional advice for Group related matters at the Group's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

d. Directors' Independence

The Board has considered specific principles in relation to directors' independence. The Board considers an independent director to be a non-executive director who is not a member of the Group's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

At the date of this report, the Board comprises five non-executive directors, and one executive director. The Boards of ICH and ICRE have the same directors.

The current members of the Board are:

- Mr Jim Hazel (Chairman)
- Ms Amanda Heyworth (Non-executive Director)
- Mr Philip Clark (Non-executive Director)
- Mr Robert Morrison (Non-executive Director)
- Ms Norah Barlow (Non-executive Director)
- Mr Simon Owen (Managing Director and CEO)

Mr Jim Hazel, Ms Amanda Heyworth, Mr Philip Clark, Mr Robert Morrison and Ms Norah Barlow are considered by the Board to be independent. The Group recognises that having a majority of independent non-executive directors provides assurance that the Board is structured properly to fulfil its role in holding management accountable for the Group's performance.

The Board considers that the existing Board structure is appropriate for the Group's current operations and stage of development.

Directors' details are listed in the Directors Report, including details of their other listed entity directorships and experience.

e. Chairman

The role of Chairman and CEO is not occupied by the same individual. The Board has agreed that it should continue to have a majority of independent non-executive directors, that the positions of Chairman and CEO must be separate, and that the Chairman should be an independent non-executive director.

Mr Jim Hazel was appointed Chairman of the Group on 1 March 2012 and is considered an independent director in accordance with recommendation 2.1 of the ASX recommendations.

f. Diversity

In appointing members to the Board, consideration is given to the skills, business experience and educational backgrounds of candidates. The advantage of having a mix of relevant business, executive and professional experience on the Board; the importance of cultural and ethical values; and the benefits of diversity, including gender diversity is also recognised. These factors will also be considered in any future appointments to the Board including any identified skills 'gaps'.

The Remuneration and Nomination Committee oversees the director nomination process. Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking.

The Group Board has two female non-executive directors out of six directors. Ms Amanda Heyworth was appointed to the Board for her specific skills and financial, investment and marketing experience. Ms Norah Barlow was appointed to the Board on 31 March 2014 for her extensive industry experience.

A formal diversity policy has been adopted by the Board that outlines the Group's commitment to diversity in the workplace and the provision of a work environment that is free from discrimination and promotes equal opportunity for all. Ingenia promotes an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that the Group's employees bring to the table encourage creativity and innovation in thought that better represents Ingenia's diverse customer base, ultimately driving improved business performance.

The policy does not include measurable objectives for achieving gender diversity as the Group has always had a policy of actively encouraging gender diversity at all levels in the organisation, and a culture that supports workplace diversity. This is evidenced by:

- The proportion of female directors: 33%
- The proportion of female employees on the executive committee: 60%
- The proportion of female employees in the whole organisation: 70%
- The proportion of female employees in senior positions: 48%

In accordance with the requirements of the Workplace Gender Equality Act 2012, the Group has lodged its 2014 annual public report with the Workplace Gender Equality Agency which is available on the Group's website.

Directors' Report

for the year ended 30 June 2014 | continued

g. Board Meetings

The Board typically schedules meetings on a monthly basis, with additional meetings convened as required. Agendas for each meeting are prepared by the Company Secretary together with the CEO and input from the Chairman, and are distributed prior to the meeting together with supporting papers.

Standing items include the CEO's report and the financial report, as well as reports addressing matters of strategy, governance and compliance. Senior executives are directly involved in Board discussions, and directors have a number of further opportunities to contact a wider group of employees, including visits to business operations.

Board papers include minutes of Board committees and subsidiaries as well as papers on material issues requiring consideration. Significant matters are presented to the Board by senior executives, and the Board may seek further information on any issue, from any executive.

h. Board and Director Performance

The Board is committed to enhancing its effectiveness through performance management and review. The Board review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and to provide recommendations to enhance its effectiveness.

The Board has recently conducted its second performance review in accordance with the principles in this statement.

3.5 Board Committees

The ultimate responsibility for the oversight of the operations of the Group rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitutions and the *Corporations Act 2001*.

The Board has established the following committees, which assist it with the execution of its responsibilities. The composition and effectiveness of the committees are reviewed on an annual basis:

- Audit and Risk Committee
- Remuneration and Nomination Committee

Each of these committees operate in accordance with specific charters approved by the Board which can be found on the Group's website.

a. Audit and Risk Committee

The Board has established an Audit and Risk Committee ("ARC"), which assists the Board in fulfilling its governance and disclosure responsibilities. The ARC has a written charter outlining its role and responsibilities.

The purpose of the ARC is to review the integrity of the Group's financial reporting practices; oversee the independence of the external auditors; maintain open lines of communication among the Board and external auditors, serve as an independent and objective party to review the financial information submitted by management to the Board for issue to securityholders, regulatory authorities and the general public; review the adequacy of the reporting and accounting controls of the Group; and to oversee the Group's legislative compliance and risk management policies and procedures.

The ARC has the following responsibilities:

i. Review of the Group's financial reports
- Review the Group's financial reports and commentary prepared by management.
- Review any matters raised on the financial reports by the Group's external auditor.
- Assess the appropriateness of the accounting policies adopted in preparing the Group's financial reports.
- Assess whether the financial reports are adequate for securityholder needs.
- Review compliance with disclosure requirements.
- Assess the adequacy of representations by management as to presentation of the financial reports.
- Recommend approval of the financial reports by the Board.
- Review the Group's financial budget.

ii. External auditors
- Establish and maintain procedures for the appointment and rotation of the Group's external auditor.
- Assess the performance of the external auditor.
- Assess the independence of the external auditor, having regard to the provision of non-audit services.
- Review the reasonableness of the external audit fees.

iii. Internal control framework
- Review the written policies and procedures designed to ensure accurate external financial reporting and make recommendations to the Board thereon.
- Whilst the Group does not currently have an internal audit function, should there be one in the future, the ARC will receive reports from the internal audit function including all incidents of actual or suspected fraud or theft.
- Review of operational risk management framework.
- Review of the internal compliance and control systems in relation to functions other than financial reporting.

iv. Compliance
- Review the adequacy of the Group's system for compliance with relevant laws, regulations, standards and codes.

v. Risk management
- The ARC shall be responsible for implementing and overseeing the Group's risk management policies.
- Identifying and assessing the Group's material business risks.
- Regularly reviewing and updating the Group's risk profile.
- Approving treasury and hedge policies.
- Overseeing the risk management policies and systems.
- Considering whether the Group has any material exposure to economic, environmental and social sustainability risks, and if applicable, review and monitor the systems in place to manage these risks.

The ARC consists of three non-executive directors, all of whom are independent directors, and is chaired by an independent director, who is not chair of the Board. The chair satisfies the test of independence.

The current members of the ARC are:

– Ms Amanda Heyworth (Chair);
– Mr Robert Morrison; and
– Ms Norah Barlow.

Mr Philip Clark AM was a member of the ARC until April 2014.

At least one member of the ARC has relevant accounting qualifications and experience and all members have a good understanding of financial reporting. Details of these directors' qualifications and attendance at ARC meetings are set out in the Directors' report.

The external auditor attends the annual general meeting and is available to answer securityholder questions about the conduct of the audit and the preparation and content of the audit report, accounting policies adopted by the Group, and the independence of the auditor in relation to the conduct of the audit.

b. Remuneration and Nomination Committee

The Board has an established Remuneration and Nomination Committee ("RNC"). The RNC has a written charter defining its role and responsibilities.

The RNC has been established by the Board to assist in the review of the overall strategies of the remuneration of the Group's non-executive directors and executives and for the review of the composition of the Board.

The purpose of the RNC is to support and advise the Board in the following areas:

– Review the on-going appropriateness and relevance of the executive remuneration policy to enable the Group to attract and retain executives and directors who will create value for securityholders.
– Ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration.
– Recommend to the Board the remuneration of executive and non-executive directors.
– Fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market.
– Review the Group's recruitment, retention and termination policies and procedures for senior management.
– Review and recommend to the Board the remuneration of direct reports to the CEO, and as appropriate other senior executives.
– Review and recommend to the Board any equity based plans and other incentive schemes.
– Develop a process for evaluation of the performance of the Board, its committees and directors.
– Oversee the annual performance evaluations of senior executives of the Group.
– Make recommendations to the Board on the appointment and re-election of directors.
– Review and report to the Board on the mix of skills and experience of the Board with the aim of ensuring it remains an effective decision-making body.

The RNC consists of three non-executive directors all of whom are independent directors and is chaired by an independent director, who is not chair of the Board. The chair satisfies the test of independence.

The current members of the RNC are:

– Mr Philip Clark AM (Chair);
– Ms Amanda Heyworth; and
– Mr Jim Hazel.

Each member of the senior executive team, including the executive director, signed formal employment contracts at the time of their appointment, covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal job description. Each contract sets out the remuneration of the executive, including their entitlements to any rights under incentive plans.

The Group aims to have a clear process for evaluating the performance of senior executives. The Board has delegated to the RNC the responsibility to oversee the annual performance evaluation of the Group's senior executives, but retains the performance evaluation of the CEO.

The evaluation for all executives is based on specific criteria, including the business performance of the Group, whether strategic objectives are being achieved, and the development of management and personnel.

Non-executive directors receive director's fees outlined in their letters of appointment and reviewed on an annual basis pursuant to advice from an external remuneration consultant. No non-executive director has any entitlement to participate in any executive incentive plan.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading ''Remuneration Report''.

Directors' Report

for the year ended 30 June 2014 | continued

c. Investment Committee

The Investment Committee ("IC") has been established to assist the Board oversee the investment activities of the Group by reviewing and making recommendations to the Board on:

- major capital expenditure;
- capital management;
- all major corporate transactions including acquisitions and divestment; and
- developments and refurbishments.

The IC reviews investment activities greater than $250,000 and provides endorsement to the CEO for execution. Investment activities greater than $500,000 are submitted to the Board for approval.

The IC monitors the performance of the Group's investments by conducting quarterly reviews on development activities and bi-annual reviews on acquisitions.

The IC consists of:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Operating Officer;
- General Manager Operations;
- Senior Fund Analyst; and
- General Manager Commercial.

The Committee is chaired by the Senior Fund Analyst.

3.6 Risk Management

The Board is responsible for ensuring that sound risk management strategy and polices are in place. The Board has delegated to the ARC the responsibility for identifying and overseeing major risks and ensuring that systems are in place to manage them.

In addition, the ARC:

- identifies and assesses the Group's material business risks;
- regularly reviews and updates the Group's risk profile; and
- oversees the risk management policies and systems.

The Group's risk management framework is integrated with its day-to-day business processes and functional responsibilities, and is supported by a dedicated compliance officer.

The compliance officer has been appointed under the rules of the compliance plans of ICF and ICMT. The compliance officer is responsible for ensuring adequate internal systems and controls have been implemented to ensure compliance with the *Corporations Act 2001*, ICF and ICMT's Constitutions, the Responsible Entity's AFSL, and internal and industry standards. These duties include promoting a strong compliance culture within the organisation and to external service providers.

The compliance officer is primarily responsible for reviewing compliance on an ongoing basis; reporting on compliance matters, including breaches, to the ARC; and acting on recommendations of the ARC. Matters are escalated to the ICRE Board or ASIC when necessary.

The compliance officer has direct access to the Chair of the ARC to ensure the compliance officer is well placed to adequately deal with compliance issues. Management, via the compliance officer, is required to assess risk management and associated internal compliance and control procedures, and is required to report back quarterly to the ARC as to whether those risks are being managed effectively. A quarterly risk and compliance report is prepared by the compliance officer for review and consideration by the Board.

a. Compliance Plans

ICF and ICMT both have formal compliance plans that have been adopted by the Board and lodged with ASIC. The purpose of each compliance plan is to set out key processes, systems and measures the Responsible Entity will apply to ensure compliance with:

- the *Corporations Act 2001*;
- the Constitutions of ICF and ICMT;
- industry practice standards relevant to the particular scheme; and
- internal policies and procedures.

Each compliance plan is a 'how to' document and has been prepared following a structured and systematic process to consider the Responsible Entity's key obligations under the Act, and the Constitutions; the risk of non-compliance; and measures required to meet the risks of non-compliance.

Each compliance plan describes the key obligations that must be met by the Responsible Entity, and how compliance with these measures will be monitored. In addition, the compliance plans detail the risk of not complying with these obligations, and how breaches are to be reported and addressed.

3.7 External Auditors

a. Compliance Plan Audit

The external auditors conduct annual audits on the compliance plans and report on:

– whether the Responsible Entity has complied with the compliance plans of the Trusts' for the financial year end; and
– whether the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at year end.

b. Australian Financial Services Licence Audit

The AFSL audit is conducted annually by the external auditor. The auditor reports on the following:

– whether the Responsible Entity has complied with the specified provisions of Part 7.8 of the *Corporations Act 2001*;
– whether the Responsible Entity has complied with sections 981B and 982B of the Act (relating to the control and operation of trust accounts);
– whether the Responsible Entity has complied with specific AFSL conditions relating to financial requirements, including internal procedures used by the Licensee to comply with the financial requirements under the licence; and
– whether the cash projections meet the cash need requirement conditions of the AFSL.

3.8 Other External Review

a. ASIC

ASIC may undertake a review of the Responsible Entity's risk and compliance processes and systems at any time.

b. Executive Confirmations

In accordance with the Group's legal obligations, the CEO and CFO have made the following certifications to the Board:

– the Group's financial records have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
– the Group's financial statements, and notes thereto; present a true and fair view, in all material respects, of the consolidated group's financial condition and operational results and are prepared in accordance with relevant Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
– the statements made with respect to the integrity of the Group financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
– the risk management and internal compliance and control systems, to the extent they relate to the financial reporting, were operating efficiently and effectively in all material respects throughout the period.

Since 30 June 2014, the CEO and the CFO confirm there has been no material change to any of the statements made above.

3.9 Code of Conduct and Ethical Behaviour

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Group.

The Board has endorsed a code of conduct which outlines 'acceptable behaviour' and attitudes expected from all staff to promote and maintain the confidence and trust of all those dealing with the Group.

Various measures have been established to ensure that a high standard of ethical business behaviour is observed by all staff members, including policies and procedures for:

– managing conflicts of interests;
– personal security trading;
– whistleblower procedures;
– acceptance of gifts and entertainment as part of the Gifts, Entertainment and Anti-bribery Policy; and
– handling confidential information.

In addition to their obligations under the *Corporations Act 2001* in relation to inside information, all directors, employees and consultants have a duty of confidentiality to the Group in relation to confidential information they possess.

3.10 Employee and Director Trading in Ingenia Communities Group Securities

The Group has a Personal Trading Policy that governs the ability of directors, executives and employees to trade in the Group's securities. Subject to necessary prior written consents being obtained, the Group's directors, executives and employees may trade in the Group's securities at any time outside closed periods which cover the following:

– between 1 January and the release of half yearly results;
– between 1 July and the release of annual results; or
– for any other time period determined by the Board.

Directors and senior executives may, in exceptional circumstances as defined in the policy, trade during a closed period but only with the prior written consent of the Chair for directors, the CEO for key executives, and the CFO for other employees. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Group that is not generally available to the public.

The Group's Securities Trading Policy may be viewed on the Group's website.

Directors' Report

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The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect the Group's operations and financial standing, and the market price of its securities. Information is communicated to securityholders through:

- annual and half year financial reports lodged with the ASX and made available to all securityholders;
- announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX;
- the Chair's and CEO's addresses to, and the results of, the annual general meeting; and
- copies of announcements, presentations, past and current reports to securityholders made available on the Group website.

3.11 Securityholder Confirmation

The Group has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Group meets its disclosure obligations under ASX Listing Rule 3.1. The Group's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year result announcements and analyst presentations, as soon as practically possible.

The Group produces two sets of financial information each financial year: the half year financial report for the six months ended 31 December and the annual financial report for the year ended 30 June. Both are made available to securityholders and other interested parties.

Securityholders have the right to attend the Group annual general meeting, held in November each year, and are provided with an explanatory memorandum on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Group website and lodged with the ASX.

Securityholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the notice of meeting, all securityholders are eligible to vote on all resolutions. Securityholders who cannot attend the annual general meeting may lodge a proxy in accordance with the *Corporations Act 2001*. Proxy forms may be lodged by facsimile or electronically.

Transcripts of the Chair and CEO's reports to securityholders are also released to the ASX upon the commencement of the annual general meeting. These transcripts, together with the results of the annual general meeting are also posted on the Group website.

3.12 Continuous Disclosure

Ingenia Communities Group is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence.

The Group's Continuous Disclosure Policy incorporates the continuous disclosure framework as set out in the ASX Listing Rules Chapter 3, as well as the revised ASX Listing Rules Guidance Note 8.

The company secretaries have been nominated as the persons responsible for communications with the ASX. This role includes the responsibility for monitoring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX.

The Group has written policies and procedures that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Group's securities.

4. OPERATING AND FINANCIAL REVIEW

a. Ingenia Communities Overview

The Group owns, manages and develops a diversified portfolio of seniors living communities across Australia. Its real estate assets are valued at $355 million and include lifestyle parks, rental villages, deferred management fee villages, and three non-core New Zealand Student accommodation buildings.

The Group is a triple stapled structure, being a combination of a unit in Ingenia Communities Management Trust, a unit in Ingenia Communities Fund and a share in Ingenia Communities Holdings Limited, which are traded together on the ASX. The Group is in the ASX 300 with a market capitalisation of approximately $315 million.

The Group's vision is to be a leading Australian provider of affordable seniors living accommodation whilst delivering value to all stakeholders, including delivering strong earnings growth to securityholders and providing an affordable community environment for residents.

b. Strategy

The Group's strategy is to grow its Australian seniors living portfolio with a strong focus on the lifestyle parks sector. Using a disciplined investment framework, the Group is continuing to increase its exposure to lifestyle parks through targeted acquisitions and building out its development pipeline. The Group remains focused on divestment of its non-core New Zealand Students portfolio and reducing its investment in DMF assets. It is the Group's intention to grow its investment in lifestyle parks through capital recycling, efficient inventory management and monetisation of stock.

A key element to achieving growth is efficient operational and capital management. The Group is committed to maintaining loan to value ratio ("LVR") within a target range of 30-35% and considering diversified sources of funding. In August 2014, indicative terms were agreed for a new multilateral Australian debt facility of $175 million, which replaces the existing facility and facilitates continued growth.

The key immediate business priorities of the Group are:

- increase rate of new home delivery within the Active Lifestyle Estates development pipeline;
- grow occupancy of the Garden Villages portfolio towards the mid-term target of 92%;
- sell recently completed homes and explore opportunities to reduce exposure to the Settlers portfolio; and
- invest available capital into further accretive lifestyle parks.

c. FY14 Financial Results

FY14 has been a year of strong acquisitive growth resulting in an underlying profit of $11.6m and a statutory profit of $11.5m, which respectively represent an increase of $5.7m and $21.8m on prior year. The results are underpinned by a significantly increased contribution from the Active Lifestyle Estates and Garden Villages portfolios following the acquisition of a further thirteen lifestyle parks and five rental villages during the year. Furthermore, Ingenia Communities Management Trust and its subsidiaries formed a tax consolidation group, which is the primary driver for the $7.3m income tax benefit recorded.

During the year, the Group funded the acquisition of numerous properties using a mix of debt and equity raised from a June 2013 institutional placement of $21.2m and a September 2013 rights issue of $61.7m. The total purchase value of assets acquired during the year was $116.9m, being thirteen lifestyle parks for $106.3m and five rental villages for $10.6m.

Operating cash flow for the Group was strong at $14.2m, up $3.0m from prior year. The improvement in operating cash flow reflects increasing contribution from the recurring rental income streams of both the Active Lifestyle Estates and Garden Villages portfolios offset by cessation of US distributions following divestment in the prior year.

The Group has continued to adopt a conservative capital management approach with LVR at 33.9%, which is comfortably within the 30-35% target range and the all in cost of Australian debt has reduced by 126 basis points to 5.1%.

The Group has today announced a full year distribution of 1.15 cents which is a 15% increase on prior year, which reflects the Board's commitment to increasing securityholder returns. The Board announced in May 2014 the reinstatement of the dividend reinvestment plan which will help fund lifestyle park acquisitions and their development.

d. Key Metrics

- Full year distribution of 1.15 cent per security, with final distribution up 30%.
- Underlying profit was $11.6m, up 97% from FY13.
- Underlying profit per security was 1.8 cents, up 50% from FY13.
- Net asset value grew by 1.1 cents per security to 35.5 cents.
- Total Securityholder Return (TSR) of 55.8% for the twelve months.(1)
- Statutory profit was $11.5m, up $21.8m from FY13.
- Statutory profit per security was 1.8 cents, up 3.8 cents from FY13.

(1) TSR is the percentage gain from investment in the Group's securities over the twelve months to 30 June 2014 assuming distributions are reinvested into the Group's securities.

Directors' Report

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e. Group Results Summary

Underlying profit for the financial year has been calculated as follows:

	2014 $'000	2013 $'000
EBIT – continuing operations	**12,144**	8,933
Net interest expense	**(4,077)**	(5,549)
Tax benefit associated to underlying profit	**2,896**	(43)
Underlying profit – continuing operations	**10,963**	3,341
Underlying profit – discontinued operations	**605**	2,526
Underlying profit	**11,568**	5,867
Net foreign exchange gain/(loss)	**(147)**	37
Net loss on disposal of investment properties	**–**	(107)
Net gain/(loss) on change in fair value of:		
Investment properties	**(341)**	3,457
Derivatives	**41**	752
Retirement village resident loans	**(616)**	327
Gain on revaluation of newly constructed retirement villages	**(3,320)**	(4,619)
Amortisation of intangible assets	**–**	(585)
Other	**–**	(185)
Discontinued operations (below underlying profit), net of tax	**(35)**	(15,644)
Tax benefit associated with items below underlying profit	**4,368**	410
Statutory profit	**11,518**	(10,290)

Underlying Profit is a non-IFRS measure designed to present, in the opinion of the Directors, the results from the on-going 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.

f. Segment Performance and Priorities

Active Lifestyle Estates

Active Lifestyle Estates launched in March 2013 and the Group now owns fifteen lifestyle parks and is the largest owner and operator in New South Wales. This business is the key focus of growth for the Group as it provides an affordable yield focused housing alternative for seniors and short-term residents with a capital light, low risk development cycle. The carrying value of these assets at 30 June 2014 is $119.3m.

i. Performance

Active Lifestyle Estates	FY14	FY13	Variance
New and refurbished home settlements #	**15**	2	13
Development income $m	**$1.3m**	$0.1m	$1.2m
Residential rental income $m	**$4.2m**	$0.4m	$3.8m
Short-term rental income $m	**$5.4m**	$0.1m	$5.3m
EBIT $m	**$3.9m**	$0.4m	$3.5m

Active Lifestyle Estates delivered a contribution of $3.9m in FY14, of which $1.3m was attributable to development of new manufactured homes. The lead time from property acquisition to achieving set up for delivery of the first new homes has taken longer than anticipated. Supply agreements have been negotiated with two key manufactured home builders to construct homes and further council approvals have been achieved in recent months. As delivery and settlement of homes continue to build each half, the business is forecast to produce a stronger result in FY15.

ii. Strategic priorities

The key strategic priorities for this business over the coming year are securing any approvals required to deliver FY16 settlements, repositioning parks to grow both short-term and permanent rental returns and leveraging scale efficiencies across a larger portfolio. The Group expects to deploy funds into the sector with expansion into the Southeast Queensland market likely in the near future.

Garden Villages

Garden Villages is comprised of 34 rental villages located across the eastern seaboard and Western Australia. These villages accommodate more than 1800 residents, and generate $21.0 million in gross rental income per annum. The carrying value of these assets at 30 June 2014 is $114.3m.

i. Performance metrics

Garden Villages	FY14	FY13	Variance
Occupancy %	**84.6%**	85.1%	(0.5%)
Like for like occupancy %	**90.1%**	85.1%	5.0%
Rental income $m	**$21.0m**	$17.4m	$3.6m
Catering income $m	**$3.2m**	$2.6m	$0.6m
EBIT $m	**$9.9m**	$7.7m	$2.2m

Garden Villages delivers a consistent stream of recurring cash income for the Group. The results are up $2.2m on prior year due to growing occupancy levels which are up 5% on a like for like basis. In January 2014, the Group acquired five low occupancy rental villages with the intention of repositioning them to grow occupancy and be accretive to the results. Since acquisition, the occupancy level for these five villages has increased by 7% with repositioning efforts continuing to further enhance the performance of these assets.

The Ingenia Care Assist program launched in October 2013 has also been a strong contributor to the growing occupancy levels across this portfolio. This program enables residents to live independently for longer in the villages. Since this program was launched, it has achieved 58 move-out preventions and 45 new move-ins.

ii. Strategic priorities

The key strategic priorities of this business over the coming year continue to be growing village occupancy, in particular within the five recently acquired villages, improving cash operating margins, ensuring residents are actively engaged and maintaining affordability whilst leveraging scale efficiencies across the portfolio. Beyond continuing reinvestment in existing villages it is unlikely that any capital will be deployed in the Garden Villages portfolio.

Settlers Lifestyle

Settlers Lifestyle is comprised of nine deferred management fee villages, including those in the process of being converted from the rental to deferred management fee model. These villages are located in Queensland, New South Wales and Western Australia and accommodate more than 800 residents generating income from accrued deferred management fees, rental income where villages are not yet fully converted and development income from unit conversions and village expansion. The carrying value of these assets at 30 June 2014, net of resident loans and lease liabilities is $76.2m. The Group is exploring opportunities of reducing its exposure to this portfolio with the first divestment settling on 31 July 2014, when the Settlers Lifestyle Noyea Park village settled for an adjusted sales price of $5.4m.

i. Performance

Settlers Lifestyle	FY14	FY13	Variance
Occupancy %	**92.1%**	89.9%	2.2%
New unit settlements #	**57**	65	(8)
Development income $m	**$3.3m**	$4.6m	($1.3m)
Accrued Deferred Management Fee income $m	**$5.3m**	$4.7m	$0.6m
EBIT $m	**$4.5m**	$5.6m	($1.1m)

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The Settlers Lifestyle business delivered a lower result than the prior year due to reduced settlement volumes with some development projects nearing completion and new product being under construction at Cessnock and Ridge Estate Villages. There has also been a weakening in the Hunter Valley residential market, where the Cessnock and Ridge Estate villages are located, which means incoming residents are requiring longer to sell their existing home in order to settle their new unit within our village. The Gladstone and Rockhampton Villages are both nearly sold out.

ii. Strategic priorities

The key strategic priorities of this business over the coming year are completing the construction and sell down of the final stage at Ridge Estate and the sell down of remaining conversion units at Cessnock Gardens, Forest Lake, Rockhampton and Gladstone. There will also be a continued focus on exploring opportunities to reduce the investment in these assets.

Discontinued Operations

A sales campaign was undertaken for the sale of the New Zealand Students portfolio and terms have been agreed with a global real estate investment firm. The carrying value of these assets at 30 June 2014 is $45.9m.

g. Tax Consolidation

During the year ICMT and its Australian domiciled subsidiaries formed a tax consolidation group. The impact of entering into this tax consolidated group was that tax cost bases for certain assets were reset resulting in income tax benefits being recorded. Additionally, unrecognised tax losses incurred by entities within this tax consolidated group are now available for utilisation resulting in an additional income tax benefit being recorded.

h. Capital Management

The Group adopts a prudent and considered approach to capital management. During the period, the Group strengthened its capital position by undertaking a capital raising and renegotiating its core debt facility. The Group has maintained a strong focus on prudent balance sheet management with an LVR at 33.9%, well within its target range of 30-35%.

On 23 August 2013, the Group refinanced its Bank of New Zealand debt facility, which funds the New Zealand Students portfolio with a NZ$32.7m core debt facility expiring 31 July 2018.

On 17 October 2013, the Group completed a non-renounceable rights issue to raise $61.7m (excluding transaction costs) to fund the expansion of lifestyle parks. A total of 169.1m securities were issued at 36.5 cents each.

The Group has increased its full year distributions to 1.15 cents, in line with its commitment to grow distributions over the medium term. The final distribution represents a 30% increase over the previous period.

i. Financial position

The following table provides a summary of the Group's financial position as at 30 June 2014:

$'000	30 Jun2014	30 Jun 2013	Change %
Cash and cash equivalents	**12,894**	38,531	(67%)
Inventories	**2,208**	285	675%
Investment properties	**498,863**	370,931	34%
Assets held for sale	**5,439**	–	n/m
Assets of discontinued operations	**47,657**	36,576	30%
Other assets	**7,863**	13,251	(41%)
Total assets	**574,924**	459,574	25%
Borrowings	**98,356**	70,806	39%
Retirement village resident loans	**190,122**	175,703	8%
Liabilities from discontinued operations	**30,449**	21,528	41%
Other liabilities	**15,820**	16,885	(6%)
Total liabilities	**334,747**	284,922	17%
Net assets/equity	**240,177**	174,652	38%

Inventories increased by $1.9m reflecting the Group's growing investment in the lifestyle sector. A key element of the Group's strategy is development of new manufactured homes, which are classified as inventory until they are sold to new residents. This element of the Group's balance sheet will continue to grow as the number of active development projects increases.

Investment properties increased by $127.9m largely from the acquisition of thirteen lifestyle parks and five rental villages during the year.

Assets and liabilities of discontinued operations grew by $11.1m and $8.9m respectively which reflects completion of capital refurbishment works on the New Zealand Students portfolio in line with the divestment strategy.

Borrowings increased by $27.6m due to the lifestyle park acquisitions being funded with a mix of debt and equity.

Movements in other assets and liabilities mainly reflects the collection of US$6.8m of escrows from the divestment of US operations in prior periods together with movements in deferred tax balances following the tax consolidation of the ICMT group.

j. Cashflow

$'000	30 Jun 2014	30 Jun 2013	Change
Operating cashflows	**14,240**	11,240	3,000
Investing cashflow	**(126,084)**	17,314	(143,398)
Financing cashflow	**89,012**	(23,804)	112,816
Net change in cash and cash equivalents	**(22,832)**	4,750	(27,582)
Effects of exchange rate fluctuation on cash held	**(167)**	(12)	(155)
Cash at the end of the period	**14,551**	37,550	(22,999)

Operating cash flow for the Group was strong at $14.2m, up $3.0m from prior year. The improvement in operating cash flow reflects increasing contribution from the recurring rental income streams of both the Active Lifestyle Estates and Garden Villages portfolios offset by a decrease in US distributions the Group no longer receives subsequent to divestment.

Investing cash flows reflect the acquisition of thirteen lifestyle parks and five rental villages for $113.3m, along with capital refurbishment works of $18.7m, including $9.1m on the New Zealand Students portfolio. US sale proceeds account for $7.0m of the Investing cash flows, being $1.2m proceeds from sale of investment properties and $5.8m proceeds from sale of equity accounted investments. Financing cash flows include net proceeds of $58.9m from the September rights issue along with net proceeds from borrowings of $36.3m to partly fund the acquisition of lifestyle parks.

k. Distributions

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

- On 25 February 2014 the directors declared an interim distribution of 0.5 cps (2012: 0.5 cps) amounting to $3,381,201, which was paid on 21 March 2014.
- On 26 August 2014, the directors resolved to declare a final distribution of 0.65 cps (2013: 0.5 cps) amounting to $4,407,379, to be paid on 17 September 2014.

The distributions are 100% tax deferred and the dividend reinvestment plan will apply to the final distribution.

The Group is committed to continuing to grow distributions in the near term.

l. Outlook

The Group is well positioned to continue growing its lifestyle parks business and has agreed indicative terms for a new multilateral Australian debt facility of $175m. Whilst delays were encountered during FY14 delivering new manufactured homes, Ingenia is confident these issues have been largely resolved and the rate of delivery and sale of new manufactured homes will significantly increase during FY15.

There will be a strong focus on finalising divestment of the New Zealand Students portfolio and exploring opportunities for recycling capital from the Settlers Lifestyle portfolio. At the same time, the Group will continue to regularly assess the performance of its existing assets and where appropriate to recycle that capital into other opportunities delivering superior returns.

Ingenia is confident of delivering further improved financial returns for securityholders during FY15 assuming no material decline in market conditions. Consistent with prior years, these returns will likely be skewed to the second half of the financial year.

5. 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 8 of the accompanying financial statements for discontinued operations and assets held for sale, Note 12 for Australian investment properties acquired or disposed of during the year, Note 15 for details of Australian debt refinanced and Note 20 for issued securities.

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6. EVENTS SUBSEQUENT TO REPORTING DATE

a. Retention Quantum Rights Vesting

On 1 July 2014, 1,818,000 Retention Quantum Rights ("RQRs") granted to key management personnel ("KMP") in 2012 vested. As a result, 1,818,000 fully paid stapled securities have been issued to the following KMP:

Simon Owen	1,070,000
Tania Betts	374,000
Nicole Fisher	374,000

b. Sale of Noyea

Settlement on the sale of Settlers Lifestyle Noyea Riverside Village ("Noyea") was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

c. Bank Guarantee

On 1 July 2014, the Group obtained a bank guarantee of $10 million from the bank facility in relation to cash requirements under the Australian Financial Services Licence.

d. Sale of New Zealand Students Business

On 5 September 2014, the Group announced it had contracted to divest the New Zealand Students business for consideration of NZ$49.4 million, representing the book value at 30 June 2014. Upon settlement, disposal costs and a foreign currency translation reserve ("FCTR") gain will be released through profit. At 30 June 2014, the FCTR balance was A$1.0 million.

e. Refinance of Australian Debt

The Group's current Australian banking facility expires in September 2015. The Group has recently undertaken a debt refinance and obtained credit approval for a new $175 million Australian Multilateral banking facility. This facility will be split between a three year and five year maturity profile.

7. LIKELY DEVELOPMENTS

Ingenia will continue to pursue strategies aimed at improving its cash earnings, profitability and market share within the seniors living industry during the next financial year, with a strong focus on the development and acquisition of manufactured home estates.

Other information about certain likely developments in the operations of Ingenia and the expected results of those operations in future financial years is included in the various reports in this Annual Report.

8. ENVIRONMENTAL REGULATION

The Group's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

9. 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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, 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 financial year.

10. 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 39.

11. ROUNDING OF AMOUNTS

Ingenia Communities Group is an entity of the kind referred to in ASIC Class Order 98/100, 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.

12. MESSAGE FROM THE REMUNERATION AND NOMINATION COMMITTEE

Dear Securityholders,

The Board of Ingenia Communities Group ("Ingenia") is pleased to present the Remuneration Report for FY14.

12.1 Introduction

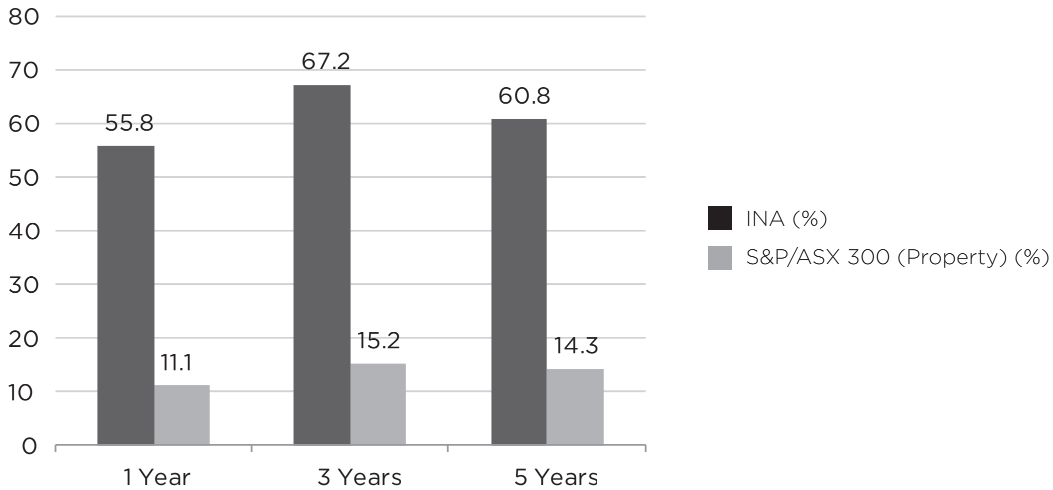
Ingenia has made significant changes to its executive remuneration arrangements for FY15. The changes are detailed in the Remuneration Report which follows. The purpose of this message is to highlight those changes, explain why we have made them and to put them into the context of Ingenia's strategy and performance.

12.2 Ingenia's Performance

The Board has established a strong nexus between remuneration for executives and Ingenia's performance and returns to securityholders.

We are pleased to report that in 2014, Ingenia sustained the strong performance record it has established since internalisation in June 2012. Some highlights of that performance are:

- Ranked # 1 in BDO A-REIT Survey 2012 and 2013
- Ingenia was included in S&P/ASX 300 Index in September 2013
- Ranked # 1 TSR performer in FY14 National Australia Bank review of S&P/AREIT 300
- Ingenia's market capitalisation increased from $175m at 30 June 2013 to $338m at 30 June 2014, an increase of 93%
- In FY14 Ingenia's underlying profit increased by 97% to $11.6m and the final six months distribution increased from 0.5 cents to 0.65 cents per security
- Securities are currently trading at a 41% premium to NAV
- The graph below compares Ingenia's 1, 3 and 5 year percentage returns to 30 June 2014 against S&P/ASX 300 Property Index



12.3 Ingenia's Corporate Strategy

Ingenia has refined its corporate strategy over the past three years to focus on affordable, yield orientated Australian seniors accommodation, principally through the two core cash yielding businesses, outlined below, which now comprise 75% of the portfolio.

Directors' Report

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Active Lifestyle Estates (lifestyle parks)

Ingenia is a market leader in lifestyle parks and our business offers significant opportunities for expansion. Ingenia is the largest lifestyle parks owner, operator and developer in NSW, with 15 parks acquired since March 2013. We have integrated tourism within our lifestyle parks business model.

Garden Villages (rental accommodation)

Ingenia is now the largest owner and operator of seniors rental villages in Australia. Ingenia has been able to significantly turnaround the performance of its Garden Villages rental business, which was previously seen as a poor quality asset class. Occupancy growth has increased significantly on a like for like basis, new operational management has been recruited and over the past two years ten additional low-occupancy villages have been acquired from a mortgagee in possession at very reasonable prices.

Other Operations

Ingenia's New Zealand student accommodation has been contracted for sale and its DMF villages are under review to free up capital to be reinvested in Active Lifestyle Estates.

12.4 Ingenia's Remuneration Strategy FY15

The Board has aligned Ingenia's remuneration objectives and strategy to its corporate strategy.

The Remuneration and Nominations Committee (RNC) has established the following three key objectives for our remuneration strategy in FY15:

- Focus management on delivering outcomes, particularly underlying profit growth in the short to medium term. Feedback from numerous investor and analyst meetings has sent a very clear message: investors support our strategy but want to see Ingenia deliver on that strategy and demonstrate that lifestyle parks can deliver profits for securityholders in FY15 and subsequent years.
- Provide long term value creation for securityholders and strong alignment between executive management and securityholders' interests.
- Attract, retain and motivate key executive personnel.

More detailed information on those objectives in set out in Section 2.12 (b) of the Remuneration Report.

12.5 Overview of Significant Changes in Remuneration Structure

The Board has focussed our revised remuneration strategy on areas where we believe management can create the most value for securityholders.

To implement the remuneration objectives, the RNC has made significant changes to the structure of our remuneration arrangements for executive Key Management Personnel in FY15. Those changes have been made after extensive consultation with key stakeholders, including investors and proxy advisors, following Ingenia's inclusion in the S&P/ASX 300 Index.

The changes made and the reasons for them are outlined below. Additional detail is included in the Remuneration Report which we recommend you read.

a. Appointment of new Independent Remuneration Consultants

In March 2014 the Board engaged Guerdon Associates Pty Ltd (Guerdon) to provide independent remuneration advice and to review the structure and operation of the Group's remuneration and incentive plans for FY15. Guerdon worked closely with the RNC in a wide ranging review, which led to significant changes.

b. Change Review Date

Guerdon suggested that Ingenia should change the effective date for implementation of remuneration reviews from 1 July to 1 October each year. The Board resolved to do so on a recommendation from the RNC.

The rationale for this change was:

- The later review date allows time for results to be audited for assessment of Short Term Incentives (STI) awards and for basing Long Term Incentives (LTI).
- It allows ample time for release and market assessment of annual results so equity grants are priced on an informed market.
- Assessment of Total Shareholder Returns (TSR) is made in an informed market.

c. Short Term Incentives – Significant Changes in FY15

i. Increase STI

The percentage of total remuneration allocated to STI for each KMP has been increased. The FY15 maximum STI cash awards have only increased $20,000 for the CEO and have been reduced for other executive KMP, because of the introduction of deferred equity.

All FY14 STI awards were paid in cash. In FY15 50% of the STI award will be paid in cash and the other 50% will be deferred for 12 months and paid in equity. Deferred STI is subject to a malus or forfeiture provision if earnings are not sustained at a level within a set threshold of prior year's earnings.

The primary reason for the increase in STI (which is partially offset by a decrease in LTI) is to focus executive KMP on the key objective, delivering on our strategy, particularly delivering underlying profit growth and the key operational drivers of that growth, to meet investor expectations. The deferral has been introduced to recognise how important it is that Ingenia's high growth expectations are achieved and sustained, and to align STI awards with securityholder interests.

ii. Deferred STI

Deferred STI will be awarded in Rights to stapled securities, plus additional securities equal to distributions paid on a reinvestment basis upon vesting. KMP will not receive cash distributions on unvested Rights, they will receive additional deferred Rights.

The rationale behind this change is to incentivise KMP to maintain and increase the level of distributions, in line with investor expectations.

iii. KPIs

KPIs for STI have been set to incorporate a strong focus on earnings (40%), strategic and operational metrics (50%) and people (10%). Quantified metrics have been preferred and KMP have been set challenging KPIs, with 'Threshold', 'Target' and 'Stretch' performance levels, based on Ingenia's budget and business plan and taking account of analyst consensus.

iv. 2013-2014 bonuses

In FY14 all bonuses paid to other direct reports of the CEO and other senior executives, who are not KMP, were paid in cash. The STI arrangements outlined above (50% cash and 50% deferred equity) have been extended to all executive KMP in FY15.

Again, deferred equity has been introduced to recognise how important it is that Ingenia's high growth expectations are achieved and sustained, and to align executive remuneration with securityholders' interests.

d. Long Term Incentives – Significant Changes in FY15

i. Reduction in LTI

The percentage of total remuneration allocated to LTI for each KMP has been reduced. This partially offsets the increases in STI.

FY15 LTI awards are still material, so management will continue to focus on long term value creation.

ii. TSR hurdle

FY15 LTI awards in the form of Rights will be assessed on a relative TSR hurdle rather than the absolute TSR hurdle applied in FY14. This change is in line with investors' expressed preferences. The comparator for the relative TSR hurdle will be the S&P ASX 300 Industrials Index ("Index").

This change is to align to investor preference of relative TSR and the Industrial Index was chosen because the Board considers it is better aligned to Ingenia's core business operations and because it is transparent and readily available.

iii. Zero vesting at threshold

There will be zero vesting at Threshold, which is Index plus 1%. Ingenia must outperform the Index by at least 1% for LTI awards to vest. There will be no cliff vesting. Vesting will be straight line between Threshold (at Index plus 1%) to Maximum (at Index plus 6% or more).

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iv. Rights vesting

The assessment date for LTI Rights vesting will be 30 September three years after grant and grants will be based on 30 day VWAP.

The timing helps to ensure an informed market post release of audited results and 30 day VWAP reduces the risk and impact of security price volatility.

v. Vested Rights

Vested Rights will be converted to stapled securities, plus additional securities equal to distributions paid on a reinvestment basis upon vesting.

The rationale for this change is to incentivise executive KMP to maintain and increase distributions, in line with investor expectations.

vi. Forfeiture provision

A 'malus' or forfeiture provision will be applied to all LTIs.

e. Equity Grants – Significant Changes in FY15

The basis of allocating LTI Rights has been changed in FY15. This change will reduce executive KMP entitlements to LTI awards and move towards market best practice.

In FY14, the formula provided by Ingenia's Independent Remuneration Consultant to determine security value for the purpose of calculating the number of LTI Rights, included a 0.5% 'probability of vesting' factor, which effectively doubled the maximum LTI entitlement for each KMP. It was subject to some adverse comments from investors and proxy advisors.

The RNC and Board have consulted with proxy advisors and investors and have accepted a recommendation from our new Independent Remuneration Consultant to change the formula in FY15 to eliminate the 'probability of vesting' multiple.

f. Plan Rules – Significant Changes in FY15

Guerdon's review has included a comprehensive review of Ingenia's Plan Rules to accommodate the changes the Board wishes to make. The changes to Plan Rules will be the subject of a Resolution at the 2014 AGM and details are set out in the Notice of Meeting and Explanatory Memorandum. We urge securityholders to support that Resolution.

12.6 Conclusion

The advice we have received from our Independent Remuneration Consultant and extensive consultations undertaken by the RNC has led to change.

The Board believes those changes have resulted in a better remuneration strategy and structure which will achieve the remuneration objectives we set and which will serve all Ingenia's stakeholders well.

I wish to thank all those involved, my RNC and Board colleagues, Guerdon, investors and proxy holders for their valuable input.

We recommend Ingenia's Remuneration Report to investors and seek your support for the resolution to adopt the Remuneration Report at the Ingenia AGM on 12 November 2014.

Yours faithfully

Philip Marcus Clark AM
Chairman – Remuneration and Nomination Committee

13. REMUNERATION REPORT (AUDITED)

13.1 Introduction

The Board presents the Remuneration Report for the Group for the year ended 30 June 2014, which forms part of the Directors' report and has been prepared in accordance with section 300A of the *Corporations Act 2001* ("Act"). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Act.

13.2 Remuneration Governance

a. Remuneration and Nomination Committee (RNC)

The Board has an established the RNC, which is directly responsible for reviewing and recommending remuneration arrangements for directors, the Chief Executive Officer ("CEO") and senior executives who directly report to the CEO.

The RNC comprises the following NEDs:

- Philip Marcus Clark AM (Chairman);
- Jim Hazel; and
- Amanda Heyworth.

The RNC provides oversight for general remuneration levels of the Group 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, and in any event at least twice per year, and considers recommendations from internal management and external consultants.

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

b. External Remuneration Advisers

The Board engaged Godfrey Remuneration Group Pty Ltd ("GRG") to provide independent recommendations in relation to remuneration of the executive roles within the Group for FY14.

GRG provided a report on market benchmarking of executive remuneration which outlined the following:

- new legislation requirements and regulatory developments;
- overall remuneration framework and strategy;
- considerations relating to termination of contracts; and
- market data and trends in remuneration structures.

GRG also provided recommendations on fixed remuneration and the design of short-term and long-term incentive plans for the key executives of the Group, including the CEO.

GRG provided a further report on market benchmarking of senior executive remuneration for the CEO, Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") roles and made recommendations on their base remuneration and incentive schemes. They also provided a benchmarking report and recommendations on NED remuneration.

For the provision of the advice for FY14, GRG were commissioned by, engaged with, and addressed reports directly to the Chairman of the RNC.

In March 2014, the Board rotated external remuneration advisors and engaged Guerdon Associates to provide independent remuneration advice for Key Management Personnel (KMP), including senior executives and NEDs and to review the rules of the Group's LTI and STI Plans for FY15.

For the provision of the advice and recommendations to date, Guerdon Associates have been commissioned by, engaged with, and addressed reports directly to the Chairman of the RNC.

The Board is satisfied that the remuneration advice from both GRG and Guerdon Associates was made free from undue influence by the KMP to whom the advice related, due to there being no engagement with the remuneration consultants outside of the Chairman of the RNC. Declarations of independence from GRG and Guerdon Associates were received by the Board prior to the acceptance of their engagements and accompanied their reports.

GRG were paid $26,400 for the remuneration advice work outlined above that they provided during the FY14.

While remuneration services were received, no remuneration recommendations as defined under Division 1, Part 1.2.98 (1) of the Act, were made by Guerdon Associates. For the remuneration advice they have provided, Guerdon Associates have been paid $49,325 to the date of this report.

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13.3 Details of KMP

KMP for the year ended 30 June 2014 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any executive or NED of the Group.

The KMP of the Group for the year ended 30 June 2014 are:

	Position	Appointment/Resignation date
Non-Executive Directors		
Jim Hazel	Chairman of the Board	
	NED	
	Member – Remuneration and Nomination Committee	
Amanda Heyworth	NED	
	Chair – Audit and Risk Committee	
	Member – Remuneration and Nomination Committee	
Philip Clark AM	NED	
	Chair – Remuneration and Nomination Committee	
	Member – Audit and Risk Committee (until April 2014)	
Robert Morrison	NED	
	Member – Audit and Risk Committee	
Norah Barlow	NED	Appointed 31 March 2014
	Member – Audit and Risk Committee	
Executive Director		
Simon Owen	Managing Director and CEO	
Other Executives		
Tania Betts	CFO	
Nicole Fisher	COO	

13.4 Remuneration of KMP (Excluding Non-Executive Directors)

a. Remuneration Policy

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

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 securityholders. 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 the KMP in their roles;
- the Group's overall performance;
- remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent.

Refer below for detail of the mechanisms in place, which link the remuneration outcomes to individual and the Group's performance.

b. Link between Remuneration and Performance

The Board understands the importance of the relationship between the Group's remuneration policy for KMP and the Group's performance. The remuneration packages for KMP are aimed at achieving this balance and aligning KMP remuneration with the interests of securityholders.

Remuneration Component	Link to Group Performance
Fixed remuneration	Fixed remuneration is not directly linked to Group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.
Short-term incentive (STI)	STIs are awarded to individuals whose achievements, behaviour and focus meets the Group's business plan and key result expectations measured over the financial year. In FY14 the payment is in cash. For FY15 payment will be in cash and a deferred equity element linked to earnings growth sustainability.
Long-term incentive (LTI)	LTIs are granted to individuals to align their focus with the Group's required TSR performance measured over three financial years. The Board maintains sole discretion over the granting of the LTI to eligible employees. Payment will be received in equity for alignment with securityholders.

The table below sets out summary information about the Group's earnings and movement in securityholder wealth for the five years to 30 June 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Underlying profit ($000)	**11,568**	5,867	7,434	6,889	18,260
Statutory profit/(loss) ($000)	**11,518**	(10,290)	33,627	13,051	(67,717)
EPS (cents)	**1.8**(2)	(2.0)(1)	7.6	3.0	(15.4)
Net asset value per security (cents)	**35.5**(2)	34.4(1)	34.3	25.9	24.9
Security price 30 June (cents)	**50.5**	34.5	19.5	11.5	5.0
Distributions (cents)	**1.0**	1.0	–	–	–

(1) During the year ended 30 June 2013, the Group issued 66,150,000 shares under an institutional placement.

(2) During the year ended 30 June 2014, the Group issued 169,061,000 shares under the non-renounceable rights issue.

c. Target mix of Remuneration Components

Executive remuneration packages include a mix of fixed remuneration, STI's and LTI's. 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 set the total employment cost of KMP by reference to the 50th percentile 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.

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The target remuneration mix for executives for the year ended 30 June 2014, expressed as a percentage of total remuneration, is detailed in the table below:

Target mix	Total Fixed Remuneration (TFR) (%)	STI (%)	LTI PQRs[1] (%)	Total Remuneration (%)
CEO	50.0%	20.0%	30.0%	100.0%
CFO	62.5%	18.75%	18.75%	100.0%
COO	62.5%	18.75%	18.75%	100.0%

(1) PQRs: Performance Quantum Rights

13.5 Total Fixed Remuneration (Excluding Non-Executive Directors)

Total fixed remuneration (TFR) is a guaranteed annual salary, which is calculated on a total cost basis, which may include salary-packaged benefits grossed up for FBT payable, as well as employer contributions to superannuation funds 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 fixed remuneration levels for KMP on an annual basis.

The table below details the TFR for each of the executives for the year ended 30 June 2014:

Executive	Position	Total Fixed Remuneration
Simon Owen	Managing Director and CEO	$612,746[1]
Tania Betts	CFO	$297,633[2]
Nicole Fisher	COO	$243,389[3]

(1) Additional payment was made during the current year due to underpayment in the prior fiscal year.
(2) Leave without pay was taken during the year.
(3) Based on four days per week.

13.6 Short-Term Incentive Scheme (STI)

The STI scheme aims to reward eligible employees whose achievements, behaviour and focus meets the Group's business plan and key result expectations during one or more specified measurement periods.

Initial participation in the scheme is completely at the discretion of the Board.

The quantum of the STI opportunity for the year ended 30 June 2014 was determined based upon recommendations from GRG.

For those employees who participate in the scheme, the opportunity for reward is assessed against specific KPI's for each employee, which are documented in a written statement (Plan Statement) identifying:

- The percentage weighting and measurement period for each KPI;
- The KPI outcome measures set with a threshold, on target and stretch performance measure; and
- The maximum STI award amount payable for achieving each of the performance levels, calculated on the employee's base remuneration at the time the Plan Statement is issued.

The Board has structured the KPIs around both financial metrics, such as underlying profit and non-financial metrics around strategy development and execution, business performance, people and stakeholder relationships.

KPIs, their applicability, targets, and outcomes are tabulated below:

Key Performance Indicator	Executives to which KPI applied	Key Considerations in assessments
Financial	CEO, CFO, COO	Operating income within 5% of threshold Access to debt and equity capital on acceptable terms
Strategy	CEO, CFO, COO	Execution of agreed business strategy
Operational	CEO, CFO, COO	Achievement of operational metrics that deliver on business strategy, established for each KMP specific for their area of responsibility
People and Reporting	CEO, CFO, COO	Minimal regretted turnover Recruit and retain leading industry talent High quality level reporting and analysis

For the year ended 30 June 2014 the Board assessed the performance of the CEO and the CEO assessed the performance of the CFO and COO, against their respective KPIs. The RNC then recommended and the Board approved STI awards.

The Board approved STI awards for the year ended 30 June 2014 for each executive KMP as follows:

KMP	Position	Actual STI Awarded $	Actual STI Awarded as a % of Maximum STI
Simon Owen	Managing Director and CEO	$205,200	85.5%
Tania Betts	CFO	$70,875	75.0%
Nicole Fisher(1)	COO	$56,160	78.0%

(1) The actual amount awarded was calculated on a pro-rata basis allowing for 4 days per week.

a. STI – Termination of Employment

The following table outlines the treatment of the short-term incentive scheme in place for FY14 at the time of a termination of employment:

Termination Circumstance	STI Awards
Dismissal (termination for cause)	All are forfeited.
Resignation	All are forfeited, unless otherwise determined by the Board at its complete discretion.
Other circumstances	A pro rata reduction in the STI opportunity for each KPI with the assessor taking into account a variety of relevant factors applicable to each KPI.

No STI award for the year ended 30 June 2014 was affected by termination of employment.

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13.7 Long-Term Incentive Scheme

The objective of the Group's LTI scheme is to align long-term securityholder returns with the 'at risk' compensation payable to executive level employees whilst also acting as a mechanism to retain key talent.

The scheme comprises two types of security rights, RQRs and PQRs (together referred to as "quantum rights").

RQRs are applied for retention purposes. No RQRs were granted in 2013-2014. PQRs are applied to focus and reward executives on long term performance over 3 or more years. PQRs were granted during FY14.

Upon vesting of a number of quantum rights, the holder will be issued with securities equivalent to the value of vested quantum rights on the vesting date, provided and to the extent that the value of the quantum rights on the vesting date exceeds $1,000. The value of each quantum right on the vesting date shall be equivalent to the security price on the vesting date.

The FY14 LTI components of Simon Owen's remuneration were approved by securityholders at the Annual General Meeting held on 19 November 2013. Any LTI components of Simon Owen's remuneration for FY15 will be subject to securityholder approval at the 2014 Annual General Meeting to be held on 12 November 2014.

a. PQRs

The Board has adopted an LTI plan ("LTIP") with the aim of rewarding executives for delivering returns to securityholders that are consistent with, or exceed, expectations.

PQRs granted in FY14 vest based on the Group's performance as measured by the absolute TSR. TSR is calculated as the percentage gain from an investment in Ingenia Communities securities over the vesting period, assuming that distributions are reinvested.

GRG was specifically asked to advise on this practice in 2012. GRG advised that they considered absolute TSR to be the appropriate measure for the Group to use. They confirmed that advice in 2013 and 2014.

For 2015, Guerdon Associates has recommended that the performance criterion be relative TSR from 1 October to 30 September 3 years later, against ASX 300 Industrials Index. The Board has accepted this recommendation.

The vesting period for PQRs granted in FY14 is 3 years from 1 July 2013.

The vesting conditions are based on Group performance over the vesting period as measured by the actual TSR.

The Board has absolute discretion to vary the vesting conditions outlined in the table below.

i. PQRs issued in FY13

In respect of the 2012-13 year, the percentage of PQRs held by an eligible employee on the vesting date in respect of a Scheme Year that may vest shall be determined in accordance with the table below:

Where Group's Actual TSR over the 3 Year Vesting Period is:	Percentage of Employee's RQRs that may Vest in respect of the Scheme Year:
Below 26% - below threshold performance.	0%
26% (approximately 8%pa compound), on threshold performance.	25%
At or above 26% but below 40% performance, between threshold and target performance.	25%-50%, in the same proportion as the Group's actual TSR bears to the threshold and target performance.
40% (approximately 12%pa compound), on target performance.	50%
Above 40% but below 56% performance, between target and stretch performance.	50%-100%, in the same proportion as the Group's actual TSR bears to the target TSR and stretch performance.
56% or above (approximately 16%pa compound), stretch performance.	100%

ii. PQRs Issued in FY14

In respect of FY14, the percentage of PQRs held by an eligible employee on the vesting date in respect of a Scheme Year that may vest shall be determined in accordance with the table below:

Where Group's Actual TSR over the 3 Year Vesting Period is:	Percentage of Employee's PQRS that may Vest in respect of the Scheme Year:
Below 26% - below threshold performance.	0%
26% (approximately 8%pa compound), on threshold performance.	25%
At or above 26% but below 33% performance, between threshold and target performance.	25%-50%, in the same proportion as the Group's actual TSR bears to the threshold and target performance.
33% (approximately 10%pa compound), on target performance.	50%
Above 33% but below 40% performance, between target and stretch performance.	50%-100%, in the same proportion as the Group's actual TSR bears to the target TSR and stretch performance.
40% or above (approximately 12%pa compound), stretch performance.	100%

The table below sets out the participation level of KMP in the LTI Scheme – PQRs, in terms of grant size, fair value and the maximum amount to be expensed in the future. These PQRs were granted during the years ended 30 June 2013 and 30 June 2014 year.

KMP	Position	LTI Scheme – RQRs	Number of Performance Rights Granted	Grant Date	Fair Value of Performance Rights $	Vesting Date	Maximum to Expense in Future Years $
Simon Owen	Managing Director and CEO	2013	2,260,000	31 May 2012	230,520	30 June 2015	76,840
		2014	2,460,000	19 November 2013	799,500	30 June 2016	533,243
Tania Betts	CFO	2013	791,000	14 May 2012	71,032	30 June 2015	23,730
		2014	641,000	19 November 2013	208,325	30 June 2016	138,947
Nicole Fisher	COO	2013	791,000	4 June 2012	80,287	30 June 2015	26,874
		2014	615,000	19 November 2013	199,875	30 June 2016	133,311

No PQRs vested or lapsed during the year ended 30 June 2014.

No other PQRs were granted during the year ended 30 June 2014.

b. Legacy RQRs

These are rights that were granted at the time the Group was internalised, to encourage the retention of key executives and were subject to the holder remaining an employee of the Group until the end of the retention period, which was two years. An employee is not required to pay for a RQR.

RQRs were granted to the following employees during the year ended 30 June 2012 as a one off retention bonus of between 25% and 50% of the Executive's total fixed annual remuneration in FY13 only. They were aimed at incentivising them to remain with the business during the important transitional phase of Internalisation.

These rights vested on 1 July 2014 and have been converted to Ingenia securities as at that date.

	Grant Date	Retention Period	Vesting Date	Vesting Conditions	Value of RQRs	Number of RQRs
Simon Owen	31 May 2012	2 years	1 July 2014	Remaining employed at vesting date	50% of TFR in year 1, $200,000	1,070,000
Tania Betts	14 May 2012	2 years	1 July 2014	Remaining employed at vesting date	25% of TFR in year 1, $70,000	374,000
Nicole Fisher	4 June 2012	2 years	1 July 2014	Remaining employed at vesting date	25% of TFR in year 1, $70,000	374,000

There have been no additional RQRs issued during the year ended 30 June 2014 or to the date of this report.

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c. LTI – Termination of Employment

The following table outlines the treatment of unvested rights at the time of a termination of employment:

Termination Circumstance	Unvested Quantum Rights
Dismissal (termination for cause)	All are forfeited.
Resignation	All are forfeited unless and to the extent otherwise determined by the Board.
Other circumstance	Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year. Rights that do not lapse at the termination of employment will continue to be held by participants with a view to testing for vesting at the end of the measurement period. If the security price at the end of the measurement period is less than the security price at the date of cessation of employment then: PQR – the rights will lapse and an amount up to the value of the Rights that would otherwise have vested will be paid in cash. If the security price at the end of the measurement period is not less than the security price at the date of termination of employment then: PQR – the rights will be tested for vesting in accordance with the terms of rights.

13.8 KMP Employment Contracts

Managing Director and CEO – Simon Owen

Contract duration	Commenced 4 June 2012, open-ended.
Fixed remuneration	Total remuneration package includes fixed remuneration and superannuation.
Variable remuneration eligibility	Eligible for STI of up to 40% for any one year of the executive's total cost fixed annual remuneration. Eligible for LTI of up to 80% for any one year of the executive's total cost of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the executive, provided that the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	12 months.
Notice by executive	12 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of Incentives: As outlined above.

Chief Financial Officer – Tania Betts

Contract duration	Commenced 14 May 2012, open-ended.
Fixed remuneration	Total remuneration package includes fixed remuneration and superannuation.
Variable remuneration eligibility	Eligible for STI of up to 30% for any one year of the executive's total cost fixed annual remuneration. Eligible for LTI of up to 30% for any one year of the executive's total cost of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the executive, provided that the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	6 months.
Notice by executive	6 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of Incentives: As outlined above.

Chief Operating Officer – Nicole Fisher

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

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13.9 Remuneration Tables

The following tables outline the remuneration provided to KMP excluding NEDs for the years ended 30 June 2014 and 30 June 2013.

No executive KMP appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Key Management Personnel – Executive Remuneration

			Short-Term					
			Salary	Non-Monetary Benefits	Other Payments	Super-Annuation Benefits	STI[(2)]	Total Short-Term
			$	$	$	$	$	$
Executive Director								
Simon Owen	Managing Director and CEO	**2014**	**588,915**	**–**	**–**	**23,831**	**205,200**	**817,946**
		2013	340,155	–	–	19,017	108,000	467,172
Senior Executives								
Tania Betts	CFO	**2014**	**279,989**	**–**	**–**	**17,644**	**70,875**	**368,508**
		2013	262,516	–	–	17,585	52,500	332,601
Nicole Fisher	COO	**2014**	**225,780**	**–**	**–**	**17,609**	**56,160**	**299,549**
		2013[(1)]	154,064	–	–	12,355	21,882	188,301
Total Executive KMP		**2014**	**1,094,684**	**–**	**–**	**59,084**	**332,235**	**1,486,004**
		2013	756,735	–	–	48,957	182,382	988,074

(1) Nicole Fisher was on maternity leave from 19 November to 30 June 2013.

(2) STIs were accrued in the year ended 30 June 2014 and 30 June 2013.

(3) No rights vested or lapsed during the year. The RQRs vested on 1 July 2014 and 1,818,000 fully paid stapled securities were issued at that time. LTI expense for the year ended 30 June 2014 was $680,600 (2013: 293,113).

Other Long-Term	LTI(3)				Performance Related	
Long Service Leave	Performance Quantum Rights	Retention Quantum Rights	Termination Benefits	Total	STI+LTI Percent of Total	LTI Percent of Total
$	$	$	$	$	%	%
–	**343,097**	**91,085**	**–**	**1,252,128**	**51**	**35**
–	76,840	99,243	–	643,255	44	27
–	**93,108**	**30,222**	**–**	**491,838**	**39**	**25**
–	23,677	31,902	–	388,180	28	14
–	**93,458**	**29,630**	**–**	**422,637**	**42**	**29**
–	26,762	34,689	–	249,752	33	25
–	**529,663**	**150,937**	**–**	**2,166,604**	**47**	**31**
–	127,279	165,834	–	1,281,187	37	23

Directors' Report

for the year ended 30 June 2014 | continued

13.10 Non-Executive Directors Remuneration

a. Directors' Fees

The maximum aggregate fee pool available to NEDs is $1,000,000 as stipulated in the Constitution that was adopted pre-internalisation.

b. Performance-based Remuneration

NEDs are remunerated by way of cash benefits. They are not permitted to participate in performance based remuneration practices unless approved by securityholders. The Group currently has no intention to remunerate NEDs by any way other than cash benefits.

c. Equity-based Remuneration

There is currently no equity-based remuneration plan in place for NEDs, however all NEDs have self funded the purchase of securities on market thereby aligning their interests with securityholders. Details are shown below in Section 2.11.

d. NED Remuneration Table

The following table outlines the remuneration provided to NEDs for the year ended 30 June 2014 and 30 June 2013:

Non-Executive Directors		Directors Fees ($)
Jim Hazel	**2014**	**170,000**
	2013	150,000
Amanda Heyworth	**2014**	**90,000**
	2013	70,000
Philip Clark	**2014**	**90,000**
	2013	70,000
Robert Morrison(1)	**2014**	**90,000**
	2013	29,167
Norah Barlow(2)	**2014**	**22,500**
	2013	–
Total Non-Executive KMP	**2014**	**462,500**
	2013	319,167

(1) Robert Morrison was appointed as Director on 8 February 2013.

(2) Norah Barlow was appointed as Director on 31 March 2014.

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

NEDs do not receive additional remuneration for chairing or being a member of Board committees.

The Board has introduced a policy guideline for Non-Executive Directors to hold the equivalent of one years gross fees in INA Securities within a period of two years from the date of appointment.

13.11 KMP Interests

Securities held directly, indirectly or beneficially by each key management person, including their related parties, were:

	Balance 1 July 2013	Acquisitions	Disposals	On Exercise of Options	Balance 30 June 2014
Directors					
Jim Hazel	1,000,000	333,334	–	–	**1,333,334**
Philip Clark AM	100,000	108,334	–	–	**208,334**
Amanda Heyworth	421,000	140,334	–	–	**561,334**
Robert Morrison	110,000	111,667	–	–	**221,667**
Norah Barlow	–	178,000	–	–	**178,000**
Simon Owen	1,517,750	661,917	–	–	**2,179,667**

Performance quantum rights held by key management personnel were:

	Balance 1 July 2013	Granted	Vested	Balance 30 June 2014
Director				
Simon Owen	2,260,000	2,460,000	–	**4,720,000**
Executives				
Tania Betts	791,000	641,000	–	**1,432,000**
Nicole Fisher	791,000	641,000	–	**1,432,000**

Retention quantum rights held by key management personnel were:

	Balance 1 July 2013	Granted	Vested	Balance 30 June 2014
Director				
Simon Owen	1,070,000	–	–	**1,070,000**
Executives				
Tania Betts	374,000	–	–	**374,000**
Nicole Fisher	374,000	–	–	**374,000**

The retention quantum rights vested on 1 July 2014 and 1,818,000 fully paid stapled securities were issued at that time.

13.12 FY15 Remuneration

This section of the Remuneration Report deals with the period from 1 July 2014 to the date of this report.

Significant changes have been made to the Group's approach to executive KMP remuneration for the FY15 year. These changes are detailed and highlighted below.

a. External Remuneration Consultants

Guerdon Associates were appointed by the Board to provide independent remuneration advice for KMP remuneration in respect of FY15, including latest market practices and a review of the STI and LTI scheme rules.

b. Remuneration Drivers

The following are considered key drivers in dictating the direction of the remuneration structures for FY15:

i. **Focus management on delivering outcomes in the short to medium term, particularly significant underlying profit growth**
   - Operationalising strategy: management must deliver tangible results on the strategy presented to securityholders
   - Re-mix of remuneration components, increase STI (and include a 50% deferred equity element) and reduce LTI
   - A significant proportion of total remuneration at risk for all executive KMP

ii. **Provide long-term value creation for securityholders and strong alignment between management and securityholders**
   - Introduce STI awards with 50% deferred equity
   - KPIs for STI: primary focus is delivery of underlying profit growth; additional focus on value adding metrics: lifestyle park sales, increasing occupancy, capital recycling
   - LTI 100% deferred equity
   - Rights to be allocated based on the 30 day volume weighted average price after results are announced
   - Shift from absolute TSR to relative TSR against S&P ASX 300 Industrials Index
   - Rights hurdle requires performance above Index with progressive vesting
   - All deferred equity (STI and LTI) has a forfeiture provision

iii. **Attracting, retaining and motivating KMP**
   - FY12 Retention Rights vested 1 July 2014
   - Small, cohesive senior management team
   - A significant proportion of total remuneration for all executive KMP is performance based

c. Details of KMP

There have been no changes to the KMP since 30 June 2014 and before the date of this report.

Directors' Report

for the year ended 30 June 2014 | continued

d. Review Date

Guerdon recommended that the Group change the annual remuneration review date from 1 July to 1 October each year, to ensure that remuneration reviews are based on final audited results and equity grants for deferred STI and LTI are based on an informed market.

e. Target mix of Remuneration Components

Based on market data from Guerdon Associates and recommendations from the RNC, the Board has set the target remuneration mix for executives for FY15, expressed as a percentage of total remuneration, as detailed in the table below:

Target mix	TFR	STI	LTI	Total Remuneration
CEO	43.5%	34.8%	21.7%	100.0%
CFO	62.5%	25.0%	12.5%	100.0%
COO	62.5%	25.0%	12.5%	100.0%

The target mix reflects implementation of the key remuneration drivers set out above.

f. Total Fixed Remuneration

Based on market data from Guerdon Associates and recommendations from the RNC, the Board has set TFR for each of the executives for FY15 as detailed in the table below:

Executives	Position	TFR (p.a.)
Simon Owen	Managing Director and CEO	$650,000
Tania Betts	CFO	$328,000
Nikki Fisher(1)	COO	$315,000

(1) Currently pro-rated for 4 days per week.

The increases in FY15 fixed remuneration for the Managing Director and CEO is 8.3% and for the CFO and COO is 5.0% each. The Board considers these increases reasonable in the context of:

- Over 90% increase in the total market capitalisation of the Group during FY14
- Over 55% total securityholder returns on a fully reinvested basis, during FY14

Data for TFR ranges for the CFO and COO for FY15 were provided by Guerdon Associates. The RNC used an element of judgement to determine the appropriate positioning within this range and arrived at the TFR amounts set out above. Those recommendations were approved by the Board.

g. Revised LTI and STI Scheme Rules

Guerdon Associates was engaged to review the rules of the plans for the STI and LTI scheme. Guerdon Associates proposed new Rights Plan Rules, which were endorsed by the RNC and approved by the Board. These new rules will be subject to securityholder approval at the Annual General Meeting to be held on 12 November 2014.

h. STI

A structural change has been implemented for the FY15 STI with 50% of the maximum STI for the executive KMP being paid in cash and the remaining 50% being a deferred equity element, subject to forfeiture where earnings growth is not sustained. The deferral is for 12 months and sustainability has been defined as earnings growth in the following year to be equal to or above a set threshold on prior year. The deferral is to be rights to INA stapled securities, plus additional stapled securities equal to distributions during the deferral period on a reinvestment basis.

Executives	Maximum STI Cash	Maximum STI Deferred (STI Rights)	Total Maximum STI Available
Simon Owen	40% of FY15 TFR	40% of FY15 TFR	80% of FY15 TFR
	$260,000	$260,000	$520,000
Tania Betts	20% of FY15 TFR	20% of FY15 TFR	40% of FY15 TFR
	$65,600	$65,600	$131,200
Nicole Fisher	20% of FY15 TFR	20% of FY15 TFR	40% of FY15 TFR
	$63,000	$63,000	$126,000

(1) Subject to securityholder approval at the Annual General Meeting to be held on 12 November 2014.

The STI deferral rights are subject to the following terms and conditions:

- a 'malus' (forfeiture) provision during the deferral period
- a one-year deferral period and are eligible to vest on or following 1 October 2016
- on the vesting date Ingenia will cause the relevant number of INA securities to be issued to the executive in accordance with a prescribed formula
- no amount is payable by the executive for the issue or transfer of INA securities to the executive.

The STI award is subject to STI performance conditions (KPIs) that focus on underlying profit, strategic, operational and people and reporting metrics. In each case, the KPIs are set with 'threshold', 'target' and 'stretch' performance levels, with entitlements calculated on a pro-rata basis between these levels.

Details of the KPI split for each executive KMP is as follows:

	Underlying Profit %	**Strategic %**	**Operational %**	**People %**
CEO	40	30	20	10
CFO	40	25	25	10
COO	40	10	40	10

i. LTI

There were no RQRs issued during the year ended 30 June 2014 or since then and before the date of this report, but note the comment in Section 2.7(b) above in relation to RQR which vested on 1 July 2014.

i. Long term incentive plan

Since 1 July 2014 and before the date of this report, the value and number of Rights that have been offered to executives are:

	Value of LTIP Rights	**Vesting Date**
Simon Owen(1)	50% of FY15 TFR	30 September 2017
	$325,000	
Tania Betts	20% of FY15 TFR	30 September 2017
	$65,600	
Nicole Fisher	20% of FY15 TFR	30 September 2017
	$63,000	

(1) Subject to securityholder approval at the Annual General Meeting to be held on 12 November 2014.

ii. Rights Performance Conditions

On advice from Guerdon, the RNC has recommended and the Board has approved, significant changes in FY15 to:

- the performance conditions for vesting of Rights, and
- the methodology used to convert dollar amount awards to Rights entitlements.

The Rights are subject to the LTIP Performance Condition, which is based on growth in INA's TSR relative to the ASX 300 Industrials Index return over the Rights Performance Period.

The ASX 300 Index was chosen because the Board considers it to be transparent and more closely aligned to the Group's core business operations.

Total TSR is the growth in the security price plus distributions, assuming distributions are reinvested. To minimise the impact of any short-term volatility, INA'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 and the 30 days up to and including the end trading day of the Rights Performance Period.

Directors' Report

for the year ended 30 June 2014 | continued

The Rights will vest on the following basis:

	Growth Rate in INA's TSR	% of Rights that Vest
Below Threshold	Index + less than 1% CAGR	Nil
At Threshold	Index + 1% CAGR	10%
Between Threshold and Maximum	Between Index + 1% and 6% CAGR	10% plus an additional amount progressively vesting on a straight line basis between Threshold and Maximum
Maximum	Index + 6% CAGR	100%

CAGR: compound annual growth rate

It is important to note that executive KMP must outperform the Index to qualify for an award of Rights.

The methodology recommended by the Group's Independent Remuneration Consultant and used to calculate Rights entitlement in FY14 was subject to some criticism. That formula included a 0.5 "probability of vesting" factors, which effectively doubled Rights grants.

A different methodology has been used to calculate Rights entitlements in FY15 which has been recommended by Guerdon and adopted by the RNC and the Board.

The FY15 methodology determines security value as the volume weighted average price ("VWAP") of INA securities in the period of 30 trading days ending on 30 September 2014. The number of Rights granted in FY15 will be calculated by dividing the Rights by the 30 day VWAP of the INA security price. Each Right vested equals one INA security plus an additional number of INA securities calculated on the basis of the distributions that would have been paid during the relevant period being reinvested.

iii. Entitlement to Distribution adjustment

LTI grants will be entitlements to Rights to stapled securities plus additional stapled securities equal to distributions paid during the vesting period. The Board is keen to see executive KMP incentivised to grow distributions to securityholders.

j. Total Maximum FY15 Remuneration

Executive	Fixed Remuneration	Maximum STI Cash	Maximum STI Deferred(1)	Maximum LTI(1)	Maximum Total Remuneration
Simon Owen	$650,000	$260,000	$260,000	$325,000	$1,495,000
Tania Betts	$328,000	$65,600	$65,600	$65,600	$524,800
Nicole Fisher	$315,000	$63,000	$63,000	$63,000	$504,000

(1) Subject to securityholder approval at the Annual General Meeting to be held on 12 November 2014.

In accordance with the Board's objective, a significant proportion of each executive KMP's total maximum remuneration in FY15 is performance based. The percentage of total maximum remuneration at risk for each executive KMP is:

CEO	56.5%
CFO	37.5%
COO	37.5%

It is worth noting that Simon Owen's total maximum remuneration has reduced from an effective level of $1,971,600 in FY14 to a level of $1,495,000 in FY15. The principle factor contributing to that reduction is the change in the methodology used to calculate the Rights entitlement, detailed above.

k. Non-Executive Directors' Remuneration

Guerdon Associates was engaged to provide a benchmarking report on the levels of NED remuneration in determining the appropriate level of fees for FY15.

Based on the Guerdon Associates report, the RNC recommended that the Chair's remuneration for FY15 remain unchanged at $170,000 per annum. The Board approved the RNC's recommendation. The Chair did not participate in that decision.

Based on the Guerdon Associates report, the RNC recommended that remuneration for FY15 be set at $93,000 per annum for each NED other than the Chair. The Board approved the RNC's recommendation.

Signed in accordance with a resolution of the directors.

Jim Hazel
Chairman
Sydney, 19 September 2014

Auditors' Independence Declaration

for the year ended 30 June 2014

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

In relation to our audit of the financial report of Ingenia Communities Holdings Limited and its controlled entities for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Chris Lawton
Partner
19 September 2014

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Continuing Operations			
Revenue			
Rental income	5(a)	**31,643**	19,287
Accrued deferred management fee income	16(b)	**5,333**	4,850
Manufactured home sales		**3,442**	405
Catering income		**3,178**	2,616
Other property income	5(b)	**1,819**	872
Interest income		**369**	563
		45,784	28,593
Property expenses		**(11,613)**	(7,650)
Employee expenses		**(15,341)**	(10,239)
Administration expenses		**(4,371)**	(3,172)
Operational, marketing and selling expenses		**(3,136)**	(2,358)
Cost of manufactured homes sold		**(2,130)**	(297)
Finance expenses	6	**(4,446)**	(6,112)
Net foreign exchange gain/(loss)		**(147)**	37
Net loss on disposal of investment properties		**–**	(107)
Net gain/(loss) on change in fair value of:			
Investment properties		**(341)**	3,457
Derivatives		**41**	752
Retirement village resident loans	16(b)	**(616)**	327
Amortisation of intangible assets		**–**	(585)
Other expenses		**–**	(185)
Profit from continuing operations before income tax		**3,684**	2,461
Income tax benefit	7	**7,264**	367
Profit from continuing operations		**10,948**	2,828
Profit/(loss) from discontinued operations	8(b)	**570**	(13,118)
Net profit/(loss) for the year		**11,518**	(10,290)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising during the year	21	**269**	327
Release of foreign currency translation reserve on disposal of foreign operations	21	**–**	17,463
Total comprehensive income for the year, net of tax		**11,787**	7,500

	2014 $'000	2013 $'000
Profit/(loss) attributable to securityholders of:		
Ingenia Communities Holdings Limited	**(2,736)**	(1,245)
Ingenia Communities Fund	**15,313**	(644)
Ingenia Communities Management Trust	**(1,059)**	(8,401)
	11,518	(10,290)
Total comprehensive income attributable to securityholders of:		
Ingenia Communities Holdings Limited	**(2,736)**	(1,731)
Ingenia Communities Fund	**15,533**	16,898
Ingenia Communities Management Trust	**(1,010)**	(7,667)
	11,787	7,500

	Note	2014 Cents	2013 Cents
Distributions per security		**1.0**[(2)]	1.0
Earnings per security[(1)]**:**			
Basic earnings from continuing operations			
Per security	4	**1.7**	0.6
Per security attributable to parent	4	**(0.4)**	(0.2)
Basic earnings			
Per security	4	**1.8**	(2.0)
Per security attributable to parent	4	**(0.4)**	(0.2)
Diluted earnings from continuing operations			
Per security	4	**1.7**	0.5
Per security attributable to parent	4	**(0.4)**	(0.2)
Diluted earnings			
Per security	4	**1.8**	(2.0)
Per security attributable to parent	4	**(0.4)**	(0.2)

(1) Prior period weighted average number of securities and EPS have been adjusted in accordance with AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of securities on issue for the current period, prior to the rights issue in September 2013, has also been adjusted as required by AASB 133.

(2) Distributions relate to the amount paid during FY14. Subsequent to the end of the year, a final distribution was declared for 0.65 cents for a total full year distribution of 1.15 cents.

Consolidated Balance Sheet

as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	**12,894**	38,531
Trade and other receivables	10	**3,745**	8,789
Inventories	11	**2,208**	285
Income tax receivable		**960**	757
Assets held for sale	8(a)	**5,439**	–
Assets of discontinued operations	8(b)	**47,657**	36,576
Total current assets		**72,903**	84,938
Non-current assets			
Trade and other receivables	10	**2,168**	2,671
Investment properties	12	**498,863**	370,931
Plant and equipment	13	**990**	1,034
Total non-current assets		**502,021**	374,636
Total assets		**574,924**	459,574
Current liabilities			
Trade and other payables	14	**10,409**	8,559
Borrowings	15	**283**	267
Retirement village resident loans	16	**190,122**	175,703
Provisions	17	**718**	507
Derivatives	18	**84**	–
Liabilities of discontinued operations	8(b)	**30,449**	21,528
Total current liabilities		**232,065**	206,564
Non-current liabilities			
Trade and other payables	14	**4,000**	–
Borrowings	15	**98,073**	70,539
Provisions	17	**249**	140
Derivatives	18	**84**	209
Deferred tax liabilities	19	**276**	7,470
Total non-current liabilities		**102,682**	78,358
Total liabilities		**334,747**	284,922
Net assets		**240,177**	174,652
Equity			
Issued securities	20	**569,116**	510,141
Reserves	21	**2,023**	1,074
Accumulated losses	22	**(330,962)**	(336,563)
Total equity		**240,177**	174,652
Attributable to securityholders of:			
Ingenia Communities Holdings Limited			
Issued securities	20	**7,377**	6,078
Reserves	21	**988**	308
Retained earnings/(accumulated losses)	22	**(2,659)**	77
		5,706	6,463
Ingenia Communities Fund		**224,254**	164,953
Ingenia Communities Management Trust		**10,217**	3,236
		240,177	174,652
Net asset value per security (cents)		**35.5**	34.4

Consolidated Cash Flow Statement

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Rental and other property income		**43,274**	29,514
Payment of management fees		**(29)**	(166)
Property and other expenses		**(34,847)**	(26,270)
Proceeds from resident loans	16(b)	**22,021**	19,338
Repayment of resident loans	16(b)	**(10,361)**	(7,118)
Proceeds from sale of manufactured homes		**3,511**	450
Purchase of manufactured homes		**(4,035)**	(275)
Distributions received from formerly equity accounted investments		**301**	2,350
Interest received		**358**	578
Borrowing costs paid		**(5,811)**	(7,085)
Income tax paid		**(142)**	(76)
	33	**14,240**	11,240
Cash flows from investing activities			
Purchase and additions of plant and equipment		**(443)**	(626)
Payments for investment properties		**(113,255)**	(31,023)
Additions to investment properties		**(18,724)**	(16,890)
Proceeds from sale of investment properties		**1,200**	29,322
Proceeds from sale of equity accounted investments		**5,811**	37,560
Amounts received from/(advanced to) villages		**72**	(330)
Payments for lease arrangements		**(745)**	(699)
		(126,084)	17,314
Cash flows from financing activities			
Proceeds from issue of stapled securities		**61,707**	21,168
Payments for security issue costs		**(2,771)**	(1,056)
Receipts from derivatives		**–**	1,650
Payments for derivatives		**–**	(150)
Finance lease payments		**(81)**	(13)
Payments for internalisation		**–**	(600)
Distributions to securityholders		**(5,885)**	(4,235)
Payments for debt issue costs		**(216)**	(587)
Proceeds from borrowings		**104,258**	16,261
Repayment of borrowings		**(68,000)**	(56,242)
		89,012	(23,804)
Net increase/(decrease) in cash and cash equivalents		**(22,832)**	4,750
Cash and cash equivalents at the beginning of the year		**37,550**	32,812
Effects of exchange rate fluctuation on cash held		**(167)**	(12)
Cash and cash equivalents at the end of the year	9	**14,551**	37,550

Statement of Changes in Equity

for the year ended 30 June 2014

		ATTRIBUTABLE TO SECURITYHOLDERS					
		INGENIA COMMUNITIES HOLDINGS LIMITED					
	Note	**Issued capital $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**ICF and ICMT $'000**	**Total equity $'000**
Carrying amount at 1 July 2012		**6,000**	**15**	**1,808**	**7,823**	**143,349**	**151,172**
Net loss for the year		–	–	(1,245)	(1,245)	(9,045)	(10,290)
Other comprehensive income		–	–	(486)	(486)	18,276	17,790
Total comprehensive income for the year		**–**	**–**	**(1,731)**	**(1,731)**	**9,231**	**7,500**
Transactions with securityholders in their capacity as securityholders:							
Issue of securities	20	78	–	–	78	20,019	20,097
Share-based payment transactions	21	–	293	–	293	–	293
Payment of distributions to securityholders	22	–	–	–	–	(4,410)	(4,410)
Carrying amount at 30 June 2013		**6,078**	**308**	**77**	**6,463**	**168,189**	**174,652**
Net profit/(loss) for the year		–	–	(2,736)	(2,736)	14,254	11,518
Other comprehensive income		–	–	–	–	269	269
Total comprehensive income for the year		**–**	**–**	**(2,736)**	**(2,736)**	**14,523**	**11,787**
Transactions with securityholders in their capacity as securityholders:							
Issue of securities	20	1,299	–	–	1,299	57,676	58,975
Share-based payment transactions	21	–	680	–	680	–	680
Payment of distributions to securityholders	22	–	–	–	–	(5,917)	(5,917)
Carrying amount at 30 June 2014		**7,377**	**988**	**(2,659)**	**5,706**	**234,471**	**240,177**

Notes to the Financial Statements

for the year ended 30 June 2014

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 securityholders 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 2014 was authorised for issue by the directors on 19 September 2014.

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 ("AASBs") and the *Corporations Act 2001*.

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

As permitted by Class Order 05/642, 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.

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

At 30 June 2014, the Group recorded a net current asset deficiency of $159,162,000. This deficiency includes retirement village resident loans of $190,122,000 and liabilities from discontinued operations of $30,449,000. Resident loans obligations of the Group are classified as current liabilities due to the demand feature of these obligations despite the unlikely possibility that the majority of the loans will be settled within the next twelve months. Furthermore, if required, the proceeds from new resident loans could be used by the Group to settle its existing loan obligations should those incumbent residents vacate their units. The liabilities of the discontinued operations consist mainly of borrowings of $30,081,000 related to a facility with the Bank of New Zealand and will be repaid upon disposal of the corresponding assets. Accordingly, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and the financial report of the Group has been prepared on a going concern basis.

c. Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current period. The following standards were most relevant to the Group:

- AASB 10 "Consolidated Financial Statements" and AASB 2011-7 "Amendments to Australian Accounting Standards arising from consolidation and Joint Arrangements standards";
- AASB 13 "Fair Value Measurement" and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13";
- AASB 119 "Employee Benefits" (2011) and AASB 2011-10 "Amendments to Australian Accounting Standards arising from AASB 119 (2011)";
- AASB 2012-2 "Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Financial Liabilities"; and
- AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impact of application of each Standard is as follows:

Accounting Standard	Impact on the Group
AASB 10 and AASB 2011-7	AASB 10 amends the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three conditions have to be met for an investor to have control. The application of the standard did not have any impact on the Group.
AASB 13 and AASB 2011-8	AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value. The standard is broad in scope and applies to both financial instrument and non-financial instrument items with the exception of a few items like share-based payments and leases, which are covered by other standards. AASB 13 defines fair value as the price that would be received to sell an asset or liability in an orderly transaction in the principal (or the most advantageous) market at the measurement date under current market conditions. Valuations made are categorised into three levels based on the inputs used. However, regardless of the valuation methodology applied, fair value represents the exit price in relation to the asset or liability. The standard applies prospectively from 1 January 2013. The Group has applied requirements of the Standard in all its valuations, in particular of investment properties. Additionally, the disclosure requirements of the standard, which include information about assumptions made and the qualitative impact of those assumptions on fair value, have been complied with.
AASB 119 and AASB 2011-10	AASB 119 amends the definition of short-term employee benefits, with the distinction now being based on whether the benefits are expected to be settled within 12 months after reporting date (short-term benefit). Long term employee benefits are required to be measured using the actuarial valuation method. The method involves projecting future cash flows and discounting back to present value. This requirement applies to the annual leave balance for the Group. The application of the standard's requirement for both current and previous periods did not result in amendment to the figures disclosed, as the changes were not material.
AASB 2012-2	The standard provides application and presentation guidance to AASB 132 'Financial Instruments: Presentation' for applying some offsetting criteria. The Group has applied the requirements of the Standard, which necessitates disclosure of information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement or similar arrangement. This has resulted in changes to disclosure principally for retirement village resident loans for the Group.
AASB 2011-4	The standard amends AASB 124 'Related Party Disclosures' to remove individual key management personnel disclosures required by Australian specific paragraphs. The application of the standard did not have any financial impact on the Group, though there have been some changes to disclosures as mandated by the standard.

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. Inter-company balances and transactions including dividends and unrealised gains and losses from intra-group transactions have been eliminated.

Subsidiaries are consolidated from the date on which the parent obtains control. They are de-consolidated 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 aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other expenses.

When the Group acquires a business, it assesses the 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 acquisition date fair value of 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 of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

f. Discontinued Operations and Assets Held for Sale

The Group has classified certain components as discontinued operations. A discontinued operation is a component of the entity that has been disposed of, or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

Components of the entity are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property, which are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale, and the assets of a disposal group classified as held for sale, are presented separately from the other assets on the face of the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the face of the balance sheet.

Details of discontinued operations and assets held for sale are given at Note 8.

g. Dividends and Distributions

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

h. Foreign Currency

i. Functional and presentation currencies

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

ii. 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 income statement 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 income statement.

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.

iii. Translation of financial statements of foreign subsidiaries

The functional currency of certain subsidiaries is not the Australian dollar. At reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date. Financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Leases

Finance leases, which 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 to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Finance leases, which 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 to achieve a constant rate of interest on the remaining balance of the receivable. Interest is recognised as income in the income statement.

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

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement 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 accumulated impairment losses, if any. 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 are required to be replaced 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, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

k. Financial Assets and Liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as fair value through profit or loss; loans and receivables; held-to-maturity investments or as available-for-sale. 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. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of any other financial assets and liabilities classified as at fair value through profit or loss are recorded in the income statement.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the 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 instrument that is substantially the same; discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible 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 changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 and in hand and short-term deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

n. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

o. Inventories

The Group holds inventory in relation to the acquisition and development of manufactured homes within its Active Lifestyle Estates segment.

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

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

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date in which the derivative contract is entered into 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 and tourism cabins.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise, including 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 the measurement date in the principal market for the asset or liability or in its absence, the most advantageous market.

It is the Group's policy to have all investment properties externally valued at intervals of not more than two years and that such valuation be reflected in the financial reports of the Group. It is the policy of the Responsible Entity to review the fair value of each investment property every six months and to cause investment properties to be revalued to fair values whenever their carrying value materially differs to their fair values.

Changes in the fair value of the an investment property are recorded in the statement of comprehensive income.

In determining fair values, expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable.

r. Intangible Assets

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, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets have been assessed as finite. Consequently, intangible assets are amortised on a straight-line basis over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation expense is recognised in the income statement in the expense category consistent with the function of the intangible assets.

s. 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 that are unpaid and are recognised when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

t. Provisions, including Employee Benefits

i. 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 of the obligation. 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 profit or loss net of any reimbursement.

ii. 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.

iii. Long service leave

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Retirement Village Resident Loans

These loans, which are repayable on the departure of the resident, are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. 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, 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, because the Group's contracts with residents require net settlement of those obligations.

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

v. Borrowings

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

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

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

w. Issued Equity

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

x. Revenue

Revenue from rents, interest and distributions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rentals are recognised as income in the financial year that they are earned. 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 to be earned 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 manufactured homes within the Active Lifestyle Estate segment is recognised when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

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

Interest income is recognised as the interest accrues using the effective interest rate method.

y. Share-Based Payment Transactions

Certain senior executives of the Group 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 in which 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 income statement 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 for which 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 terms had not been modified, 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, and 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 award 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

i. Current income tax

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

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

Current tax assets and liabilities for the current period 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 tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The subsidiaries that hold the Group's 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, securityholders may be entitled to receive a foreign tax credit for this withholding tax.

ii. Deferred income tax

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

iii. Tax Consolidation

Each of the Company and ICMT and their respective subsidiaries have formed a tax consolidation group with the Company or ICMT being the head entity. The head entity and the 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, 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 of 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. Fair Value Measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27.

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 the 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 that market participants would 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 highest and best use or by selling it to another market participant that would use the asset in its highest and 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.

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 re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

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 monthly basis management presents valuation results to the Audit and Risk Committee and the Group's auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has 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 as explained above.

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb. 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.

cc. Earnings per Share ("EPS")

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

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

dd. Pending Accounting Standards

AASB 9 Financial Instruments is applicable to reporting periods beginning on or after 1 January 2018. The Group has not early adopted this standard. This standard provides requirements for the classification and measurement of financial assets and accounting for financial liabilities. These requirements seek to improve and simplify the requirements listed in AASB 139 *Financial Instruments: Recognition and Measurement*. The Group is currently evaluating the impact of this standard.

AASB 2012-3 Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities is applicable for annual financial periods beginning on or after 1 January 2014. The standard makes amendments to AASB 132 *Financial Instruments-Presentation* as a result of the issuance of International Financial Reporting Standard *Offsetting Financial Assets and Financial Liabilities* and provides application guidance to certain criteria mentioned in AASB 132. The application of the Standard does not have any impact on the results of the Group as retirement village resident loans are already offset as there is a current legally enforceable right and there is an intention to settle on a net basis.

AASB 2014-1 *Amendments to Australian Accounting Standards* is applicable for periods beginning on or after 1 July 2014. This standard clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is an acquisition of a group of assets or a business combination within the scope of AASB 3 *Business Combinations* that includes an investment property. The Group currently makes an assessment about this classification for each investment property acquired, therefore no impact is expected from this change except for additional disclosures regarding judgements and estimates.

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

ee. 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.

All other assets are classified as non-current.

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.

The Group classifies all other liabilities as non-current.

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

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed 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, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Valuation of investment property

The Group has investment properties with a carrying amount of $498,863,000 (2013: $370,931,000) (refer Note 12), and retirement village residents' loans with a carrying amount of $190,122,000 (2013: $175,703,000) (refer Note 16), which together represent the estimated fair value of the Group's interest in seniors living properties. In addition, the Group holds investment properties with carrying amounts of $45,902,000 (2013: $35,343,000) which are included in assets of discontinued operations (refer Note 8(b)).

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

In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and 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 manufactured homes, 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 the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. Key assumptions require the use of management judgement, which 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 Group relies on counterparty valuations for derivative values. The counterparty valuations are usually based on mid-market rates and calculated using the main variables including the forward market curve, time and volatility.

iv. Valuation of share-based payments

Valuation of share-based payment transactions is performed using judgements around the fair value of equity instruments on the date at which they are granted. The fair value is determined using a Monte Carlo based simulation method. Refer to Note 25 for assumptions used in determining the fair value.

v. Valuation of assets acquired in business combinations

Upon recognising the acquisition, management uses estimations and assumptions of the fair value of assets and liabilities assumed at the date of acquisition, including judgements related to valuation of investment property as discussed above.

vi. Valuation of retirement village resident loans

The fair value of the retirement village resident loans is calculated by reference to the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less any deferred management fee income accrued to date by the Group as operator. The key assumption for calculating the 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.

vii. Calculation of deferred management fee ("DMF")

Deferred management fees are recognised by the Group over the estimated period of time the property will be leased by the resident and the accrued DMF is realised upon exit of the resident. The accrued 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 2014 | continued

3. SEGMENT INFORMATION

a. Description of Segments

The Group invests in seniors living properties located in Australia with three reportable segments:

- Garden Villages – rental villages;
- Settlers Lifestyle – deferred management fee villages; and
- Active Lifestyle Estates – comprising permanent and short stay rentals within lifestyle parks and the sale of manufactured homes.

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 in determining the allocation of resources. Other parts of the Group are neither an operating segment nor part of an operating segment. Assets that do not belong to an operating segment are described below as "unallocated".

b. 30 June 2014

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	13,589	10,575	24,571	–	**48,735**
Interest income	–	–	–	369	**369**
Reclassification of gain on revaluation of newly constructed villages	–	(3,320)	–	–	**(3,320)**
Total revenue	**13,589**	**7,255**	**24,571**	**369**	**45,784**
ii. Segment underlying profit					
External segment revenue	13,589	10,575	24,571	–	**48,735**
Interest income	–	–	–	369	**369**
Property expenses	(2,640)	(1,900)	(6,798)	(275)	**(11,613)**
Employee expenses	(4,096)	(2,173)	(6,365)	(2,707)	**(15,341)**
Administration expenses	(384)	(226)	(996)	(2,765)	**(4,371)**
Operational, marketing and selling expenses	(421)	(1,801)	(512)	(402)	**(3,136)**
Manufactured home cost of sales	(2,130)	–	–	–	**(2,130)**
Finance expense	–	–	–	(4,446)	**(4,446)**
Income tax benefit	–	–	–	2,896	**2,896**
Underlying profit/(loss) – continuing operations	**3,918**	**4,475**	**9,900**	**(7,330)**	**10,963**
Reconciliation of underlying profit to profit from continuing operations:					
Net foreign exchange loss	–	–	–	(147)	**(147)**
Net gain/(loss) on change in fair value of:					
Investment properties	(2,124)	(599)	2,382	–	**(341)**
Derivatives	–	–	–	41	**41**
Retirement village resident loans	–	(616)	–	–	**(616)**
Gain on revaluation of newly constructed villages	–	(3,320)	–	–	**(3,320)**
Income tax benefit associated with reconciliation items	–	–	–	4,368	**4,368**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**1,794**	**(60)**	**12,282**	**(3,068)**	**10,948**
iii. Segment assets					
Segment assets	130,243	262,498	115,293	13,794	**521,828**
Assets held for sale					**5,439**
Discontinued operations					**47,657**
Total assets					**574,924**

c. 30 June 2013

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	879	11,443	20,327	–	**32,649**
Interest income	–	–	–	563	**563**
Reclassification of gain on revaluation of newly constructed villages	–	(4,619)	–	–	**(4,619)**
Total revenue	**879**	**6,824**	**20,327**	**563**	**28,593**
ii. Segment underlying profit					
External segment revenue	879	11,443	20,327	–	**32,649**
Interest income	–	–	–	563	**563**
Property expenses	(37)	(2,390)	(5,312)	89	**(7,650)**
Employee expenses	(59)	(2,045)	(5,349)	(2,786)	**(10,239)**
Administration expenses	(51)	(218)	(991)	(1,912)	**(3,172)**
Operational, marketing and selling expenses	(80)	(1,125)	(984)	(169)	**(2,358)**
Manufactured home cost of sales	(297)	–	–	–	**(297)**
Finance expense	–	–	–	(6,112)	**(6,112)**
Income tax expense	–	–	–	(43)	**(43)**
Underlying profit/(loss) – continuing operations	**355**	**5,665**	**7,691**	**(10,370)**	**3,341**
Reconciliation of underlying profit to profit from continuing operations:					
Net foreign exchange gain	–	–	–	37	**37**
Net loss on disposal of investment property	–	–	(107)	–	**(107)**
Net gain/(loss) on change in fair value of:					
Investment properties	(15)	(1,512)	4,984	–	**3,457**
Derivatives	–	–	–	752	**752**
Retirement village resident loans	–	327	–	–	**327**
Gain on revaluation of newly constructed villages	–	(4,619)	–	–	**(4,619)**
Amortisation of intangibles	–	–	–	(585)	**(585)**
Other	–	–	–	(185)	**(185)**
Income tax benefit associated with reconciliation items	–	–	–	410	**410**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**340**	**(139)**	**12,568**	**(9,941)**	**2,828**
iii. Segment assets					
Segment assets	18,559	255,006	101,108	48,325	**422,998**
Discontinued operations					**36,576**
Total assets					**459,574**

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

4. EARNINGS PER SECURITY[1]

	Note	2014	2013
a. Per Security			
Profit/(loss) attributable to securityholders ($'000)		**11,518**	(10,290)
Profit from continuing operations ($'000)		**10,948**	2,828
Profit/(loss) from discontinued operations ($'000)		**570**	(13,118)
Weighted average number of securities outstanding (thousands):			
Issued securities		**646,603**	509,716
Dilutive securities			
Performance quantum rights		**2,310**	3,842
Retention quantum rights	25	**1,818**	1,818
Weighted average number of issued and dilutive potential securities outstanding (thousands)		**650,731**	515,376
Basic earnings per security from continuing operations (cents)		**1.7**	0.6
Basic earnings per security from discontinued operations (cents)		**0.1**	(2.6)
Basic earnings per security (cents)		**1.8**	(2.0)
Dilutive earnings per security from continuing operations (cents)		**1.7**	0.5
Dilutive earnings per security from discontinued operations (cents)		**0.1**	(2.5)
Dilutive earnings per security (cents)		**1.8**	(2.0)
b. Per Security Attributable to Parent			
Loss attributable to securityholders ($'000)		**(2,734)**	(1,245)
Weighted average number of securities outstanding (thousands):			
Issued securities		**646,603**	509,716
Dilutive securities			
Performance quantum rights		**2,310**	3,842
Retention quantum rights	25	**1,818**	1,818
Weighted average number of issued and dilutive potential securities outstanding (thousands)		**650,731**	515,376
Basic earnings per security (cents)		**(0.4)**	(0.2)
Dilutive earnings per security (cents)		**(0.4)**	(0.2)

(1) Prior year weighted average number of securities and EPS have been adjusted in accordance with AASB 133 "Earnings per Share ("AASB 133"). The weighted average number of securities on issue for the current year, prior to the rights issue in September 2013, has also been adjusted as required by AASB 133.

5. REVENUE

	2014 $'000	2013 $'000
a. Rental Income		
Residential rental income – Garden Villages	**21,032**	17,432
Residential rental income – Settlers Lifestyle	**1,025**	1,362
Residential rental income – Active Lifestyle Estates	**4,231**	437
Short-term rental income – Active Lifestyle Estates	**5,355**	56
Total rental income	**31,643**	19,287
b. Other Property Income		
Government incentives	**219**	127
Commissions and administrative fees	**239**	426
Linen fees	**170**	138
Land transfer duty refund	**622**	–
Sundry income	**263**	181
Utility recoveries	**306**	–
Total other property income	**1,819**	872

6. FINANCE EXPENSE

	2014 $'000	2013 $'000
Interest paid or payable	**4,189**	6,076
Finance lease interest paid or payable [1]	**257**	36
Total finance expense	**4,446**	6,112

(1) Finance lease interest relates to a long term lease with Gosford City Council for the land and facilities of Ettalong Holiday Village and long term Crown leases in relation to One Mile Beach Holiday Park. Refer to Note 15(b).

7. INCOME TAX BENEFIT

	2014 $'000	2013 $'000
a. Income Tax Benefit		
Current tax	**84**	(84)
Decrease in deferred tax liabilities	**7,180**	451
Income tax benefit	**7,264**	367
b. Reconciliation between Tax Expense and Pre-Tax Profit		
Profit before income tax	**3,684**	2,461
Less amounts not subject to Australian income tax	**(14,741)**	(7,365)
	(11,057)	(4,904)
Income tax at the Australian tax rate of 30% (2013: 30%)	**3,317**	1,471
ICMT tax consolidation impact	**2,823**	–
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Prior period income tax return true-ups	**613**	(52)
Movements in carrying value and tax cost base of investment properties	**1,163**	(80)
Movements in carrying value and tax cost base of DMF receivables	**(1,232)**	(907)
Other timing differences	**580**	289
Non-recognition of Australian tax losses	**–**	(354)
Income tax benefit	**7,264**	367

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

7. INCOME TAX BENEFIT (CONTINUED)

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. In addition, unrecognised losses incurred by entities within the ICMT tax consolidated group are now available for utilisation by the ICMT tax consolidated group resulting in an additional income tax benefit being recorded.

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

a. Assets Held for Sale

i. Details of assets held for sale

Prior to 30 June 2014, the Group entered into discussions with a third party regarding the sale of Noyea Riverside Village ("Noyea"). Noyea was included within the Settlers Lifestyle segment. Settlement on the sale of Settlers Lifestyle Noyea was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

ii. Assets held for sale

The following is the breakdown of the assets held for sale at Noyea:

	Note	2014 $'000
Investment property	12(b)	–
Deferred management fee receivable	16(b)	5,439
		5,439

b. Discontinued Operations

i. Details of discontinued operations

The Group's investment in the New Zealand Students business has been classified as a discontinued operation since 30 June 2011, which is consistent with the previously announced strategy to focus on transitioning to an actively managed Australian seniors living business. The Group holds a 100% interest in three facilities in Wellington, New Zealand that are primarily leased for 15 years to Victoria University of Wellington and Wellington Institute of Technology.

The Group has completed a sales campaign and terms have been agreed with a global real estate investment firm. Following divestment of these operations the proceeds will be reinvested into its Australian lifestyle parks business.

The comparative figures include results from certain properties held is the United States, which had been classified as discontinued operations since November 2009. The Group completely exited US operations in February 2013 with some funds remaining in escrow. During the current year, the Group received US$6.8 million of escrows and based on an assessment of remaining amounts due an additional gain of $0.3 million has been booked.

ii. Financial performance

The financial performance of components of the Group disposed of or classified as discontinued operations was:

	2014 $'000	2013 $'000
Revenue	**3,210**	5,295
Net loss on change in fair value of Investment properties	**(1,630)**	(2,783)
Unrealised net foreign exchange gain/(loss)	**1,557**	(718)
Other income	**–**	31
Expenses	**(2,864)**	(4,746)
Distributions from formerly equity accounted investments	**274**	2,350
Disposal costs associated with overseas investments	**(290)**	(672)
Profit/(loss) from operating activities before income tax	**257**	(1,243)
Income tax expense	**(14)**	(1,002)
Profit/(loss) from operating activities	**243**	(2,245)
Gain on sale of discontinued operations	**327**	6,590
Release of foreign currency translation reserve on disposal of foreign operations	**–**	(17,463)
Profit/(loss) from discontinued operations for the year	**570**	(13,118)

Profit/(loss) from discontinued operations attributable to the Company for periods ending 30 June 2014 and 30 June 2013 is $nil.

iii. Cash flows

The cash flows of components of the Group disposed of or classified as discontinued operations were:

	2014 $'000	2013 $'000
Net cash flow from operating activities	**1,135**	1,156
Net cash flows from investing activities:		
(Payments)/proceeds on sale of discontinued operations	**(120)**	64,349
Additions to investment properties	**(9,081)**	(13,665)
Payments for lease arrangements	**(745)**	–
Net cash flow from financing activities	**11,449**	(26,285)
Transfer to continuing operations	**–**	(29,786)
Net cash flows from discontinued operations	**2,638**	(4,231)

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONTINUED)

iv. Assets and liabilities

The assets and liabilities of components of the Group classified as disposal groups at each reporting date were:

	Note	2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	9	**1,657**	974
Trade and other receivables		**98**	259
Investment properties		**45,902**	35,343
Total assets		**47,657**	36,576
Liabilities			
Bank overdraft		**–**	1,955
Payables		**368**	2,051
Borrowings		**30,081**	17,522
Total liabilities		**30,449**	21,528
Net assets of disposal groups		**17,208**	15,048

The change in investment properties increased for the year due to capitalised expenditure of $7.8 million, lease incentive payments of $0.4 million and foreign exchange gain of $4.0 million offset by a fair value loss of $1.6 million.

v. Capital commitments

There were no capital commitments under construction contracts for the New Zealand Students business for the year ended 30 June 2014 (2013: A$9,208,234).

vi. Capitalisation rate

The weighted average capitalisation rate of the New Zealand Students internal valuation within discontinued operations is 8.6% (2013: 7.75%).

9. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and in hand	**12,894**	38,531
Reconciliation to statements of cash flows		
Cash and cash equivalents attributable to:		
Continuing operations – cash at bank	**12,894**	38,531
Discontinued operations – cash at bank	**1,657**	974
Discontinued operations – bank overdraft	**–**	(1,955)
Cash at the end of the year as per cash flow statement	**14,551**	37,550

10. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Other receivables	**291**	278
Prepayments and deposits	**3,454**	8,511
Total current trade and other receivables	**3,745**	8,789
Non-current		
Accrued income, prepayments and deposits	**2,168**	2,671

Rental amounts due are typically paid in advance and other amounts due are receivable within 30 days. There are no receivables which are neither past due nor impaired.

11. INVENTORIES

	2014 $'000	2013 $'000
Current assets		
Manufactured homes	**2,208**	285

12. INVESTMENT PROPERTIES

a. Summary of Carrying Amounts

	2014 $'000	2013 $'000
Completed properties	**495,048**	367,116
Land not yet under construction	**3,815**	3,815
	498,863	370,931

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

12. INVESTMENT PROPERTIES (CONTINUED)

b. Individual Valuations and Carrying Amounts

						CARRYING AMOUNT		CAPITALISATION RATE	
Property	**Location**	**Date of purchase**	**Cost to date $'000**	**Latest external valuation date**	**Valuation $'000**	**2014 $'000**	**2013 $'000**	**2014 %**	**2013 %**
Completed properties									
Garden Villages									
Yakamia Gardens	Yakamia, WA	Jun 04	5,459	Dec 12	2,900	**2,730**	2,500	**10.0%**	7.5%
Mardross Gardens	Albury, NSW	Jun 04	5,610	Jun 14	2,400	**2,400**	2,320	**10.0%**	5.5%(2)
Seville Grove Gardens	Seville Grove, WA	Jun 04	4,559	Dec 12	3,400	**3,390**	3,240	**10.5%**	9.8%
Hertford Gardens	Sebastopol, VIC	Jun 04	4,119	Jun 14	3,770	**3,770**	3,780	**10.8%**	10.5%
Carey Park Gardens	Bunbury, WA	Jun 04	4,944	Dec 12	2,600	**3,520**	2,840	**11.0%**	10.0%
Jefferis Gardens	Bundaberg North, QLD	Jun 04	4,992	Dec 13	2,600	**3,480**	2,720	**11.0%**	10.0%
Claremont Gardens	Claremont, TAS	Jun 04	4,293	Dec 13	3,320	**3,230**	2,900	**10.5%**	9.5%
Taloumbi Gardens	Coffs Harbour, NSW	Jun 04	5,072	Dec 12	4,200	**4,170**	4,020	**10.5%**	10.3%
Devonport Gardens	Devonport, TAS	Jun 04	4,028	Dec 12	2,500	**2,100**	2,120	**9.0%**	5.3%(2)
Wheelers Gardens	Dubbo, NSW	Jun 04	4,362	Dec 13	3,800	**4,300**	3,950	**10.0%**	10.5%
Elphinwood Gardens	Launceston, TAS	Jun 04	4,464	Dec 12	2,750	**2,910**	2,740	**10.5%**	10.0%
Glenorchy Gardens	Glenorchy, TAS	Jun 05	4,164	Dec 13	3,250	**3,370**	3,010	**10.5%**	10.0%
Chatsbury Gardens	Goulburn, NSW	Jun 04	4,828	Dec 13	2,940	**3,430**	3,340	**10.5%**	10.0%
Grovedale Gardens	Grovedale, VIC	Jun 05	4,960	Dec 12	3,600	**4,010**	4,090	**10.5%**	10.5%
Horsham Gardens	Horsham, VIC	Jun 04	4,467	Jun 14	3,300	**3,300**	3,170	**10.8%**	10.0%
Sea Scape Gardens	Erskine, WA	Jun 04	4,577	Dec 12	4,200	**4,170**	4,180	**11.0%**	10.3%
Marsden Gardens	Marsden, QLD	Jun 05	10,375	Dec 12	8,150	**8,380**	7,900	**12.5%**	10.5%
Coburns Gardens	Brookfield, VIC	Jun 04	4,355	Dec 12	3,000	**3,290**	3,260	**10.5%**	9.5%
Brooklyn Gardens	Brookfield, VIC	Jun 04	4,186	Dec 12	2,400	**3,270**	2,790	**10.5%**	9.5%
Oxley Gardens	Port Macquarie, NSW	Jun 04	4,416	Dec 12	2,600	**3,120**	2,320	**10.5%**	10.0%
Townsend Gardens	St Albans Park, VIC	Jun 04	4,811	Jun 14	3,800	**3,800**	3,390	**11.0%**	9.8%
St Albans Park Gardens	St Albans Park, VIC	Jun 04	5,099	Jun 14	4,140	**4,140**	4,030	**11.0%**	10.5%
Swan View Gardens	Swan View, WA	Jan 06	7,888	Dec 12	5,650	**5,990**	5,780	**11.5%**	10.3%
Taree Gardens	Taree, NSW	Dec 04	4,635	Dec 12	2,400	**2,320**	2,950	**9.0%**	10.0%
Dubbo Gardens	Dubbo, NSW	Dec 12	2,700	Dec 13	3,290	**2,670**	2,652	**10.3%**	5.3%(2)
Ocean Grove Gardens	Mandurah, WA	Feb 13	3,161	Dec 13	3,280	**3,100**	3,015	**10.8%**	11.0%
Peel River Gardens	Tamworth, NSW	Mar 13	3,642	Dec 13	2,970	**2,040**	3,464	**9.0%**	7.3%(2)
Sovereign Gardens	Ballarat, VIC	Jun 13	3,321	Jun 14	3,100	**3,100**	3,265	**10.5%**	5.3%(2)
Wagga Gardens	Wagga Wagga, NSW	Jun 13	4,010	Jun 14	3,930	**3,930**	3,953	**12.0%**	11.8%
Bathurst Gardens	Bathurst, NSW	Jan 14	2,405	Jun 14	2,580	**2,580**	–	**9.0%**	–
Launceston Gardens	Launceston, TAS	Jan 14	2,462	Jun 14	2,510	**2,510**	–	**9.0%**	–
Shepparton Gardens	Shepparton, VIC	Jan 14	1,668	Jun 14	1,780	**1,780**	–	**8.0%**	–
Murray River Gardens	Mildura, VIC	Jan 14	2,316	Jun 14	2,170	**2,170**	–	**7.5%**	–
Warrnambool Gardens	Warrnambool, VIC	Jan 14	1,933	Jun 14	1,800	**1,800**	–	**8.0%**	–
			148,281			**114,270**	**99,689**		

Property	Location	Date of purchase	Cost to date $'000	Latest external valuation date	Valuation $'000	CARRYING AMOUNT 2014 $'000	CARRYING AMOUNT 2013 $'000	DISCOUNT RATE 2014 %	DISCOUNT RATE 2013 %
Settlers Lifestyle									
Forest Lake	Forest Lake, QLD	Nov 05	14,324	Jun 13	12,662	**14,194**	12,663	**16.7%**	15.0%
South Gladstone	South Gladstone, QLD	Nov 05	8,212	Jun 13	12,093	**12,534**	12,093	**15.0%**	15.0%
Rockhampton	Rockhampton, QLD	Nov 05	10,785	Dec 13	13,900	**14,314**	13,768	**17.9%**	14.7%
Cessnock	Cessnock, NSW	Jun 04	7,476	Dec 12	3,190	**6,009**	4,871	**19.0%**	16.1%
Lakeside	Ravenswood, WA	Apr 07	71,167	Dec 12	77,584	**77,242**	78,673	**14.2%**	13.5%
Noyea Riverside	Mt Warren Park, QLD	Apr 07	2,521	Dec 12	549	**–[3]**	324	**13.8%**	14.5%
Meadow Springs	Mandurah, WA	Apr 07	18,430	Jun 13	17,066	**16,510**	17,066	**14.0%**	14.5%
Ridgewood	Ridgewood, WA	Apr 07	85,378	Jun 13	105,104	**103,552**	105,104	**14.3%**	13.5%
Ridge Estate	Gillieston Heights, NSW	Jul 12	10,174	–	–	**11,765**	5,471	**20.0%**	15.0%
			228,467			**256,120**	**250,033**		
Active Lifestyle Estates								CAPITALISATION RATE	
The Grange	Morisset, NSW	Mar 13	12,895	Dec 13	12,129	**11,848**	12,293	**9.1%**	–[5]
Ettalong Beach Holiday Village[1]	Ettalong Beach, NSW	Apr 13	5,581	Dec 13	5,850	**5,811**	5,101	**21.0%**	–[5]
Albury Citygate Caravan and Tourist Park	Albury, NSW	Aug 13	2,697	Jun 14	2,000	**2,000**	–	**10.5%**	–
Nepean River Holiday Village	Penrith, NSW	Aug 13	10,932	Jun 14	11,000	**11,000**	–	**10.4%**	–
Mudgee Valley Tourist Park	Mudgee, NSW	Sep 13	4,519	Jun 14	4,250	**4,250**	–	**10.5%**	–
Mudgee Tourist and Van Resort	Mudgee, NSW	Oct 13	7,911	Jun 14	7,200	**7,200**	–	**8.8%**	–
Drifters Holiday Village	Kingscliff, NSW	Nov 13	11,511	–	–	**11,511**	–	**–[5]**	–
Lake Macquarie Holiday Village	Morisset, NSW	Nov 13	7,683	–	–	**7,683**	–	**–[5]**	–
Macquarie Lakeside Holiday Village	Chain Valley Bay, NSW	Dec 13	4,045	–	–	**4,045**	–	**–[5]**	–
One Mile Beach Holiday Park[4]	Anna Bay, NSW	Dec 13	11,975	–	–	**13,349**	–	**–[5]**	–
Big4 Valley Vineyard Tourist Park	Cessnock, NSW	Feb 14	9,782	–	–	**9,782**	–	**–[5]**	–
Wine Country Caravan Park	Cessnock, NSW	Feb 14	1,665	–	–	**1,665**	–	**–[5]**	–
Sun Country Holiday Village	Mulwala, NSW	Apr 14	7,708	–	–	**7,708**	–	**–[5]**	–
Town and Country Estate	Marsden Park, NSW	May 14	19,444	–	–	**19,444**	–	**–[5]**	–
Rouse Hill Lifestyle Residential Park	Rouse Hill, NSW	Jun 14	7,362	–	–	**7,362**	–	**–[5]**	–
			125,710			**124,658**	**17,394**		
Total completed properties			**502,458**			**495,048**	**367,116**		

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES (CONTINUED)

Property	Location	Date of purchase	Cost to date $'000	Latest external valuation date	Valuation $'000	CARRYING AMOUNT 2014 $'000	CARRYING AMOUNT 2013 $'000
Land not yet under construction							
Settlers							
South Gladstone Gardens – land	South Gladstone, QLD	Nov 05	199	Jun 13	750	**750**	750
Meadow Springs	Mandurah, WA	Apr 07	2,470	Jun 13	2,455	**2,455**	2,455
Active Lifestyle Estates							
The Grange	Morisset, NSW	Mar 13	300	–	–	**300**	300
Ettalong Beach Holiday Village (1)	Ettalong Beach, NSW	Apr 13	310	–	–	**310**	310
Land not yet under construction			**3,279**			**3,815**	3,815
Total Investment Properties			**505,737**			**498,863**	370,931

(1) Ettalong Beach Holiday Village land component is leased from the Gosford City Council and is recognised as investment property with an associated finance lease.

(2) The replacement value exceeds the value implied by the capitalisation rate valuation approach resulting in implied capitalisation rates below market.

(3) Noyea Park was classified as held for sale at 30 June 2014. Refer to Note 8(a) for additional information.

(4) One Mile Beach land component is leased from the Crown under 40 year and perpetual leases and is recognised as investment property with an associated finance lease.

(5) Acquired during the year and carried at cost at balance date. Cost to date is deemed to represent fair value at the end of the year.

Investment property that has not been valued by external valuers at reporting date is carried at the Responsible Entity's estimate of fair value in accordance with the accounting policy detailed at Note 1(q). Properties acquired during the year are held at cost, which is reflective of the estimate of fair value.

Valuations made in a foreign currency have been converted at the rate of exchange ruling at valuation date which are subsequently translated at exchange rates prevailing at reporting date.

Valuations of retirement villages are provided net of residents' loans (after deducting any accrued deferred management fees). For presentation in this note, the external valuations shown are stated before deducting this liability to reflect its separate balance sheet presentation. The carrying amounts include the fair value of units completed since the date of the external valuation.

Select Settlers Lifestyle villages continue to be in the process of converting from a rental to a deferred management fee model. The discount rate reflects a combination of development risk on vacant units and DMF from both occupied and vacant units. Over time, these properties' discount rates will likely revert downwards as project risk diminishes.

c. Movements in Carrying Amounts

	2014 $'000	2013 $'000
Carrying amount at beginning of year	**370,931**	327,632
Acquisitions	**118,303**	39,313
Expenditure capitalised	**10,336**	4,076
Disposals	**–**	(3,140)
Sale of units – Strata title	**(492)**	–
Transferred from plant and equipment	**320**	–
Transfer to inventory	**(194)**	(195)
Transferred to discontinued operations	**–**	(212)
Net gain/(loss) on change in fair value	**(341)**	3,457
Carrying amount at end of year	**498,863**	370,931

The net change in fair value are recognised in profit or loss as net gain/(loss) on change in fair value of investment properties.

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

d. Reconciliation of Fair Value

	Garden Villages $'000	Settlers Lifestyle $'000	Active Lifestyle Estates $'000	Total $'000
Carrying amount at 1 July 2013	99,689	253,238	18,004	**370,931**
Acquisitions	10,617	–	107,686	**118,303**
Expenditure capitalised	1,588	7,182	1,566	**10,336**
Sale of units – Strata title	–	(492)	–	**(492)**
Transferred from plant and equipment	–	–	320	**320**
Transferred to inventory	–	–	(194)	**(194)**
Net gain/(loss) on change in fair value	2,376	(603)	(2,114)	**(341)**
Carrying amount at 30 June 2014	**114,270**	**259,325**	**125,268**	**498,863**

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable input to fair value
Garden Villages	Capitalisation method	Stabilised occupancy	62-98% (87%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
		Capitalisation rate	8-13% (11%)	Capitalisation has an inverse relationship to valuation.
Settlers Lifestyle	Discounted cash flow	Current market value per unit	$115,000-$470,000 ($307,000)	Market value and growth in value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Growth in value	0-4%	
		Average length of stay – future residents	11.4 years	
		Average length of stay – current residents	14.6 years	
		Discount rate	14-20% (15%)	
Active Lifestyle Estates	Capitalisation method (for existing rental streams)	Short-term occupancy	15-70% based on seasonality and accommodation categories	Higher the occupancy, the greater the value.
		Residential occupancy	90-100%	
		Operating profit margin	50-70% dependent upon short-term and residential accommodation mix	Higher the profit margin, the greater the value.
		Capitalisation rate	9-12%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for future development)	Discount rate	15-25%	Discount rate has an inverse relationship to valuation.

Notes to the Financial Statements

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12. 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 into perpetuity and applying a capitalisation rate. 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 growth 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.

13. PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
a. Summary of Carrying Amounts		
Plant and equipment	**1,880**	1,774
Less: accumulated depreciation	**(890)**	(740)
Total plant and equipment	**990**	1,034
b. Movements in Carrying Amount		
Carrying amount at beginning of year	**1,034**	769
Acquired through acquisitions	**–**	320
Assets written off	**(82)**	–
Transferred to investment property	**(320)**	(173)
Additions	**569**	296
Depreciation	**(211)**	(178)
Carrying amount at end of year	**990**	1,034

14. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current liabilities		
Trade and other payables	**8,814**	8,175
Deposits and other unearned income	**1,595**	384
Total current liabilities	**10,409**	8,559
Non-current liabilities		
Deferred land payment	**4,000**	–

15. BORROWINGS

	Note	2014 $'000	2013 $'000
Current liabilities			
Finance leases	(c)	**283**	267
Non-current liabilities			
Bank debt	(a)	**94,000**	68,000
Prepaid borrowing costs		**(312)**	(578)
Finance leases	(c)	**4,385**	3,117
Total non-current borrowings		**98,073**	70,539

a. Bank Debt

On 21 February 2014, the Group refinanced its Australian dollar denominated bank debt facility to $129,500,000. The facility expires on 30 September 2015 and has the following principal financial covenants:

- Loan to value ratio ("LVR") is less than or equal to 50%;
- Total leverage ratio does not exceed 50%; and
- Interest cover ratio (as defined) of at least 1.50x in financial year ending 2014 increasing to at least 1.75x in FY2015.

As at 30 June 2014, the facility has been drawn to $94,000,000 (2013: $68,000,000). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $290,375,000 (2013: $179,320,000).

b. Bank Guarantees

The Group has the ability to utilise a portion of its $129.5 million bank facility to provide bank guarantees. Bank guarantees at 30 June 2014 were $4.4 million. Refer to Note 24.

c. Finance Leases

On 23 April 2013, the Group was assigned a commercial lease with 16.5 years remaining with the Gosford City Council for land and facilities as part of its Ettalong Beach Holiday Village acquisition. The lease is for an initial three years commencing September 2012 with two renewal options of seven years each. The below table is based on the expectation that the lease options will be exercised.

In December 2013, the Group acquired One Mile Beach Holiday Park, accounted for as investment property. Two Crown leases are attached to the land, one for 40 years expiring on 19 September 2031 and one for perpetuity.

i. Minimum lease payments – excluding perpetual lease

	2014 $'000	2013 $'000
Minimum lease payments:		
Within one year	**292**	267
Later than one year but not later than five years	**1,242**	1,135
Later than five years	**3,761**	3,766
Total minimum lease payments	**5,295**	5,168
Future finance charges	**(1,765)**	(1,784)
Present value of minimum lease payments	**3,530**	3,384
Present value of minimum lease payments:		
Within one year	**283**	258
Later than one year but not later than five years	**1,056**	962
Later than five years	**2,191**	2,164
	3,530	3,384

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15. BORROWINGS (CONTINUED)

ii. 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 of 10.6% applied to the current lease payment. Payments each period in relation to the lease are recognised as finance expenses in the statement of comprehensive income, therefore, there is no subsequent change to the originally determined present value of the minimum lease payments as calculated above.

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. Under the terms of the lease, lease payments will continue into perpetuity. The current annual lease payment is $121,000.

16. RETIREMENT VILLAGE RESIDENT LOANS

	2014 $'000	2013 $'000
a. Summary of Carrying Amounts		
Gross resident loans	**218,639**	206,629
Accrued deferred management fee	**(28,517)**	(30,926)
Net resident loans	**190,122**	175,703
b. Movements in Carrying Amounts		
Carrying amount at beginning of year	**175,703**	162,603
Net (gain)/loss on change in fair value of resident loans	**616**	(327)
Accrued deferred management fee income	**(5,333)**	(4,850)
Deferred management fee cash collected	**1,811**	1,368
Acquired resident loans	**–**	4,473
Proceeds from resident loans	**22,021**	19,338
Repayment of resident loans	**(10,361)**	(7,118)
Transfer to assets held for sale	**5,439**	–
Other	**226**	216
Carrying amount at end of year	**190,122**	175,703

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

17. PROVISIONS

	2014 $'000	2013 $'000
Current liabilities		
Employee liabilities	**718**	507
Non-current liabilities		
Employee liabilities	**249**	140

18. DERIVATIVES

	Note	2014 $'000	2013 $'000
Current liabilities			
Interest rate swap contracts	27	**84**	–
Non-current liabilities			
Interest rate swap contracts	27	**84**	209

19. DEFERRED TAX LIABILITIES

	2014 $'000	2013 $'000
Deferred tax assets		
Tax losses	**14,228**	8,317
Other	**1,081**	430
Deferred tax liabilities		
DMF receivable	**8,176**	6,756
Investment properties	**7,409**	9,461
Net deferred tax liabilities	**276**	7,470
Deductible temporary differences and carried forward losses tax effected for which no deferred tax asset has been recognised	**7,488**	4,220

The availability of carried forward tax losses of $7.5 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.

20. ISSUED SECURITIES

	2014 $'000	2013 $'000
a. Carrying Values		
At beginning of year	**510,141**	490,044
Issued during the year:		
Institutional placement securities	**–**	21,168
Transaction costs of institutional placement securities	**–**	(1,071)
Rights issue	**61,707**	–
Rights issue costs	**(2,732)**	–
At end of year	**569,116**	510,141
The closing balance is attributable to the securityholders of:		
Ingenia Communities Holding Limited	**7,377**	6,078
Ingenia Communities Fund	**547,642**	497,957
Ingenia Communities Management Trust	**14,097**	6,106
	569,116	510,141

	2014 Thousands	2013 Thousands
b. Number of Issued Securities		
At beginning of year	**507,179**	441,029
Issued during the year	**169,061**	66,150
At end of year	**676,240**	507,179

c. Terms 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 securityholders.

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

21. RESERVES

	2014 $'000	2013 $'000
Foreign currency translation reserve		
Balance at beginning of year	766	(17,024)
Translation differences arising during the year	269	327
Amounts transferred to profit and loss on disposal of foreign operations	–	17,463
Balance at end of year	1,035	766
Share-based payment reserve		
Balance at beginning of year	308	15
Share-based payment transactions	680	293
Balance at end of year	988	308
Total reserves at end of year	2,023	1,074
The closing balance is attributable to the securityholders of:		
Ingenia Communities Holding Limited	988	308
Ingenia Communities Fund	866	646
Ingenia Communities Management Trust	169	120
	2,023	1,074

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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. Refer Note 25.

22. ACCUMULATED LOSSES

	2014 $'000	2013 $'000
Balance at beginning of year	(336,563)	(321,863)
Net profit/(loss) for the year	11,518	(10,290)
Distributions	(5,917)	(4,410)
Balance at end of year	(330,962)	(336,563)
The closing balance is attributable to the securityholders of:		
Ingenia Communities Holding Limited	(2,659)	77
Ingenia Communities Fund	(324,254)	(333,650)
Ingenia Communities Management Trust	(4,049)	(2,990)
	(330,962)	(336,563)

23. COMMITMENTS

a. Capital Commitments

There were commitments for capital expenditure on investment property contracted but not provided for at reporting date of $3,266,000 (2013: $nil).

For commitments for capital expenditure on discontinued operations, refer to Note 8(b)(v).

b. Operating Lease Commitments

The Group has two non-cancellable operating leases for its Sydney and Brisbane offices. These leases have remaining lives of 1.5 years and five years respectively.

Future minimum rentals payable under these leases as at reporting date were:

	2014 $'000	2013 $'000
Within one year	482	346
Later than one year but not later than five years	1,106	395
	1,588	741

c. Finance Lease Commitments

The Group was assigned a commercial lease with 16.5 years remaining with the Gosford City Council for land and facilities as part of its Ettalong Holiday Village acquisition. The lease is for an initial three years commencing September 2012 with two renewal options of seven years each.

In December 2013, the Group acquired One Mile Beach Holiday Park, accounted for as investment property. Two Crown leases are attached to the land, one for 40 years expiring on 19 September 2031 and one for perpetuity.

Refer to Note 15 for future minimum lease payments payable and the present value of minimum lease payments payable at reporting date for the finance leases at Ettalong Holiday Village and One Mile Beach Holiday Park.

24. CONTINGENT LIABILITIES

There are no known contingent liabilities other than the bank guarantees of $4.4 million provided for under the $129.5 million bank facility (Note 15). Bank guarantees of $4.0 million are in relation to deferred land payments recognised as non-current payables (refer to Note 14). These guarantees will not be called by the counterparty unless the payable is not paid per the terms of the agreement.

Notes to the Financial Statements

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25. SHARE-BASED PAYMENT TRANSACTIONS

The Group has established a long-term incentive scheme ("Scheme"), which provides for the grant of conditional rights to receive securities in the Group. The intention of the Scheme is to align long-term securityholder returns with the 'at-risk' compensation potentially payable to executive level employees and to reward managers who remain in employment and perform at the required levels of performance.

The Scheme encompasses two types of security rights: performance quantum rights ("PQRs") and retention quantum rights ("RQRs"). PQRs vest on completion of a period of service, with the number of rights vesting based on the Group's performance, as measured by total securityholder returns, and RQRs vest on completion of a period of service. On vesting, each right entitles the employee to receive one security of the Group for no consideration.

Movements in rights during the year were:

	2014 Thousands	2013 Thousands
PQRs		
Outstanding at beginning of year	**3,842**	3,842
Granted during the year	**3,716**	–
Outstanding at end of year	**7,558**	3,842
Exerciseable at end of year	**–**	–
Weighted average remaining contractual life of outstanding rights (years)	**1.5**	2.0
RQRs		
Outstanding at beginning of year	**1,818**	1,818
Granted during the year	**–**	–
Outstanding at end of year	**1,818**	1,818
Exerciseable at end of year (1)	**–**	–
Weighted average remaining contractual life of outstanding rights (years)	**–**	0.9

(1) The RQRs vested on 1 July 2014 and 1,818,000 fully paid stapled securities were issued at that time.

On 19 November 2013, 3,716,000 Performance Quantum Rights ("PQR") were granted to senior executives of the Group under the long-term incentive scheme ("Scheme"). The number of PQRs that will vest under the Scheme depends on Total Securityholder Return ("TSR") achieved and is also conditional on the individual being in employment of the Group on the vesting date (30 June 2016). The measurement period for the PQRs is 1 July 2013 to 30 June 2016 and full rights vest if a TSR above 40% is achieved during the measurement period. A sliding scale applies for lower TSRs with the number of PQRs vesting being nil for a TSR below 26%. One PQR equates to one security in the Group.

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

Price of stapled securities at grant date	$0.495
Volatility of security price	30.0%
Distribution yield	3.93%
Risk-free rate at grant date	2.96%
Expected remaining life at grant date	2.6 years
Fair value of each right	$0.325

The fair value of the rights 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 expense recognised for the financial year was $680,600 (2013: $293,113).

26. CAPITAL MANAGEMENT

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

In determining the optimal capital structure, the 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 liquidity risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the Group takes into account the relative security of its income flows, the predictability of its expenses, its debt profile, the degree of hedging and the overall level of debt 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 on gearing levels, 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.

The Group's capital position is primarily monitored through its ratio of total liabilities to total assets ("Leverage Ratio"), calculated on a look-through basis. The Group's medium term strategy is to maintain the Leverage Ratio in the range of 45% - 55%. At 30 June 2014, the Leverage Ratio was 58.2%, compared to 62.0% at 30 June 2013, calculated as follows:

	2014 $'000	2013 $'000
Total look-through liabilities	**334,747**	284,922
Total look-through assets	**574,924**	459,574
Leverage ratio	**58.2%**	62.0%

In addition, the Group monitors the ratio of debt to total assets ("Gearing Ratio"), calculated on a look-through basis. At 30 June 2014, the Gearing Ratio was 30.7%, compared to 20.6% at 30 June 2013, calculated as follows:

	2014 $'000	2013 $'000
Total consolidated borrowings	**128,437**	88,328
Less cash & cash equivalents (including associates)	**(14,551)**	(37,550)
Total look-through debt	**113,886**	50,778
Total consolidated assets	**575,924**	459,574
Less cash & cash equivalents	**(14,551)**	(37,550)
Less retirements village residents loans	**(190,122)**	(175,703)
Total look-through assets	**371,251**	246,321
Gearing ratio	**30.7%**	20.6%

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27. FINANCIAL INSTRUMENTS

a. Introduction

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its treasury 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 forecast not 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 treasury 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 treasury 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 treasury 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 treasury policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

At 30 June 2014, after taking into account the effect of interest rate swaps, approximately 47% of the Group's borrowings are at a fixed rate of interest (2013: 26%).

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

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

		FIXED INTEREST MATURING IN:			
30 June 2014	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Principal amounts $'000					
Financial assets					
Cash at bank	12,894	–	–	–	12,894
Financial liabilities					
Bank debt denominated in AUD	94,000	–	–	–	94,000
Finance leases (excluding perpetual lease)	–	283	1,056	2,191	3,530
Interest rate swaps:					
- denominated in AUD; Group pays fixed rate	(45,000)	45,000	–	–	–

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at the end of the previous financial year was:

		FIXED INTEREST MATURING IN:			
30 June 2013	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Principal amounts $'000					
Financial assets					
Cash at bank	38,531	–	–	–	38,531
Financial liabilities					
Bank debt denominated in AUD	68,000	–	–	–	68,000
Finance leases	–	258	962	2,164	3,384
Interest rate swaps:					
- denominated in AUD; Group pays fixed rate	(45,000)	45,000	–	–	–

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 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 Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on securityholders interest (apart from the effect on profit).

i. Increase in average interest rates of 1%

The effect on net interest expense for one year would have been:

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Variable interest rate instruments denominated in:		
Australian dollars	**(940)**	(680)

The effect on change in fair value of derivatives would have been:

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Interest rate swaps denominated in:		
Australian dollars	**417**	793

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

27. FINANCIAL INSTRUMENTS (CONTINUED)

ii. Decrease in average interest rates of 1%

The effect on net interest expense for one year would have been:

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Variable interest rate instruments denominated in:		
Australian dollars	**940**	680

The effect on change in fair value of derivatives would have been:

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Interest rate swaps denominated in:		
Australian dollars	**(297)**	(810)

e. Foreign Exchange Risk

By holding properties in offshore markets, the Group is exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may reduce the Australian dollar equivalent of the carrying value of the Group's offshore properties, and may result in lower Australian dollar equivalent proceeds when an offshore property is sold. In addition, foreign exchange rate movements may reduce the Australian dollar equivalent of the earnings from the offshore properties while they are owned by the Group.

The Group reduces its exposure to the foreign exchange risk inherent in the carrying value of its offshore properties and interests in offshore investments by partly or wholly funding their acquisition using borrowings denominated in the particular offshore currency, and by using derivatives. The treasury policy sets a target for minimum and maximum hedging of the carrying value of its offshore properties.

The Group's exposure to the impact of exchange rate movements on its earnings from its offshore properties is partly mitigated by the foreign denominated interest expense of its foreign denominated borrowings and any derivative hedges. The Group aims to reduce any residual exposure to its earnings arising because of its investment in offshore markets by using forward exchange contracts. The Treasury Policy sets out targets of minimum and maximum hedging of its earnings from offshore properties over a five-year time horizon.

f. Net Foreign Currency Exposure

The Group's net foreign currency monetary exposure, after taking into account the effect of foreign exchange derivatives, 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 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/(LIABILITY)	
	2014 $'000	**2013 $'000**
Net foreign currency exposure:		
United States dollars	**157**	1,282

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. In these tables, the effect on securityholders interest excludes the effect on profit after tax.

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

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**(16)**	(128)

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

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Foreign exchange risk exposures denominated in:		
United States dollars	**16**	128

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

These tables do not show the effect on equity that would occur from the translation of the financial statements of foreign operations with a change in exchange rates.

h. Foreign Exchange Derivatives Held

Forward exchange contracts, options and foreign exchange swaps outstanding at reporting date are taken out to mitigate the effect of foreign exchange movements on the financial statements.

At balance sheet date, the Group did not hold any foreign exchange derivatives. There was no impact to the consolidated result for the year for the change in fair value for foreign exchange derivatives ended 30 June 2014 (2013: loss $9,000).

i. 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.

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 treasury policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

27. FINANCIAL INSTRUMENTS (CONTINUED)

j. 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 treasury 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 treasury 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 and 15% fall in the exchange rate 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. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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

2014	Less than 1 year $'000	1 to 5 Years $'000	More than 5 years $'000	Total $'000
Trade and other payables	**10,624**	**4,398**	**–**	**15,022**
Retirement village residents loans	**190,122**	**–**	**–**	**190,122**
Borrowings	**4,521**	**99,653**	**–**	**104,174**
Provisions	**718**	**249**	**–**	**967**
Finance leases (excluding perpetual lease)	**292**	**1,242**	**3,761**	**5,295**
Finance lease (perpetual lease)(1)	**121**	**483**	**–**	**604**
	206,398	**106,025**	**3,761**	**316,184**
2013				
Trade and other payables	8,559	–	–	8,559
Retirement village residents loans	175,703	–	–	175,703
Borrowings	3,271	72,089	–	75,360
Provisions	507	140	–	647
Finance leases	267	1,135	3,766	5,168
	188,307	73,364	3,766	265,437

(1) For purposes of the table above, the lease payments are included for five years for the perpetual lease. Refer to Note 15(c)(ii).

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. Foreign currencies have been converted at rates of exchange ruling at reporting date.

2014	Less than 1 year $'000	1 to 5 Years $'000	More than 5 years $'000	Total $'000
Liabilities				
Derivative liabilities – net settled	84	84	–	168
2013				
Liabilities				
Derivative liabilities – net settled	–	209	–	209

k. Other Financial Instrument Risk

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

	EFFECT ON PROFIT AFTER TAX HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**
Increase in market prices of investment properties of 10%	(21,864)	(20,700)
Decrease in market prices of investment properties of 10%	21,864	20,700

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.

l. 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.

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

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

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

Changes in the Group's retirement village resident loans which are Level 3 instruments are presented in Note 16.

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

28. FAIR VALUE MEASUREMENT

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

a. Assets Measured at Fair Value

			FAIR VALUE MEASUREMENT USING		
30 June 2014	**Date of valuation**	**Total $'000**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**
Investment properties	30 June 2014 Refer to Note 12	**498,863**	**–**	**–**	**498,863**
Discontinued operations-investment property	30 June 2014 Refer to Note 8(b)	**45,902**	**–**	**–**	**45,902**
Assets held for sale – investment property	30 June 2014 Refer to Note 8(a)	**–**	**–**	**–**	**–**
Assets held for sale – deferred management fee receivable	30 June 2014 Refer to Notes 8(a) and 16	**5,439**	**–**	**–**	**5,439**

b. Liabilities Measured at Fair Value

			FAIR VALUE MEASUREMENT USING		
30 June 2014	**Date of valuation**	**Total $'000**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**
Retirement village resident loans	30 June 2014 Refer to Note 16	**190,122**	**–**	**–**	**190,122**
Derivatives	30 June 2014	**168**	**–**	**168**	**–**

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

c. Fair Value Hierarchy for Financial Instruments Measured at Fair Value as at 30 June 2013:

30 June 2013	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Retirement village resident loans	175,703	–	–	175,703
Derivatives	209	–	209	–
	175,912	**–**	**209**	**175,703**

29. AUDITOR'S REMUNERATION

	2014 $	**2013 $**
Amounts received or receivable by Ernst & Young for:		
Audit or review of the financial reports	**333,355**	277,423
Other audit related services	**34,450**	32,683
Non-audit related services	**27,295**	–
	395,100	310,106

30. RELATED PARTIES

a. Key Management Personnel

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

	Note	2014 $	2013 $
Directors fees		**462,500**	319,167
Salaries and other short-term benefits		**1,094,684**	756,735
Short-term incentives		**332,235**	182,382
Superannuation benefits		**59,084**	48,957
Share-based payment	25	**680,600**	293,113
		2,629,103	1,600,354

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

The aggregate PQRs and RQRs (refer to Note 25) of the Group held directly, by KMP, are as follows:

			NUMBER OUTSTANDING	
Issue date	**Rights**	**Expiry date**	**2014**	**2013**
2012	RQR	2014	**1,818,000**	1,818,000
2012	PQR	2015	**3,842,000**	3,842,000
2013	PQR	2016	**3,716,000**	–

31. COMPANY FINANCIAL INFORMATION

Summary financial information about the Company is:

	2014 $'000	2013 $'000
Current assets	**–**	190
Total assets	**7,870**	6,459
Current liabilities	**7,320**	3,494
Total liabilities	**7,320**	3,117
Net assets	**550**	3,342
Securityholders' equity		
Issued securities	**7,377**	6,078
Reserves	**988**	308
Accumulated losses	**(7,815)**	(3,044)
Total securityholders' equity	**550**	3,342
Profit from continuing operations	**(4,771)**	(3,636)
Net profit attributable to securityholders	**(4,771)**	(3,636)
Total comprehensive income	**(4,771)**	(3,636)

The Company is a joint guarantor of the Commonwealth Bank of Australia debt facility, which has an outstanding balance of $94,000,000 at 30 June 2014 (2013: $68,000,000).

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

32. SUBSIDIARIES

a. Names of 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	
Name	**Country of residence**	**2014 %**	**2013 %**
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 CC Holdings Pty Ltd	Australia	**100**	100
INA CC Pty Ltd	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Community Living Subsidiary Trust No. 2	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 CC Trust	Australia	**100**	100
INA Regency Co Pty Ltd	Australia	**100**	100
INA Settlers Co Pty Ltd	Australia	**100**	100
INA Sunny Communities Pty Ltd	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Ingenia Communities RE Limited	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
ILF Regency Operations Trust	Australia	**100**	100
ILF Regency Subsidiary 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.2	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
Noyea Pty Ltd	Australia	**100**	–
Noyea Operations Pty Ltd	Australia	**100**	–
IGC NZ Student Holdings Ltd	New Zealand	**100**	100
INA NZ Subsidiary Trust No 1	New Zealand	**100**	100

Name	Country of residence	OWNERSHIP INTEREST 2014 %	2013 %
CSH Lynbrook GP LLC	United States of America	**100**	100
CSH Lynbrook LP	United States of America	**100**	100
Lynbrook Freer Street Member LLC	United States of America	**100**	100
Lynbrook Management, LLC	United States of America	**100**	100
INA Community Living LLC (formerly ING Community Living LLC)	United States of America	**100**	100
INA Community Living II (formerly ING Community Living II)	United States of America	**100**	100
INA US Community Living Fund LLC (formerly ING US Community Living Fund LLC)	United States of America	**100**	100

The Group's voting interest in its subsidiaries is the same as its ownership interest.

33. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of profit to net cash flow from operating activities

	2014 $'000	2013 $'000
Net profit for the year	**11,518**	(10,290)
Adjustments for:		
Net foreign exchange (gain)/loss	**(1,410)**	718
Release of FCTR on disposal of foreign operations	**–**	17,463
Net loss on disposal of investment properties - continuing	**–**	107
Net loss on disposal of investment properties - discontinuing	**–**	994
Disposal costs associated with overseas investments - continuing	**–**	150
Disposal costs associated with overseas investments - discontinued	**290**	672
Gain on disposal of equity accounted investments	**(327)**	(7,584)
Net (gain)/loss on change in fair value of:		
Investment properties – continuing	**341**	(3,457)
Investment properties – discontinued	**1,630**	2,783
Derivatives	**(41)**	(752)
Retirement village residents' loan	**616**	(327)
Income tax expense/(benefit):		
Continuing	**(7,264)**	(367)
Discontinued	**14**	1,002
Amortisation of intangibles	**–**	585
Share-based payments expense	**681**	293
Other non-cash items	**211**	35
Operating profit for the year before changes in working capital	**6,259**	2,025
Changes in working capital:		
(Increase)/decrease in receivables	**5,237**	(3,309)
Increase in inventory	**(1,923)**	–
Increase in retirement village residents' loans	**6,327**	12,220
Increase/(decrease) in other payables and provisions	**(1,660)**	304
Net cash provided by operating activities	**14,240**	11,240

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

34. SUBSEQUENT EVENTS

a. RQR Vesting

On 1 July 2014, 1,818,000 Retention Quantum Rights ("RQRs") granted to KMP in 2012 vested. As a result, 1,818,000 fully paid stapled securities have been issued to the following KMP:

Simon Owen	1,070,000
Tania Betts	374,000
Nicole Fisher	374,000

b. Sale of Noyea

Settlement on the sale of Settlers Lifestyle Noyea was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

c. Bank Guarantee

On 1 July 2014, the Group obtained a bank guarantee of $10 million from the bank facility in relation to cash requirements under the Australian Financial Services Licence.

d. Sale of New Zealand Students Business

On 5 September 2014, the Group announced it had contracted to divest the New Zealand Students business for consideration of NZ$49.4 million, representing the book value at 30 June 2014. Upon settlement, disposal costs and a FCTR gain will be released through profit. At 30 June 2014, the FCTR balance was A$1.0 million.

e. Refinance of Australian Debt

The Group's current Australian banking facility expires in September 2015. The Group has recently undertaken a debt refinance and obtained credit approval for a new $175 million Australian Multilateral banking facility. This facility will be split between a three year and five year maturity profile.

Directors' Declaration

for the year ended 30 June 2014

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 2014 are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
   b. there are reasonable grounds to believe that Ingenia Communities Holdings Limited will be able to pay its debts as and when they become due and payable.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001*.

On behalf of the Board

Jim Hazel
Chairman
Sydney, 19 September 2014

Independent Auditors' Report

for the year ended 30 June 2014

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Independent auditor's report to the members of Ingenia Communities Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Ingenia Communities Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, the statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Ingenia Communities Holdings Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Building a better working world

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Opinion

In our opinion:

1. the financial report of Ingenia Communities Holdings Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 23 to 38 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Chris Lawton
Partner
19 September 2014

Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports

for the year ended 30 June 2014

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Directors' Report

for the year ended 30 June 2014

The Ingenia Communities Fund (ARSN 107 459 576) and the Ingenia Communities Management Trust (ARSN 122 928 410) are Australian registered schemes. Ingenia Communities RE Limited (ACN 154 464 990; Australian Financial Services Licence number 415862), the Responsible Entity of both 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 and the units of the Trusts are "stapled" and trade on the Australian Securities Exchange ("ASX") as a single security. 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 both Trusts.

DIRECTORS

The directors of the Ingenia Communities RE Limited at any time during or since the end of the financial year were:

Jim Hazel (Chairman)	Appointed 27 March 2012
Philip Clark AM	Appointed 4 June 2012
Amanda Heyworth	Appointed 16 April 2012
Robert Morrison	Appointed 8 February 2013
Norah Barlow	Appointed 31 March 2014
Simon Owen (Managing Director and CEO)	Appointed 25 November 2011

PRINCIPAL ACTIVITY

The principal activity of ICF is investment in seniors living communities in Australia. The principal activities of ICMT are the development, management and operation of seniors living communities in Australia. There was no significant change in the nature of either Trust's activities during the financial year.

OPERATING AND FINANCIAL REVIEW

a. ICF and ICMT Overview

ICF and ICMT are two of the entities forming part of Ingenia Communities Group which is a triple stapled structure traded on the ASX.

The Group's vision is to be a leading Australian provider of affordable seniors living accommodation whilst delivering value to all its stakeholders, including strong earnings growth for securityholders and providing an affordable community environment for residents.

b. Strategy

The strategies of ICF and ICMT are aligned with the Group's strategy of growing its Australian seniors living portfolio with a focus on the lifestyle parks sector. Using a disciplined investment framework, the Group is continuing to increase its exposure to lifestyle parks through targeted acquisitions and building out its development pipeline. The Group remains focused on divestment of its non-core New Zealand Students portfolio and reducing its investment in DMF assets. It is the Group's intention to grow its investment in lifestyle parks through capital recycling, efficient inventory management and monetisation of stock.

c. FY14 Financial Results

FY14 has been a year of strong acquisitive growth. The results are underpinned by a significantly increased contribution from the Active Lifestyle Estates and Garden Villages portfolios following the acquisition of a further thirteen lifestyle parks and five rental villages during the year. Furthermore, ICMT and its subsidiaries formed a tax consolidation group which is the primary driver for the $6.5m income tax benefit recorded in ICMT.

During the year, the acquisition of numerous properties were funded using a mix of debt and equity raised from a June 2013 institutional placement of $21.2m and a September 2013 rights issue of $61.7m.

d. Key Metrics

- Net profit for the year of $15.4 million for ICF and a loss of $1.2 million for ICMT
- Full year distribution of 1.15 cent per security by ICF, nil for ICMT

These results are reflective of execution of the strategy to divest overseas operations, which is now largely complete, and redeploy that capital into the Australian market to generate strong returns for securityholders.

e. Continuing Operations

The key strategic priorities of the continuing operations are:

- increase rate of new home delivery within the Active Lifestyle Estates development pipeline;
- grow occupancy of the Garden Villages portfolio towards the mid-term target of 92%;
- sell recently completed homes and explore opportunities to reduce exposure to the Settlers portfolio; and
- invest available capital into further accretive lifestyle parks.

f. Discontinued Operations

A sales campaign was undertaken for the sale of the New Zealand Students portfolio and terms have been agreed with a global real estate investment firm. The carrying value of these assets at 30 June 2014 is $45.9m.

g. Capital Management

ICF strengthened its capital position by undertaking a capital raising and renegotiating its core debt facility.

On 23 August 2013, ICF refinanced its Bank of New Zealand debt facility, which funds the New Zealand Students portfolio with a NZ$32.7m core debt facility in place expiring 31 July 2018.

On 17 October 2013, ICF completed a non-renounceable rights issue to raise $61.7m (excluding transaction costs) to fund the expansion of lifestyle parks. A total of 169.1m securities were issued at 36.5 cents each.

ICF has increased its full year distributions to 1.15 cents, in line with its commitment to grow distributions over the medium term. The final distribution represents a 30% increase over the previous period.

h. Outlook

The Trusts are well positioned to continue growing their lifestyle parks business and ICF has agreed indicative terms for a new multilateral Australian debt facility of $175m, which replaces the existing facility. Whilst the lead time from property acquisition to achieving set up for delivery of the first new homes has taken longer than anticipated, Ingenia is confident the rate of delivery and settlement of new homes will continue to slowly build each half and deliver a much stronger result in FY15.

There will be a strong focus on finalising divestment of the New Zealand Students portfolio and exploring opportunities for recycling capital from the Settlers Lifestyle portfolio. At the same time, the Trusts will continue to regularly assess the performance of its existing assets and where appropriate to recycle that capital into other opportunities delivering superior returns.

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 Annual Report. Refer to Note 7 of the accompanying financial statements for discontinued operations, Note 11 for Australian investment properties acquired or disposed of during the year, Note 14 for details of Australian debt refinanced and Note 19 for units issued.

EVENTS SUBSEQUENT TO REPORTING DATE

a. Retention Quantum Rights Vesting

On 1 July 2014, 1,818,000 Retention Quantum Rights ("RQRs") granted to KMP in 2012 vested. As a result 1,818,000 fully paid stapled securities have been issued to the following KMP:

Simon Owen	1,070,000
Tania Betts	374,000
Nicole Fisher	374,000

b. Sale of Noyea

Settlement on the sale of Settlers Lifestyle Noyea was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

c. Bank Guarantee

On 1 July 2014, ICF obtained a bank guarantee of $10 million from the bank facility in relation to cash requirements under the Australian Financial Services Licence.

d. Sale of New Zealand Students Business

On 5 September 2014, the Trusts announced they had contracted to divest the New Zealand Students business for consideration of NZ$49.4 million, representing the book value at 30 June 2014. Upon settlement, disposal costs and a foreign currency translation reserve ("FCTR") gain will be released through profit. At 30 June 2014, the FCTR balance was A$1.0 million.

e. Refinance of Australian Debt

ICF's current Australian banking facility expires in September 2015. ICF has recently undertaken a debt refinance and obtained credit approval for a new $175 million Australian multilateral banking facility. This facility will be split between a three year and five year maturity profile.

LIKELY DEVELOPMENTS

The Trusts will continue to pursue strategies aimed at improving cash earnings, profitability and market share within the seniors living industry during the next financial year, with a strong focus on the development and acquisition of manufactured home estates.

Other information about certain likely developments in the operations of the Trusts and the expected results of those operations in future financial years is included in the various reports in the Ingenia Communities Annual Report.

ENVIRONMENTAL REGULATION

The Trusts' operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNITIES

The Trusts have not indemnified, nor paid any insurance premiums for, a person who is or has been an officer of the Responsible Entity or an auditor of either Trust.

Directors' Report

for the year ended 30 June 2014

INTERESTS OF DIRECTORS OF THE RESPONSIBLE ENTITY

Units in each Trust held by directors of the Responsible Entity as at 30 June 2014 were:

	Number of units	Performance quantum rights	Retention quantum rights
Jim Hazel	1,333,334	–	–
Philip Clark AM	208,334	–	–
Amanda Heyworth	561,334	–	–
Robert Morrison	221,667	–	–
Norah Barlow	178,000	–	–
Simon Richard Owen	2,179,667	4,720,000	1,070,000

OTHER INFORMATION

Fees paid to the Responsible Entity and its associates, and the number of units in each Trust held by the Responsible Entity and its associates as at the end of the financial year; are set out in Note 28 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 93.

ROUNDING OF AMOUNTS

The Trusts are of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in this report and in the financial report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

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

Jim Hazel
Chairman
Sydney, 19 September 2014

Auditors' Independence Declaration

for the year ended 30 June 2014

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Ingenia Communities RE Limited as Responsible Entity for the Ingenia Communities Fund and the Ingenia Communities Management Trust

In relation to our audit of the financial report of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Chris Lawton
Partner
19 September 2014

Consolidated Statements of Comprehensive Income

for the year ended 30 June 2014

	Note	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Revenue					
Rental income		**9,354**	8,439	**31,643**	19,287
Accrued deferred management fee income		**-**	–	**5,333**	4,850
Manufactured home sales		**-**	–	**3,442**	405
Catering income		**-**	–	**3,178**	2,617
Other property income		**-**	142	**1,819**	871
Interest income		**10,339**	3,524	**16**	14
		19,693	12,105	**45,431**	28,044
Property expenses		**(274)**	–	**(20,693)**	(16,198)
Employee expenses		**-**	–	**(11,131)**	(7,226)
Administration expenses		**(682)**	(797)	**(2,050)**	(1,439)
Operational, marketing and selling expenses		**(295)**	(96)	**(2,734)**	(2,189)
Manufactured home cost of sales		**-**	–	**(2,130)**	(297)
Finance expense	5	**(3,955)**	(3,841)	**(10,145)**	(5,212)
Net foreign exchange gain/(loss)		**(147)**	37	**-**	–
Net loss on disposal of investment properties		**-**	(107)	**-**	
Net gain/(loss) on change in fair value of:					
Investment properties		**1,530**	1,618	**(1,871)**	1,839
Derivatives		**41**	752	**-**	–
Retirement village resident loans		**-**	–	**(616)**	327
Responsible Entity's fees and expenses	28	**(1,170)**	(1,101)	**(1,626)**	(1,456)
Other expenses		**-**	(185)	**-**	–
Profit/(loss) from continuing operations before income tax		**14,741**	8,385	**(7,565)**	(3,807)
Income tax benefit/(expense)	6	**-**	–	**6,506**	(17)
Profit/(loss) from continuing operations		**14,741**	8,385	**(1,059)**	(3,824)
Profit/(loss) from discontinued operations	7	**681**	(5,715)	**(111)**	(7,891)
Net profit/(loss) for the year		**15,422**	2,670	**(1,170)**	(11,715)
Attributable to unitholders of:					
Ingenia Communities Fund		**15,422**	2,670	**(111)**	(3,314)
Ingenia Communities Management Trust		**-**	–	**(1,059)**	(8,401)
		15,422	2,670	**(1,170)**	(11,715)

	Note	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Net profit/(loss) for the year		**15,422**	2,670	**(1,170)**	(11,715)
Other comprehensive income, net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences arising during the year	20	**(226)**	1,389	**495**	(1,064)
Release of foreign currency translation reserve on disposal of foreign operations	20	**–**	15,507	**–**	2,444
Total comprehensive income for the year, net of tax		**15,196**	19,566	**(675)**	(10,335)
Total comprehensive income/(loss) for the year is attributable to:					
Ingenia Communities Fund		**15,196**	19,566	**335**	(2,668)
Ingenia Communities Management Trust		**–**	–	**(1,010)**	(7,667)
		15,196	19,566	**(675)**	(10,335)

	Note	2014 Cents	2013 Cents	2014 Cents	2013 Cents
Distributions per unit		**1.0**[(2)]	1.0	**–**	–
Earnings per unit[(1)]**:**					
Basic earnings from continuing operations	4	**2.3**	1.6	**(0.2)**	(0.8)
Basic earnings	4	**2.4**	0.5	**(0.2)**	(2.3)
Diluted earnings from continuing operations	4	**2.3**	1.6	**(0.2)**	(0.7)
Diluted earnings	4	**2.4**	0.5	**(0.2)**	(2.3)

(1) Prior period weighted average number of units and earnings per unit have been adjusted in accordance with AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of units on issue for the current period, prior to the rights issue in September 2013, has also been adjusted as required by AASB 133.

(2) Distributions relate to the amount paid during FY14. Subsequent to the end of the year, a final distribution was declared for 0.65 cents for a total full year distribution of 1.15 cents.

Consolidated Balance Sheets

as at 30 June 2014

	Note	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Current assets					
Cash and cash equivalents	8	**2,658**	31,014	**3,893**	1,229
Trade and other receivables	9	**4,280**	9,204	**3,131**	2,819
Inventories	10	**–**	–	**2,208**	285
Income tax receivable		**975**	882	**–**	–
Assets held for sale		**–**	–	**5,439**	–
Assets of discontinued operations	7	**3,874**	3,874	**47,657**	36,576
Total current assets		**11,787**	44,974	**62,328**	40,909
Non-current assets					
Trade and other receivables	9	**39,334**	39,472	**40**	438
Receivable from related party	28	**135,805**	31,870	**–**	–
Investment properties	11	**134,488**	120,167	**364,375**	250,764
Plant and equipment	12	**239**	339	**180**	547
Total non-current assets		**309,866**	191,848	**364,595**	251,749
Total assets		**321,653**	236,822	**426,923**	292,658
Current liabilities					
Trade and other payables	13	**1,210**	1,569	**8,480**	6,305
Borrowings	14	**–**	–	**3,461**	3,589
Retirement village resident loans	15	**–**	–	**190,122**	175,703
Provisions	16	**–**	–	**590**	507
Derivatives	17	**84**	–	**–**	–
Provision for income tax		**–**	–	**29**	126
Payable to related party	28	**–**	–	**133,249**	30,769
Liabilities of discontinued operations	7	**–**	–	**30,449**	21,527
Total current liabilities		**1,294**	1,569	**366,380**	238,526
Non-current liabilities					
Trade and other payables	13	**–**	–	**4,000**	–
Borrowings	14	**93,688**	67,422	**41,883**	40,475
Provisions	16	**–**	–	**249**	140
Derivatives	17	**84**	209	**–**	–
Deferred tax liabilities	18	**–**	–	**1,433**	7,855
Total non-current liabilities		**93,772**	67,631	**47,565**	48,470
Total liabilities		**95,066**	69,200	**413,945**	286,996
Net assets		**226,587**	167,622	**12,978**	5,662
Equity					
Issued units	19	**547,642**	497,956	**14,097**	6,106
Reserves	20	**(226)**	–	**169**	120
Accumulated losses	21	**(320,829)**	(330,334)	**(4,049)**	(2,990)
Unitholders' interest		**226,587**	167,622	**10,217**	3,236
Non-controlling interest		**–**	–	**2,761**	2,426
Total equity		**226,587**	167,622	**12,978**	5,662
Attributable to unitholders of:					
Ingenia Communities Fund		**226,587**	167,662	**2,761**	2,426
Ingenia Communities Management Trust		**–**	–	**10,217**	3,236
		226,587	167,622	**12,978**	5,662

Consolidated Cash Flow Statements

for the year ended 30 June 2014

		INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash flows from operating activities					
Rental and other property income		**-**	33	**43,274**	29,478
Payment of management fees (including arrears)		**-**	–	**(29)**	(167)
Property and other expenses		**(51)**	(210)	**(30,286)**	(21,487)
Proceeds from resident loans		**-**	–	**22,021**	19,338
Repayment of resident loans		**-**	–	**(10,361)**	(7,118)
Proceeds from manufactured home sales		**-**	–	**3,511**	450
Payments for manufactured homes		**-**	–	**(4,035)**	(275)
Distributions received from equity accounted investments		**295**	2,353	**6**	–
Interest received		**205**	243	**12**	54
Borrowing costs paid		**(4,123)**	(5,249)	**(1,689)**	(1,836)
Income taxes received/(paid)		**(125)**	(76)	**4**	–
	31	**(3,799)**	(2,906)	**22,428**	18,437
Cash flows from investing activities					
Payments for plant and equipment		**-**	(81)	**(150)**	(329)
Additions to investment properties		**(2)**	(474)	**(18,723)**	(16,416)
Proceeds/(costs) from sale of investment properties		**1,321**	3,030	**(120)**	26,292
Payments for investment properties		**(10,452)**	(23,315)	**(102,803)**	(7,708)
Amounts received from/(advanced to) villages		**-**	–	**72**	(330)
Payments for lease arrangements		**-**	–	**(745)**	(699)
Proceeds of equity accounted investments		**5,695**	37,560	**116**	–
		(3,438)	16,720	**(122,353)**	810
Cash flows from financing activities					
Proceeds from the issue units		**61,707**	18,170	**-**	2,900
Payment for issue costs		**(2,528)**	(907)	**(243)**	(145)
Internalisation costs		**-**	(600)	**-**	–
Distributions to unitholders		**(5,885)**	(4,235)	**-**	–
Receipts from derivatives		**-**	1,650	**-**	–
Payments for derivatives		**-**	(150)	**-**	–
Finance lease payments		**-**	–	**(81)**	(13)
(Repayment of)/proceeds from borrowings with related parties		**(100,124)**	–	**108,231**	–
Proceeds from borrowings		**94,000**	16,261	**-**	–
Repayment of borrowings		**(68,000)**	(33,195)	**(2,581)**	(27,749)
Payment of borrowing costs		**(142)**	(586)	**(75)**	–
		(20,972)	(3,592)	**105,251**	(25,007)
Net increase/(decrease) in cash		**(28,209)**	10,222	**5,326**	(5,760)
Cash at beginning of the year		**31,014**	20,777	**248**	6,029
Effects of exchange rate changes on cash		**(147)**	15	**(24)**	(21)
Cash at the end of the year	8	**2,658**	31,014	**5,550**	248

Statements of Changes in Unitholders' Interest

for the year ended 30 June 2014

		INGENIA COMMUNITIES FUND					
		ATTRIBUTABLE TO UNITHOLDERS					
	Note	**Issued capital $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Carrying amounts at 1 July 2012		**480,693**	**(16,896)**	**(328,594)**	**135,203**	**–**	**135,203**
Net profit for the year		–	–	2,670	2,670	–	2,670
Other comprehensive income		–	16,896	–	16,896	–	16,896
Total comprehensive income for the year		**–**	**16,896**	**2,670**	**19,566**	**–**	**19,566**
Transactions with unitholders in their capacity as unitholders:							
Placement securities	19	17,263	–		17,263	–	17,263
Distributions paid or payable	21	–	–	(4,410)	(4,410)	–	(4,410)
Carrying amounts at 30 June 2013		**497,956**	**–**	**(330,334)**	**167,622**	**–**	**167,622**
Net profit for the year		–	–	15,422	15,422	–	15,422
Other comprehensive income	20	–	(226)	–	(226)	–	(226)
Total comprehensive income for the year		**–**	**(226)**	**15,422**	**15,196**	**–**	**15,196**
Transactions with unitholders in their capacity as unitholders:							
Placement securities	19	49,686	–	–	49,686	–	49,686
Distributions paid or payable	21	–	–	(5,917)	(5,917)	–	(5,917)
Carrying amounts at 30 June 2014		**547,642**	**(226)**	**(320,829)**	**226,587**	**–**	**226,587**

		INGENIA COMMUNITIES MANAGEMENT TRUST					
		ATTRIBUTABLE TO UNITHOLDERS					
	Note	**Issued capital $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interest[1] $'000**	**Total equity $'000**
Carrying amounts at 1 July 2012		**3,351**	**(614)**	**5,411**	**8,148**	**5,094**	**13,242**
Net profit for the year		–	–	(8,401)	(8,401)	(3,314)	(11,715)
Other comprehensive income		–	734	–	734	646	1,380
Total comprehensive income for the year		**–**	**734**	**(8,401)**	**(7,667)**	**(2,668)**	**(10,335)**
Transactions with unitholders in their capacity as unitholders:							
Placement securities	19	2,755	–	–	2,755	–	2,755
Carrying amounts at 30 June 2013		**6,106**	**120**	**(2,990)**	**3,236**	**2,426**	**5,662**
Net loss for the year		–	–	(1,059)	(1,059)	(111)	(1,170)
Other comprehensive income		–	49	–	49	446	495
Total comprehensive income for the year		**–**	**49**	**(1,059)**	**(1,010)**	**335**	**(675)**
Transactions with unitholders in their capacity as unitholders:							
Placement securities	19	7,991	–	–	7,991	–	7,991
Carrying amounts at 30 June 2014		**14,097**	**169**	**(4,049)**	**10,217**	**2,761**	**12,978**

(1) Non-controlling interest relates to the portion in which ICF owns subsidiaries consolidated within ICMT.

Notes to the Financial Statements

for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The Trusts

The Ingenia Communities Fund ("ICF" or the "Fund") (ARSN 107 459 576) and the 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 and the units of the Trust are "stapled" and trade on the Australian Securities Exchange ("ASX") as a single security. The Company and the Trust along with their subsidiaries are collectively referred to as the Group in this report.

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.

b. Basis of Preparation

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

As permitted by Class Order 05/642, 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 the Ingenia Communities Fund and Ingenia Communities Management Trust. The financial statements and accompanying notes of the Trusts have been presented in the attached associated financial report.

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

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

As at 30 June 2014, ICMT recorded a net current asset deficiency of $304,052,000. This deficiency includes retirement village resident loans of $190,122,000, liabilities from discontinued operations of $30,449,000 and payables to other entities within the Group of $133,249,000. Resident loan obligations of the Trusts are classified as current liabilities due to the demand feature of these obligations despite the unlikely possibility that the majority of the loans will be settled within the next twelve months. Furthermore, if required, the proceeds from new resident loans could be used by the Group to settle its existing loan obligations should those incumbent residents vacate their units. Intercompany loan balances are payable on demand, however ICF has undertaken not to call its loan receivable from ICMT within twelve months of the date of this report, if calling the loan would result in ICMT being unable to pay its debts as and when they are due and payable.The liabilities of the discontinued operations consist mainly of borrowings of $30,081,000 related to a facility with the Bank of New Zealand, which has been refinanced recently for a five year period and will be repaid upon disposal of the corresponding assets. Accordingly, there are reasonable grounds to believe that ICMT will be able to pay its debts as and when they become due and payable; and the financial report of ICMT has been prepared on a going concern basis.

c. Adoption of New and Revised Accounting Standards

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current period. The following standards were most relevant to the Group:

- AASB 10 "Consolidated Financial Statements" and AASB 2011-7 "Amendments to Australian Accounting Standards arising from consolidation and Joint Arrangements standards";
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011);
- AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Financial Liabilities'
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

The impact of application of each Standard is as follows:

Accounting Standard	Impact on the Group
AASB 10 and AASB 2011-7	AASB 10 amends the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three conditions have to be met for an investor to have control. The application of the standard did not have any impact on the Group.
AASB 13 and AASB 2011-8	AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value. The standard is broad in scope and applies to both financial instrument and non-financial instrument items with the exception of a few items like share-based payments and leases, which are covered by other standards. AASB 13 defines fair value as the price that would be received to sell an asset or liability in an orderly transaction in the principal (or the most advantageous) market at the measurement date under current market conditions. Valuations made are categorised into three levels based on the inputs used. However, regardless of the valuation methodology applied, fair value represents the exit price in relation to the asset or liability. The standard applies prospectively from 1 January 2013. The Group has applied requirements of the Standard in all its valuations in particular of investment properties. Additionally, the disclosure requirements of the standard, which includes information about assumptions made and the qualitative impact of those assumptions on fair value, have been complied with.
AASB 119 and AASB 2011-10	AASB 119 amends the definition of short-term employee benefits, with the distinction now being based on whether the benefits are expected to be settled within 12 months after reporting date (short-term benefit). Long term employee benefits are required to be measured using the actuarial valuation method. The method involves projecting future cash flows and discounting back to present value. This requirement applies to the annual leave balance for the Group. The application of the standard's requirement for both current and previous periods did not result in amendment to the figures disclosed, as the changes were not material.
AASB 2012-2	The standard provides application and presentation guidance to AASB 132 'Financial Instruments: Presentation' for applying some offsetting criteria. The Group has applied the requirements of the Standard, which necessitates disclosure of information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement or similar arrangement. This has resulted in changes to disclosure principally for retirement village resident loans for the Group.
AASB 2011-4	The standard amends AASB 124 'Related Party Disclosures' to remove individual key management personnel disclosures required by Australian specific paragraphs. The application of the standard did not have any financial impact on the Group.

d. Principles of Consolidation

ICF's consolidated financial statements comprise the parent and its subsidiaries. ICMT's consolidated financial statements comprise ICMT and its subsidiaries. Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies a trust has the power to govern, 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. Adjustments are made to bring into line dissimilar accounting policies. Inter-company balances and transactions including unrealised profits have been eliminated.

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

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Business Combinations and Goodwill

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

When the Trusts acquire a business, they assess the 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 acquisition date fair value of 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 of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

f. Discontinued Operations and Assets Held for Sale

The Trusts have classified certain components as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

Components of the entity are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property, which are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale, and the assets of a disposal group classified as held for sale are presented separately from the other assets on the face of the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the face of the balance sheet.

Details of discontinued operations and assets held for sale are given at Note 7.

g. Distributions

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

h. Foreign Currency

i. Functional and presentation currencies

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

ii. 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 income statement 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 income statement.

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.

iii. Translation of financial statements of foreign subsidiaries

The functional currency of certain subsidiaries is not the Australian dollar. At reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Trusts at the rate of exchange prevailing at balance date. Financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

i. Leases

Finance leases, which 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 to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Finance leases, which 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 to achieve a constant rate of interest on the remaining balance of the receivable. Interest is recognised as income in the income statement.

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

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

j. Financial Assets and Liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale. The Trusts determine the classification of their 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. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as at fair value through profit or loss are recorded in the income statement.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the 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 instrument that is substantially the same; discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

k. Impairment of Non-Financial Assets

Assets other than investment property and financial assets carried at fair value are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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.

l. Cash and Cash Equivalents

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

m. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

n. Inventories

The Trusts hold inventory in relation to the acquisition and development of manufactured homes within their Active Lifestyle Estates segment.

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

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

o. Derivative Financial Instruments

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. 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 and tourism cabins.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise, including 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 the measurement date in the principal market for the asset or liability or in its absence, the most advantageous market.

It is the Trusts' policy to have all investment properties externally valued at intervals of not more than two years and that such valuation be reflected in the financial reports of the Trusts. It is the policy of the responsible trust to review the fair value of each investment property every six months and to cause investment properties to be revalued to fair values whenever their carrying value materially differs to their fair values.

In determining fair values, expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable.

q. 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 that are unpaid and are recognised when the Trusts become obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

r. Retirement Village Resident Loans

These loans, which are non-interest bearing and repayable on the departure of the resident, are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognised in the income statement. 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, because the Trusts do not have an unconditional right to defer settlement to more than twelve months after reporting date.

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

Refer to Notes 25(k) and 1(y) for information regarding the valuation of retirement village resident loans.

s. Borrowings

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

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

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

t. Issued Units

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

u. Revenue

Revenue from rents, interest and distributions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rentals are recognised as income in the financial year that they are earned. 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 to be earned on a residents 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 manufactured homes within the Active Lifestyle Estate segment is recognised when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

Interest income is recognised as the interest accrues using the effective interest rate method.

v. Provisions, Including for Employee Benefits

i. 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 of the obligation. 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 profit or loss net of any reimbursement.

ii. 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.

iii. Long service leave

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

w. Income Tax

i. Current income tax

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

However, ICMT and its subsidiaries are subject to Australian income tax.

Current tax assets and liabilities for the current period 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 tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The subsidiaries that hold 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, unitholders may be entitled to receive a foreign tax credit for this withholding tax.

ii. Deferred income tax

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

x. 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.

y. Fair Value Measurement

The Trusts measure financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26.

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 the 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 that market participants would 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 highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, 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 re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

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 monthly basis management presents valuation results to the Audit and Risk Committee and the Trusts' auditors. This includes a discussion 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 as explained above.

z. Pending Accounting Standards

AASB 9 Financial Instruments is applicable to reporting periods beginning on or after 1 January 2018. The Group has not early adopted this standard. This standard provides requirements for the classification and measurement of financial assets and accounting for financial liabilities. These requirements seek to improve and simplify the requirements listed in AASB 139 Financial Instruments: Recognition and Measurement. The Group is currently evaluating the impact of this standard.

AASB 2012-3 "Amendments to Australian Accounting Standards- Offsetting Financial Assets and Liabilities" is applicable for annual financial periods beginning on or after 1 January 2014. The standard makes amendments to AASB 132 "Financial Instruments- Presentation" as a result of the issuance of International Financial Reporting Standard "Offsetting Financial Assets and Financial Liabilities" and provides application guidance to certain criteria mentioned in AASB 132. The application of the Standard does not have any impact on the results of the Group as retirement village resident loans are already offset as there is a current legally enforceable right and there is an intention to settle on a net basis.

AASB 2014-1 *Amendments to Australian Accounting Standards* is applicable for periods beginning on or after 1 July 2014. This standard clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is an acquisition of a group of assets or a business combination within the scope of AASB 3 *Business Combinations* that includes an investment property. The Trusts are currently making an assessment about this classification for each investment property acquired, therefore no impact is expected from this change except for additional disclosures regarding judgements and estimates.

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

aa. 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.

All other assets are classified as non-current.

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.

The Group classifies all other liabilities as non-current.

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

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the Trusts 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 make estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Valuation of investment property

The Trusts have investment properties with a combined carrying amount of $498,863,000 (2013: $370,931,000) (refer Note 11), and combined retirement village residents' loans with a carrying amount of $190,122,000 (2013: $175,703,000) which together represent the estimated fair value of the Trusts interest in retirement villages. In addition, the Trusts hold investment properties with carrying amounts of $45,902,000 (2013: $35,343,000) which are included in assets of discontinued operations. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation assumptions for deferred management fee villages reflect assumptions relating to average length of stay, unit market values, estimates of capital expenditure, contract terms with residents, discount rates and projected property growth rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Trusts, as well as independent valuations of the Trusts' property.

ii. 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 calculated using the main variables including the forward market curve, time and volatility.

iii. Valuation of assets acquired in business combinations

Upon recognising the acquisition, management uses estimations and assumptions of the fair value of assets and liabilities assumed at the date of acquisition, including judgements related to valuation of investment property as discussed above.

iv. Valuation of retirement village resident loans

The fair value of the retirement village resident loans is calculated by reference to the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less any deferred management fee income accrued to date by the operator. The key assumption for calculating the 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.

v. Calculation of deferred management fee ("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 exit of the resident. The accrued 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 2014 | continued

3. SEGMENT INFORMATION

a. Description of Segments

The Trusts invest in seniors living properties located in Australia with three reportable segments:

- Garden Villages – rental villages;
- Settlers Lifestyle – deferred management fee villages; and
- Active Lifestyle Estates – comprising permanent and short stay rentals within lifestyle parks and the sale of manufactured homes.

The Trusts have identified their operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and in determining the allocation of resources. Other parts of the Trusts are neither operating segments nor part of an operating segment. Assets that do not belong to an operating segment are described below as "unallocated".

b. Ingenia Communities Fund – 30 June 2014

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	–	–	9,354	–	**9,354**
Interest income	–	–	–	10,339	**10,339**
Total revenue	**–**	**–**	**9,354**	**10,339**	**19,693**
ii. Segment underlying profit					
External segment revenue	–	–	9,354	–	**9,354**
Interest income	–	–	–	10,339	**10,339**
Property expenses	–	–	–	(274)	**(274)**
Administration expenses	–	–	–	(682)	**(682)**
Operational, marketing and selling expenses	–	–	–	(295)	**(295)**
Finance expense	–	–	–	(3,955)	**(3,955)**
Underlying profit – continuing operations	**–**	**–**	**9,354**	**5,133**	**14,487**
Reconciliation of underlying profit to profit from continuing operations:					
Net foreign exchange gain	–	–	–	(147)	**(147)**
Net gain/(loss) on change in fair value of:					
Investment properties	(852)	–	2,382	–	**1,530**
Derivatives	–	–	–	41	**41**
Responsible Entity fees	–	–	–	(1,170)	**(1,170)**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**(852)**	**–**	**11,736**	**3,857**	**14,741**
iii. Segment assets					
Segment assets	6,904	53,992	114,286	142,597	**317,779**
Discontinued operations					**3,874**
Total assets					**321,653**

c. Ingenia Communities Fund – 30 June 2013

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	118	–	8,341	122	**8,581**
Interest income	–	–	–	3,524	**3,524**
Total revenue	**118**	**–**	**8,341**	**3,646**	**12,105**
ii. Segment underlying profit					
External segment revenue	118	–	8,341	122	**8,581**
Interest income	–	–	–	3,524	**3,524**
Administration expenses	–	–	–	(797)	**(797)**
Operational, marketing and selling expenses	–	–	–	(96)	**(96)**
Finance expense	–	–	–	(3,841)	**(3,841)**
Underlying profit/(loss) – continuing operations	**118**	**–**	**8,341**	**(1,088)**	**7,371**
Reconciliation of underlying profit to profit from continuing operations:					
Net foreign exchange gain	–	–	–	37	**37**
Net gain/(loss) on disposal of investment property	–	–	(107)	–	**(107)**
Net gain/(loss) on change in fair value of:					
Investment properties	–	–	1,618	–	**1,618**
Derivatives	–	–	–	752	**752**
Responsible Entity fees	–	–	–	(1,101)	**(1,101)**
Other	–	–	–	(185)	**(185)**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**118**	**–**	**9,852**	**(1,585)**	**8,385**
iii. Segment assets					
Segment assets	7,154	54,009	99,704	72,081	**232,948**
Discontinued operations					**3,874**
Total assets					**236,822**

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

3. SEGMENT INFORMATION (CONTINUED)

d. Ingenia Communities Management Trust – 30 June 2014

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	13,589	10,576	24,570	–	**48,735**
Interest income	–	–	–	16	**16**
Reclassification of gain on revaluation of newly constructed villages	–	(3,320)	–	–	**(3,320)**
Total revenue	**13,589**	**7,256**	**24,570**	**16**	**45,431**
ii. Segment underlying profit					
External segment revenue	13,589	10,576	24,570	–	**48,735**
Interest income	–	–	–	16	**16**
Property expenses	(2,570)	(1,738)	(16,385)	–	**(20,693)**
Employee expenses	(2,367)	(851)	(7,913)	–	**(11,131)**
Administration expenses	(320)	(157)	(1,129)	(444)	**(2,050)**
Operational, marketing and selling expenses	(377)	(3)	(2,354)	–	**(2,734)**
Manufactured home cost of sales	(2,130)	–	–	–	**(2,130)**
Finance expense	–	–	–	(10,145)	**(10,145)**
Income tax benefit	–	–	–	2,137	**2,137**
Underlying profit/(loss) – continuing operations	**5,825**	**7,827**	**(3,211)**	**(8,436)**	2,005
Reconciliation of underlying profit to profit from continuing operations:					
Net loss on change in fair value of:					
Investment properties	(1,273)	(598)	–	–	**(1,871)**
Retirement village resident loans	–	(616)	–	–	**(616)**
Gain on revaluation of newly constructed villages	–	(3,320)	–	–	**(3,320)**
Responsible Entity fees	–	–	–	(1,626)	**(1,626)**
Income tax benefit associated with reconciliation items	–	–	–	4,369	**4,369**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**4,552**	**3,293**	**(3,211)**	**(5,693)**	(1,059)
iii. Segment assets					
Segment assets	122,955	249,183	1,420	269	**373,827**
Assets held for sale					**5,439**
Discontinued operations					**47,657**
Total assets					426,923

e. Ingenia Communities Management Trust – 30 June 2013

	Active Lifestyle Estates $'000	Settlers $'000	Garden Villages $'000	Corporate/ Unallocated $'000	Total $'000
i. Segment revenue					
External segment revenue	940	11,444	20,265	–	**32,649**
Interest income	–	–	–	14	**14**
Reclassification of gain on revaluation of newly constructed villages	–	(4,619)	–	–	**(4,619)**
Total revenue	**940**	**6,825**	**20,265**	**14**	**28,044**
ii. Segment underlying profit					
External segment revenue	940	11,444	20,265	–	**32,649**
Interest income	–	–	–	14	**14**
Property expenses	(216)	(3,577)	(12,405)	–	**(16,198)**
Employee expenses	(59)	(939)	(6,228)	–	**(7,226)**
Administration expenses	(15)	(132)	(1,058)	(234)	**(1,439)**
Operational, marketing and selling expenses	(80)	(1,087)	(1,022)	–	**(2,189)**
Manufactured home cost of sales	(297)	–	–	–	**(297)**
Finance expense	–	–	–	(5,212)	**(5,212)**
Income tax benefit	–	–	–	(427)	**(427)**
Underlying profit/(loss) – continuing operations	**273**	**5,709**	**(448)**	**(5,859)**	**(325)**
Reconciliation of underlying profit to profit from continuing operations:					
Net loss on change in fair value of:					
Investment properties	(15)	(1,513)	3,367	–	**1,839**
Retirement village resident loans	–	327	–	–	**327**
Gain on revaluation of newly constructed villages	–	(4,619)	–	–	**(4,619)**
Responsible Entity fees	–	–	–	(1,456)	**(1,456)**
Income tax benefit associated with reconciliation items	–	–	–	410	**410**
Profit from continuing operations per the Consolidated Statement of Comprehensive Income	**258**	**(96)**	**2,919**	**(6,905)**	**(3,824)**
iii. Segment assets					
Segment assets	11,489	241,674	1,390	1,529	**256,082**
Discontinued operations					**36,576**
Total assets					**292,658**

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

4. EARNINGS PER UNIT

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014	**2013**	**2014**	**2013**
Earnings per unit				
Profit/(loss) from continuing operations ($'000)	**14,741**	8,385	**(1,059)**	(3,824)
Profit/(loss) from discontinued operations ($'000)	**681**	(5,715)	**(111)**	(7,891)
Net profit/(loss) for the year ($'000)	**15,422**	2,670	**(1,170)**	(11,715)
Weighted average number of units outstanding (thousands)	**646,603**	509,716	**646,603**	509,716
Dilutive securities:				
Performance quantum rights (thousands)	**2,310**	3,842	**2,310**	3,842
Retention quantum rights (thousands)	**1,818**	1,818	**1,818**	1,818
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**650,731**	515,376	**650,731**	515,376
Basic earnings per unit from continuing operations (cents) (1)	**2.3**	1.6	**(0.2)**	(0.8)
Basic earnings per unit from discontinued operations (cents) (1)	**0.1**	(1.1)	**-**	(1.5)
Basic earnings per unit (cents) (1)	**2.4**	0.5	**(0.2)**	(2.3)
Diluted earnings per unit from continuing operations (cents) (1)	**2.3**	1.6	**(0.2)**	(0.7)
Diluted earnings per unit from discontinued operations (cents) (1)	**0.1**	(1.1)	**-**	(1.5)
Diluted earnings per unit (cents) (1)	**2.4**	0.5	**(0.2)**	(2.3)

(1) Prior period weighted average number of units and earnings per unit have been adjusted in accordance with AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of units on issue for the current period, prior to the rights issue in September 2013, has also been adjusted as required by AASB 133.

5. FINANCE EXPENSE

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Interest paid or payable	**3,955**	3,841	**10,145**	5,212

6. INCOME TAX BENEFIT

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
a. Income Tax Benefit/(Expense)				
Current tax	**–**	–	**83**	(83)
Decrease in deferred tax liabilities	**–**	–	**6,423**	66
Income tax benefit/(expense)	**–**	**–**	**6,506**	(17)
b. Reconciliation between Tax Expense and Pre-Tax Net Profit				
Profit/(loss) before income tax	**14,741**	8,385	**(7,565)**	(3,807)
Less amounts not subject to Australian income tax	**(14,741)**	(8,385)	**–**	–
	–	**–**	**(7,565)**	(3,807)
Income tax at the Australian tax rate of 30% (2013: 30%)	**–**	–	**2,270**	1,142
ICMT tax consolidation impact	**–**	–	**2,823**	–
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income				
Prior period income tax return true-ups	**–**	–	**588**	(92)
Movement in carrying value and tax cost base of investment properties	**–**	–	**1,163**	(80)
Movements in carrying value and tax cost base of DMF receivables	**–**	–	**(1,232)**	(907)
Other timing differences	**–**	–	**406**	101
Non-recognition of Australian tax losses	**–**	–	**–**	(181)
Recognition of Australian tax losses			**488**	
Income tax benefit/(expense)	**–**	**–**	**6,506**	(17)

c. Tax Consolidation

Effective from 1 July 2012, ICMT and its Australian domiciled owned subsidiaries formed a tax consolidation group with the 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. In addition, unrecognised losses incurred by entities within the ICMT tax consolidated group are now available for utilisation by the ICMT tax consolidated group resulting in an additional income tax benefit being recorded.

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

7. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

a. Assets Held for Sale

i. Details of assets held for sale

Prior to 30 June 2014, a subsidiary of ICMT entered into discussions with a third party regarding the sale of Noyea Riverside Village ("Noyea"). Noyea was included within the Settlers Lifestyle segment.

Settlement on the sale of Settlers Lifestyle Noyea was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

ii. Assets held for sale

The following is the breakdown of the assets held for sale at Noyea:

	Note	2014 $'000
Investment property		**-**
Deferred management fee receivable	15	**5,439**
		5,439

b. Discontinued Operations

i. Details of discontinued operations

The Trusts' investment in the New Zealand Students business has been classified as a discontinued operation since 30 June 2011, consistent with the previously announced strategy to focus on transitioning to an actively managed Australian seniors living business. The Trusts holds a 100% interest in three facilities in Wellington, New Zealand that are primarily leased for 15 years to Victoria University of Wellington and Wellington Institute of Technology.

The Trusts have completed a sales campaign and terms have been agreed with a global real estate investment firm. Following divestment of these operations the proceeds will be reinvested into its Australian lifestyle parks business.

ii. Financial performance

The financial performance of components of the Trusts disposed of or classified as discontinued operations at each reporting date were:

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Revenue	**-**	40	**3,211**	5,256
Net loss on change in fair value of investment properties	**-**	(43)	**(1,630)**	(2,740)
Unrealised net foreign exchange gain/(loss)	**104**	–	**1,453**	(718)
Other income	**-**	31	**-**	–
(Expenses)/income	**(5)**	759	**(2,859)**	(5,505)
Gain on disposal of equity investments	**320**	–	**7**	–
Distributions from formerly equity accounted investments	**268**	2,262	**5**	24
Disposal costs associated with overseas investments	**-**	–	**(290)**	(672)
Profit/(loss) from operating activities before income tax	**687**	3,049	**(103)**	(4,355)
Income tax benefit/(expense)	**(6)**	(747)	**(8)**	(255)
Profit/(loss) from operating activities	**681**	2,302	**(111)**	(4,610)
Gain/(loss) on sale of discontinued operations	**-**	7,490	**-**	(837)
Release of foreign currency translation reserve on disposal of foreign operations	**-**	(15,507)	**-**	(2,444)
Net profit/(loss) for the year	**681**	(5,715)	**(111)**	(7,891)

Net profit attributable to the parent of ICF is $681,000 (2013: loss of $5,715,000), and net loss attributable to the parent of ICMT is $nil (2013: $4,577,000).

iii. Cash flows

The cash flows of components of the Trusts disposed of or classified as discontinued operations at each reporting date were:

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Net cash flow from operating activities	**-**	1,155	**1,135**	–
Net cash flow from investing activities:				
Proceeds/(payments) on sale of discontinued operations	**-**	28,531	**(120)**	35,818
Additions to investment properties	**-**	–	**(9,081)**	(13,666)
Payments for lease arrangements	**-**	–	**(745)**	–
Net cash flow from financing activities	**-**	(29,786)	**11,448**	(26,283)
Net cash flows from discontinued operations	**-**	(100)	**2,637**	(4,131)

iv. Assets and liabilities

The assets and liabilities of components of the Trusts classified as disposal groups at each reporting date were:

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Assets				
Cash and cash equivalents	**-**	–	**1,657**	974
Trade and other receivables	**-**	–	**98**	259
Investment properties	**-**	–	**45,902**	35,343
Plant and equipment	**-**	–	**-**	–
Equity accounted investments	**3,874**	3,874	**-**	–
Total assets	**3,874**	3,874	**47,657**	36,576
Liabilities				
Bank overdraft	**-**	–	**-**	1,955
Payables	**-**	–	**368**	2,050
Borrowings	**-**	–	**30,081**	17,522
Deferred tax liabilities	**-**	–	**-**	–
Total liabilities	**-**	–	**30,449**	21,527
Net assets of disposal groups	**3,874**	3,874	**17,208**	15,049

The change in investment properties increased for the year due to capitalised expenditure of $7.8 million, lease incentive payments of $0.4 million and foreign exchange gain of $4.0 million offset by a fair value loss of $1.6 million.

v. Capital commitments

There were no capital commitments under construction contracts for the New Zealand Students business for the year ended 30 June 2014 (2013: A$9,208,234).

vi. Capitalisation rate

The weighted average capitalisation rate of the New Zealand Students properties within discontinued operations is 8.6% (2013: 7.75%).

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

8. CASH AND CASH EQUIVALENTS

	Note	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Cash at bank and in hand	25	**2,658**	31,014	**3,893**	1,229
Reconciliation to statements of cash flows					
Cash and cash equivalents attributable to:					
Continuing operations – cash at bank		**2,658**	31,014	**3,893**	1,229
Discontinued operations – cash at bank		**-**	–	**1,657**	974
Discontinued operations – bank overdraft		**-**	–	**-**	(1,955)
Cash at end of the year as per cash flow statement		**2,658**	31,014	**5,550**	248

9. TRADE AND OTHER RECEIVABLES

	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Current				
Rental and other amounts due	**866**	4,822	**1,648**	1,336
Finance lease receivable from stapled entity	**3,322**	3,322	**-**	–
Accrued income, prepayments and deposits	**92**	1,060	**1,483**	1,483
Total current trade and other receivables	**4,280**	9,204	**3,131**	2,819
Non-current				
Finance lease receivable from stapled entity	**37,356**	37,358	**-**	–
Accrued income, prepayments and deposits	**1,978**	2,114	**40**	438
Total non-current trade and other receivables	**39,334**	39,472	**40**	438

Rental amounts due are typically paid in advance and other amounts due are receivable within 30 days. There are no receivables which are neither past due nor impaired.

ICF has leased a number of its properties to ICMT under leases that are classified as finance leases. The remaining term of each agreement varies between 92 and 115 years. There are no purchase options. Minimum payments under the agreements and their present values are:

	INGENIA COMMUNITIES FUND 2014 $'000	INGENIA COMMUNITIES FUND 2013 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2014 $'000	INGENIA COMMUNITIES MANAGEMENT TRUST 2013 $'000
Minimum lease payments receivable:				
Not later than one year	**3,322**	3,322	**-**	–
Later than one year and not later than five years	**13,287**	13,287	**-**	–
Later than five years	**301,540**	304,862	**-**	–
	318,149	321,471	**-**	–
Unearned finance income	**(277,471)**	(280,791)	**-**	–
Net present value of minimum lease payments	**40,678**	40,680	**-**	–
Net present value of minimum lease payments receivable:				
Not later than one year	**3,178**	3,178	**-**	–
Later than one year and not later than five years	**10,399**	10,400	**-**	–
Later than five years	**27,101**	27,102	**-**	–
	40,678	40,680	**-**	–
Finance income recognised and included in interest income in the income statement	**3,320**	3,160	**-**	–

Information about the related finance lease payable by ICMT is given in Note 14.

10. INVENTORIES

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current assets				
Manufactured homes	**–**	–	**2,208**	285

11. INVESTMENT PROPERTIES

a. Summary of Carrying Amounts

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Completed properties	**134,188**	119,867	**360,860**	247,249
Land not yet under construction	**300**	300	**3,515**	3,515
Total investment properties	**134,488**	120,167	**364,375**	250,764

b. Movements in Carrying Amounts

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Completed investment property				
Carrying amount at beginning of year	**119,867**	100,357	**247,249**	225,005
Acquisitions	**10,616**	23,317	**108,300**	16,006
Expenditure capitalised	**2,175**	474	**7,551**	3,070
Transferred from plant and equipment	**–**	–	**320**	–
Disposals	**–**	(2,830)	**–**	–
Sale of units – Strata title	**–**	–	**(495)**	–
Transfer (to)/from finance lease	**–**	(3,069)	**–**	3,069
Transfer to inventory	**–**	–	**(194)**	(195)
Net gain/(loss) on change in fair value	**1,530**	1,618	**(1,871)**	294
Carrying amount at end of year	**134,188**	119,867	**360,860**	247,249
Land not yet under construction				
Carrying amount at beginning of year	**300**	310	**3,515**	1,660
Expenditure capitalised	**–**	300	**–**	310
Net gain/(loss) on change in fair value	**–**	–	**–**	1,545
Disposals	**–**	(310)	**–**	–
Carrying amount at end of year	**300**	300	**3,515**	3,515

The net change in fair value is recognised in profit or loss as net gain/(loss) on change in fair value of investment properties.

Fair value hierarchy disclosures for investment properties have been provided in Note 26.

Notes to the Financial Statements

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11. INVESTMENT PROPERTIES (CONTINUED)

c. Description of Valuation Techniques used and Key Inputs to Valuation of Investment Properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable input to fair value
Garden Villages	Capitalisation method	Stabilised occupancy	62-98% (87%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (ie. the higher the occupancy, the greater the value).
		Capitalisation rate	8-13% (11%)	Capitalisation has an inverse relationship to valuation.
Settlers Lifestyle	Discounted cash flow	Current market value of property	$115,000-$470,000 ($307,000)	Market value and growth in value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Growth in value	0-4%	
		Average length of stay – future residents	11.4 years	
		Average length of stay – current residents	14.6 years	
		Discount rate	14-20% (15%)	
Active Lifestyle Estates	Capitalisation method (for existing rental streams)	Short-term occupancy	15-70% based on seasonality and accommodation categories	Higher the occupancy, the greater the value.
		Residential occupancy	90-100%	
		Operating profit margin	50-70% dependent upon short-term and residential accommodation mix	Higher the profit margin, the greater the value.
		Capitalisation rate	9-12%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for future development)	Discount rate	15-25%	Discount rate has an inverse relationship to valuation.

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

12. PLANT AND EQUIPMENT

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
a. Summary of Carrying Amounts				
Plant and equipment	**423**	423	**824**	1,185
Less: accumulated depreciation	**(184)**	(84)	**(644)**	(638)
Total plant and equipment	**239**	339	**180**	547
b. Movements in Carrying Amount				
Carrying amount at beginning of year	**339**	342	**547**	427
Acquired through acquisitions	**–**	–	**–**	320
Assets written off	**–**	–	**(82)**	–
Transferred to investment property	**–**	–	**(320)**	(173)
Additions	**–**	81	**102**	49
Depreciation	**(100)**	(84)	**(67)**	(76)
Carrying amount at end of year	**239**	339	**180**	547

13. TRADE AND OTHER PAYABLES

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current liabilities				
Trade and other payables	**1,210**	1,569	**8,480**	6,305
Non-current liabilities				
Other payables	**–**	–	**4,000**	–

14. BORROWINGS

		INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current liabilities					
Finance leases	(c)	**–**	–	**3,461**	3,589
		–	–	**3,461**	3,589
Non-current liabilities					
Bank debt	(a)	**94,000**	68,000	**–**	–
Prepaid borrowing costs		**(312)**	(578)	**–**	–
Finance leases	(c)	**–**	–	**41,883**	40,475
		93,688	67,422	**41,883**	40,475

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

14. BORROWINGS (CONTINUED)

a. Bank Debt

On 21 February 2014, ICF refinanced its Australian dollar denominated bank debt facility to $129,500,000. The facility expires on 30 September 2015 and has the following principal financial covenants:

- Loan to value ratio ("LVR") is less than or equal to 50%;
- Total leverage ratio does not exceed 50%; and
- Interest cover ratio (as defined) of at least 1.50x in financial year ending 2014 increasing to at least 1.75x in FY2015.

As at 30 June 2014, the facility has been drawn to $94,000,000 (2013: $68,000,000).

The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $290,375,000 (2013: $179,320,000).

b. Bank Guarantees

ICF has the ability to utilise a portion of its $129.5 million bank facility to provide bank guarantees. Bank guarantees at 30 June 2014 were $4.4 million. Refer to Note 23.

c. Finance Leases

Subsidiaries of ICMT have entered into agreements with subsidiaries of ICF. The subject of each agreement is to lease a retirement village. The remaining term of each agreement varies between 92 and 115 years. There are no purchase options.

On 23 of April 2013, ICMT was assigned a commercial lease with 16.5 years remaining with the Gosford City Council for land and facilities as part of its Ettalong Holiday Beach acquisition. The lease is for an initial three years commencing September 2012 with two renewal options of seven years each. The below table is based on the expectation that the lease options will be exercised.

In December 2013, ICMT acquired One Mile Beach Holiday Park, accounted for as investment property. Two Crown leases are attached to the land, one for 40 years expiring on 19 September 2031 and one for perpetuity.

i. Minimum Lease Payments – excluding Perpetual Lease

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Minimum lease payments:				
Within one year	**–**	–	**3,613**	3,589
Later than one year but not later than five years	**–**	–	**14,530**	14,422
Later than five years	**–**	–	**305,301**	308,628
Total minimum lease payments	**–**	–	**323,444**	326,639
Future finance charges	**–**	–	**(279,237)**	(282,575)
Present value of minimum lease payments	**–**	–	**44,207**	44,064
Present value of minimum lease payments:				
Within one year	**–**	–	**3,461**	3,436
Later than one year but not later than five years	**–**	–	**11,456**	11,362
Later than five years	**–**	–	**29,290**	29,266
	–	–	**44,207**	44,064

ii. 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 of 10.6% applied to the current lease payment. Payments each period in relation to the lease are recognised as finance expenses in the statement of comprehensive income therefore there is no subsequent change to the originally determined present value of the minimum lease payments as calculated above.

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. Under the terms of the lease, lease payments will continue into perpetuity. The current annual lease payment is $121,000.

15. RETIREMENT VILLAGE RESIDENT LOANS

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
a. Summary of Carrying Amounts				
Gross resident loans	**–**	–	**218,639**	206,629
Accrued deferred management fee	**–**	–	**(28,517)**	(30,926)
Net resident loans	**–**	–	**190,122**	175,703
b. Movements in Carrying Amounts				
Carrying amount at beginning of year	**–**	–	**175,703**	162,603
Net (gain)/loss on change in fair value of resident loans	**–**	–	**616**	(327)
Accrued deferred management fee income	**–**	–	**(5,333)**	(4,850)
Deferred management fee cash collected	**–**	–	**1,811**	1,368
Acquired resident loans	**–**	–	**–**	4,473
Proceeds from resident loans	**–**	–	**22,021**	19,338
Repayment of resident loans	**–**	–	**(10,361)**	(7,118)
Transfer to assets held for sale	**–**	–	**5,439**	–
Other	**–**	–	**226**	216
Carrying amount at end of year	**–**	–	**190,122**	175,703

Fair value hierarchy disclosures for retirement village resident loans have been provided in Note 26.

16. PROVISIONS

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current liabilities				
Employee liabilities	**–**	–	**590**	507
Non-current liabilities				
Employee liabilities	**–**	–	**249**	140

17. DERIVATIVES

		INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	Note	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current liabilities					
Interest rate swap contracts	25	**84**	–	**–**	–
Non-current liabilities					
Interest rate swap contracts	25	**84**	209	**–**	–

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18. DEFERRED TAX LIABILITIES

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Deferred tax assets				
Tax losses	**-**	–	**13,269**	8,120
Other	**-**	–	**883**	242
Deferred tax liabilities				
DMF receivable	**-**	–	**8,176**	6,756
Investment properties	**-**	–	**7,409**	9,461
Net deferred tax liabilities	**-**	–	**1,433**	7,855
Deductible temporary differences and carried forward losses tax effected for which no deferred tax asset has been recognised	**-**	–	**7,488**	4,220

The availability of carried forward tax losses of $7.5 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. ISSUED UNITS

a. Carrying Amounts

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
At beginning of year	**497,956**	480,693	**6,106**	3,351
Placement securities	**-**	18,179	**-**	2,908
Transaction costs of institutional placement securities	**-**	(916)	**-**	(153)
Rights issue	**51,985**	–	**8,364**	–
Rights issue costs	**(2,299)**	–	**(373)**	–
At end of year	**547,642**	497,956	**14,097**	6,106
The closing balance is attributable to the unitholders of:				
Ingenia Communities Fund	**547,642**	497,956	**-**	–
Ingenia Communities Management Trust	**-**	–	**14,097**	6,106
	547,642	497,956	**14,097**	6,106

b. Number of Issued Units

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 Thousands	**2013 Thousands**	**2014 Thousands**	**2013 Thousands**
At beginning and end of year	**507,179**	441,029	**507,179**	441,029
Placement securities	**169,061**	66,150	**169,061**	66,150
At end of year	**676,240**	507,179	**676,240**	507,179

c. Terms of Units

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

20. RESERVES

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Foreign currency translation reserve				
Balance at beginning of year	**–**	(16,896)	**766**	(614)
Translation differences arising during the year	**(226)**	1,389	**495**	(1,064)
Amounts transferred to profit and loss on disposal of foreign operations	**–**	15,507	**–**	2,444
Deconsolidation of ICMT	**–**	–	**–**	–
Balance at end of a year	**(226)**	–	**1,261**	766
The closing balance is attributable to the unitholders of:				
Ingenia Communities Fund	**(226)**	–	**1,092**	646
Ingenia Communities Management Trust	**–**	–	**169**	120
	(226)	–	**1,261**	766

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

21. ACCUMULATED LOSSES

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Balance at beginning of year	**(330,334)**	(328,594)	**(6,304)**	5,411
Net profit/(loss) for the year	**15,422**	2,670	**(1,170)**	(11,715)
Distributions	**(5,917)**	(4,410)	**–**	–
Balance at end of year	**(320,829)**	(330,334)	**(7,474)**	(6,304)
The closing balance is attributable to the unitholders of:				
Ingenia Communities Fund	**(320,829)**	(330,334)	**(3,425)**	(3,314)
Ingenia Communities Management Trust	**–**	–	**(4,049)**	(2,990)
	(320,829)	(330,334)	**(7,474)**	(6,304)

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22. COMMITMENTS

a. Capital Commitments

ICMT had commitments for capital expenditure on investment property contracted but not provided for at reporting date amounting to $3,266,000 (2013: $nil), all payable within one year.

b. Operating Lease Commitments

A subsidiary of ICMT has entered into a non-cancellable operating lease for its Brisbane office. The lease has a remaining life of five years.

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

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Within one year	**-**	–	**220**	95
Later than one year but not later than five years	**-**	–	**973**	–
Later than five years	**-**	–	**-**	–
	-	–	**1,193**	95

c. Finance Lease Commitments

A subsidiary of ICMT was assigned a commercial lease with 16.5 years remaining with the Gosford City Council for land and facilities as part of its Ettalong Holiday Beach acquisition. The lease is for an initial three years commencing September 2012 with two renewal options of seven years each.

In December 2013, a subsidiary of ICMT acquired One Mile Beach Holiday Park, accounted for as investment property. Two Crown leases are attached to the land, one for 40 years expiring on 19 September 2031 and one for perpetuity.

Refer to Note 14 for future minimum lease payments payable and the present value of minimum lease payments payable at reporting date for the finance leases at Ettalong Holiday Village and One Mile Beach Holiday Park.

For commitments for inter-staple related party finance leases refer to Notes 9, 14 and 25.

23. CONTINGENCIES

There are no known contingent liabilities other than the bank guarantees of $4.4 million provided for under the ICF $129.5 million bank facility (Note 14). Bank guarantees of $4.0 million are in relation to deferred land payments within ICMT recognised as non-current payables (refer to Note 13). These guarantees will not be called by the counterparty unless the payable is not paid per the terms of the agreement.

24. CAPITAL MANAGEMENT

The capital management of ICF and ICMT is not managed separately, but rather, is managed at a consolidated Group level (ICH and subsidiaries).

At the Group level, the aim is to meet strategic objectives and operational needs and to maximise returns to security holders through the appropriate use of debt and equity, while taking account of the additional financial risks of higher debt levels.

In determining the optimal capital structure, the 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 liquidity risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the Group takes into account the relative security of income flows, the predictability of expenses, debt 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 on gearing levels, 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.

The Group's capital position is primarily monitored through the ratio of total liabilities to total assets ("Leverage Ratio"), calculated on a look-through basis.

In addition, the Trusts monitor the ratio of debt to total assets ("Gearing Ratio"), calculated on a look through basis.

25. 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 Treasury 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 forecast not 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 Treasury 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 Treasury 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 Treasury 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 Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

At 30 June 2014, after taking into account the effect of interest rate swaps, approximately 47% of ICF's borrowings are at a fixed rate of interest (30 June 2013: 26%).

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

	INGENIA COMMUNITIES FUND				
		FIXED INTEREST MATURING IN:			
30 June 2014	**Floating interest rate**	**Less than 1 year**	**One to five Years**	**More than 5 years**	**Total**
Principal amounts $'000					
Financial assets					
Cash at bank	**2,658**	–	–	–	**2,658**
Financial liabilities					
Bank debt denominated in AUD	**94,000**	–	–	–	**94,000**
Interest rate swaps:					
– denominated in AUD; Fund pays fixed rate	**(45,000)**	**45,000**	–	–	–

ICMT's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date were:

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

25. FINANCIAL INSTRUMENTS (CONTINUED)

	INGENIA COMMUNITIES MANAGEMENT TRUST				
		FIXED INTEREST MATURING IN:			
30 June 2014	Floating interest rate	Less than 1 year	One to five Years	More than 5 years	Total
Principal amounts $'000					
Financial assets					
Cash at bank	3,893	–	–	–	3,893
Financial liabilities					
Finance leases (excluding perpetual lease)	–	3,461	11,456	29,290	44,207

ICMT's exposure to interest rate risk and the effective interest rates on financial instruments at the end of the previous financial year were:

	INGENIA COMMUNITIES MANAGEMENT TRUST				
		FIXED INTEREST MATURING IN:			
30 June 2013	Floating interest rate	Less than 1 year	One to five Years	More than 5 years	Total
Principal amounts $'000					
Financial assets					
Cash at bank	1,229	–	–	–	1,229
Financial liabilities					
Finance leases	–	3,436	11,362	29,266	44,064

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 unitholders' interest (apart from the effect on profit).

i. Increase in average interest rates of 1%

The effect on net interest expense for one year would have been:

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Variable interest rate instruments denominated in:				
Australian dollars	(940)	(680)	–	–

The effect on change in fair value of derivatives would have been:

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Interest rate swaps denominated in:				
Australian dollars	417	793	–	–

ii. Decrease in average interest rates of 1%

The effect on net interest expense for one year would have been:

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Variable interest rate instruments denominated in:				
Australian dollars	**940**	680	**–**	–

The effect on change in fair value of derivatives would have been:

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Interest rate swaps denominated in:				
Australian dollars	**(297)**	(810)	**–**	–

e. Foreign Exchange Risk

By holding properties in offshore markets, the Trusts are exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may reduce the Australian dollar equivalent of the carrying value of the Trusts offshore properties, and may result in lower Australian dollar equivalent proceeds when an offshore property is sold. In addition, foreign exchange rate movements may reduce the Australian dollar equivalent of the earnings from the offshore properties while they are owned by the Trusts.

The Trusts reduce exposure to the foreign exchange risk inherent in the carrying value of its offshore properties and interests in offshore investments by partly or wholly funding their acquisition using borrowings denominated in the particular offshore currency, and by using derivatives. The Treasury Policy sets a target for minimum and maximum hedging of the carrying value of its offshore properties.

The Trusts exposure to the impact of exchange rate movements on earnings from offshore properties is partly mitigated by the foreign denominated interest expense of its foreign denominated borrowings and any derivative hedges. The Trusts aim to reduce any residual exposure to earnings arising because of investment in offshore markets by using forward exchange contracts. The Treasury Policy sets out targets of minimum and maximum hedging of earnings from offshore properties over a five-year time horizon.

The Trusts net foreign currency monetary exposure, after taking into account the effect of foreign exchange derivatives, 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 the Australian dollar. It excludes assets and liabilities of entities, including the Trusts' United States subsidiaries and equity accounted investments, whose functional currency is not the Australian dollar.

	NET FOREIGN CURRENCY ASSET/(LIABILITY)			
	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Net foreign currency exposure:				
United States dollars	**157**	1,282	**–**	–

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

25. FINANCIAL INSTRUMENTS (CONTINUED)

f. 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. In these tables, the effect on unitholders' interest excludes the effect on profit after tax.

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

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Foreign exchange risk exposures denominated in:				
United States dollars	**(16)**	(128)	**–**	–

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

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Foreign exchange risk exposures denominated in:				
United States dollars	**16**	128	**–**	–

g. Foreign Exchange Derivatives Held

Forward exchange contracts, options and foreign exchange swaps are taken out to mitigate the effect of foreign exchange movements on the financial statements.

At balance sheet date, the Trusts did not hold any foreign exchange derivatives. There was no impact to the consolidated result for the year for the change in fair value for foreign exchange derivatives ended 30 June 2014 (2013: loss $9,000).

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 Trust's 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 Trust's Treasury Policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Trusts, after allowing for appropriate set offs which are legally enforceable.

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

i. Liquidity Risk

The main objective of liquidity risk management is to reduce the risk that the Trusts do not have the resources available to meet their financial obligations and working capital and committed capital expenditure requirements. The Trust's Treasury 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 Treasury 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 Trust'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 including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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

	INGENIA COMMUNITIES FUND			
2014	**Less than 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Trade and other payables	**1,210**	**–**	**–**	**1,210**
Borrowings	**4,521**	**99,653**	**–**	**104,174**
	5,731	**99,653**	**–**	**105,384**
2013				
Trade and other payables	1,569	–	–	1,569
Borrowings	3,271	72,089	–	75,360
	4,840	72,089	–	76,929

	INGENIA COMMUNITIES MANAGEMENT TRUST			
2014	**Less than 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Trade and other payables	**8,480**	**4,000**	**–**	**12,480**
Retirement village resident loans	**190,122**	**–**	**–**	**190,122**
Borrowings (excluding perpetual lease)	**3,613**	**14,530**	**305,301**	**323,444**
Finance lease (perpetual lease)	**121**	**483**	**–**	**604**
Provisions	**590**	**249**	**–**	**839**
	202,926	**19,262**	**305,301**	**527,489**
2013				
Trade and other payables	6,305	–	–	6,305
Retirement village resident loans	175,703	–	–	175,703
Borrowings	3,589	14,422	308,628	326,639
Provisions	507	140	–	647
	186,104	14,562	308,628	509,294

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 including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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for the year ended 30 June 2014 | continued

25. FINANCIAL INSTRUMENTS (CONTINUED)

	INGENIA COMMUNITIES FUND			
2014	**Less than 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Liabilities				
Derivative liabilities – net settled	**84**	**84**	**–**	**168**
2013				
Liabilities				
Derivative liabilities – net settled	–	209	–	209

ICMT did not have any derivative financial liabilities at either 30 June 2014 or 30 June 2013.

j. Other Financial Instrument Risk

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

	EFFECT ON PROFIT AFTER TAX			
	INGENIA COMMUNITIES FUND HIGHER/(LOWER)		INGENIA COMMUNITIES MANAGEMENT TRUST HIGHER/(LOWER)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Increase in market prices of investment properties of 10%	**–**	–	**(21,864)**	(20,700)
Decrease in market prices of investment properties of 10%	**–**	–	**21,864**	20,700

However, these effects are largely offset by corresponding changes in the fair value of the Trusts' investment properties.

The effect on unitholders' interest would have been the same as the effect on profit.

k. Fair Value

The Trusts use 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.

The following table presents the Trusts' 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**	**Sensitivity to the input to fair value**
Retirement village resident loans	Loans measured as the ingoing resident's contribution plus the resident's share of capital appreciation to reporting date, less DMF accrued to reporting date.	Long-term capital appreciation rates for residential property between 0-4%. Estimated length of stay of residents based on life tables.	The higher the appreciation, the higher the value of resident loans. The longer the length of stay, the lower the value of resident loans.	The higher the appreciation, the higher the value of resident loans. The longer the length of stay, the lower the value of resident loans.
Derivative interest rate swaps	Net present value of future cash flows discounted at market rates adjusted for the Group's credit risk.	N/A	N/A	The longer the length of stay, the higher the DMF accrued, capped at a predetermined period of time.

There has been no movement from Level 3 to Level 2 during the current period. Changes in ICMT's retirement village resident loans which are level 3 instruments are presented in Note 26.

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

26. 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 June 2014	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment properties	**30 June 2014 Refer to Note 11**	134,488	–	–	134,488

ii. Liabilities measured at fair value

			FAIR VALUE MEASUREMENT USING		
30 June 2014	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Derivatives	**30 June 2014**	168	–	168	–

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

b. Ingenia Communities Management Trust

The following table provides the fair value measurement hierarchy of Ingenia Communities Management Trust assets and liabilities:

i. Assets measured at fair value

			FAIR VALUE MEASUREMENT USING		
30 June 2014	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investment properties	**30 June 2014 Refer to Note 11**	364,375	–	–	364,375
Discontinued operations – investment property	**30 June 2014 Refer to Note 7(b)**	45,902	–	–	45,902
Assets held for sale – investment property	**30 June 2014 Refer to Note 7(a)**	–	–	–	–
Assets held for sale – deferred management fee receivable	**30 June 2014 Refer to Notes 7(a) and 15**	5,439	–	5,439	–

ii. Liabilities measured at fair value

			FAIR VALUE MEASUREMENT USING		
30 June 2014	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Retirement village resident loans	**30 June 2014 Refer to Note 15**	190,122	–	–	190,122

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

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

26. FAIR VALUE MEASUREMENT (CONTINUED)

c. Fair Value Hierarchy for Financial Instruments Measured at Fair Value as at 30 June 2013:

	INGENIA COMMUNITIES FUND			
30 June 2013	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial liabilities – derivatives	209	–	209	–

	INGENIA COMMUNITIES MANAGEMENT TRUST			
30 June 2013	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial liabilities – retirement village resident loans	175,703	–	–	175,703

27. AUDITOR'S REMUNERATION

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $	**2013 $**	**2014 $**	**2013 $**
Amounts received or receivable by Ernst & Young for:				
Audit or review of financial reports	**146,025**	120,339	**146,025**	122,364
Other audit related services	**9,350**	9,183	**9,350**	–
	155,375	129,522	**155,375**	122,364

28. 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

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $	**2013 $**	**2014 $**	**2013 $**
Ingenia Communities RE Limited:				
Asset management fees	**1,170,374**	1,101,265	**1,625,516**	1,456,230

The Responsible Entity is entitled to a fee of 0.5% of total assets. In addition, it is entitled to recover certain expenses.

The amount accrued and recognised but unpaid at reporting date was:

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $	**2013 $**	**2014 $**	**2013 $**
Current trade payables	**2,340,175**	1,169,801	**3,167,572**	1,542,056

These are included in current trade payables in the balance sheet.

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 2014 and 30 June 2013.

d. Other Related Party Transactions

Subsidiaries of ICMT have entered into agreements with subsidiaries of ICF for the leases of land that retirement villages are operated on. The remaining term of each agreement varies between 92 and 115 years. There are no purchase options. Rental villages have been classified as operating leases and DMF villages have been classified as finance leases.

Intercompany loans are subject to a loan deed dated 29 June 2012 encompassing ICH, ICF and ICMT and their respective subsidiaries. The deed stipulates that on the last business day of each month intercompany balances are set off within each of the ICH, ICF and ICMT sub-groups and the balances between ICH, ICF and ICMT incur interest at 8.5%pa. Intercompany loan balances are payable on demand, however ICF has undertaken not to call its loan receivable from ICMT within twelve months of the date of this report, if calling the loan would result in ICMT being unable to pay its debts as and when they are due and payable.

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

		INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	Note	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT		**3,319,833**	3,321,780	**(3,319,833)**	(3,321,780)
Finance lease balance receivable/(payable) between ICF and ICMT	9	**40,677,551**	40,679,518	**(40,677,551)**	(40,679,518)
Finance lease commitments		**318,149,045**	321,470,845	**(318,149,045)**	(321,470,845)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT		**9,354,036**	8,467,260	**(9,354,036)**	(8,467,260)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities		**6,807,133**	2,039,631	**6,335,522**	1,820,680
Intercompany loan balances between stapled entities		**135,805,451**	31,870,000	**(133,249,024)**	(30,769,000)

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

28. RELATED PARTIES (CONTINUED)

e. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

The names of the directors of ICRE, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

Jim Hazel (Chairman)	
Philip Clark AM	
Amanda Heyworth	
Robert Morrison	
Norah Barlow	Appointed 31 March 2014
Simon Owen (Managing Director and CEO)	

The names of other key management personnel, and their dates of appointment or resignation if they did not occupy their position for all of the financial year, are:

Simon Owen	Managing Director and CEO
Nicole Fisher	Chief Operating Officer
Tania Betts	Chief Financial Officer

Key management personnel do not receive any remuneration directly from the Trusts. They receive remuneration from ICH in their capacity as Directors or employees of ICH. Consequently, the Trusts do not pay any compensation as defined in Accounting Standard AASB 124 *Related Parties* to its key management personnel.

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

	2014 $	**2013 $**
Directors fees	**462,500**	319,167
Salaries and other short-term benefits	**1,094,684**	756,735
Short-term incentives	**332,235**	182,382
Superannuation benefits	**59,084**	48,957
Share-based payment	**680,600**	293,113
	2,629,103	1,600,354

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

The aggregate PQRs and RQRs of the Group held directly, by KMP, are as follows:

			NUMBER OUTSTANDING	
Issue date	**Rights**	**Expiry date**	**2014**	**2013**
2012	RQR	2014	**1,818,000**	1,818,000
2012	PQR	2015	**3,842,000**	3,842,000
2013	PQR	2016	**3,716,000**	–

29. PARENT FINANCIAL INFORMATION

Summary financial information about the parent of each Trust is:

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current assets	**134,675**	57,833	**178**	3
Total assets	**253,843**	183,749	**3,165**	2,991
Current liabilities	**1,379**	1,779	**8,108**	9,332
Total liabilities	**95,067**	69,202	**5,772**	9,332
Net assets/(liabilities)	**158,776**	114,547	**(2,607)**	(6,341)
Unitholders equity:				
Issued units	**547,643**	497,957	**14,092**	6,106
Accumulated losses	**(388,867)**	(383,410)	**(16,699)**	(12,447)
Total unitholders' equity	**158,776**	114,547	**(2,607)**	(6,341)
Profit/(loss) from continuing operations	**460**	(4,744)	**(4,252)**	(3,511)
Net profit/(loss) attributable to unitholders of each Trust	**460**	19,704	**(4,252)**	(9,088)
Total comprehensive income/(loss)	**460**	19,703	**(4,252)**	(9,055)

Notes to the Financial Statements

for the year ended 30 June 2014 | continued

30. SUBSIDIARIES

a. Names of 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	
Name	Country of residence	2014 %	2013 %
Subsidiaries of Ingenia Communities Fund			
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 CC Trust	Australia	**100**	100
INA Community Living Subsidiary Trust No. 2	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
ILF Regency Subsidiary 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 Subsidiary Trust No.2	Australia	**100**	100
Noyea Pty Ltd	Australia	**100**	–
INA Community Living LLC (formerly ING Community Living LLC)	United States of America	**100**	100
INA US Community Living Fund LLC (formerly ING US Community Living Fund LLC)	United States of America	**100**	100
Subsidiaries of Ingenia Communities Management Trust			
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
ILF Regency Operations Trust	Australia	**100**	100
Settlers Operations Trust	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
Noyea Operations Pty Ltd	Australia	**100**	–
Ridge Estate Trust	Australia	**100**	100
INA Subsidiary Trust No.3	Australia	**100**	100
INA NZ Subsidiary Trust No. 1	New Zealand	**100**	100
CSH Lynbrook GP LLC	United States of America	**100**	100
CSH Lynbrook LP	United States of America	**100**	100
INA Community Living II (formerly ING Community Living II)	United States of America	**100**	100
Lynbrook Freer Street Member LLC	United States of America	**100**	100
Lynbrook Management, LLC	United States of America	**100**	100

The Trusts voting interest in all other subsidiaries is the same as the ownership interest.

31. NOTES TO THE CASH FLOW STATEMENTS

a. Reconciliation of Profit to Net Cash Flows from Operations

	INGENIA COMMUNITIES FUND		INGENIA COMMUNITIES MANAGEMENT TRUST	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Net profit for the year	**15,422**	2,670	**(1,170)**	(11,715)
Adjustments for:				
Net foreign exchange (gain)/loss	**42**	–	**(1,453)**	718
Release of FCTR on disposal of foreign operations	**–**	15,507	**–**	2,444
Net (gain)/loss on disposal of equity accounted investment	**320**	(7,584)	**–**	–
Net loss on disposal of investment properties	**–**	107	**–**	994
Net (gain)/loss on change in fair value of:				
Investment properties – continuing	**(1,530)**	(1,618)	**1,871**	(1,839)
Investment properties – discontinued	**–**	43	**1,630**	2,740
Derivatives	**(41)**	(752)	**–**	–
Retirement village resident loans	**–**	–	**616**	(327)
Disposal costs associated with overseas investments	**–**	150	**290**	672
Income tax expense/(benefit)	**6**	748	**(6,498)**	273
Other non-cash items	**–**	35	**–**	–
Operating profit/(loss) for the year before changes in working capital	**14,219**	9,306	**(4,714)**	(6,040)
Changes in working capital:				
(Increase)/decrease in receivables	**(18,310)**	(12,676)	**20,710**	12,060
(Increase)/decrease in other assets	**–**	–	**(1,923)**	–
Increase in retirement village resident loans	**–**	–	**6,327**	12,220
Increase/(decrease) in other payables and provisions	**292**	464	**2,028**	197
Net cash provided by operating activities	**(3,799)**	(2,906)	**22,428**	18,437

32. SUBSEQUENT EVENTS

a. RQR Vesting

On 1 July 2014, 1,818,000 Retention Quantum Rights ("RQRs") granted to KMP in 2012 vested. As a result 1,818,000 fully paid stapled securities have been issued to the following KMP:

Simon Owen	1,070,000
Tania Betts	374,000
Nicole Fisher	374,000

b. Sale of Noyea

Settlement on the sale of Settlers Lifestyle Noyea was completed on 31 July 2014 at an adjusted sales price of $5.4 million resulting in $nil gain or loss recognised upon completion.

c. Bank Guarantee

On 1 July 2014, ICF obtained a bank guarantee of $10 million from the bank facility in relation to cash requirements under the Australian Financial Services Licence.

d. Sale of New Zealand Students business

On 5 September 2014, the Trusts announced they had contracted to divest the New Zealand Students business for consideration of NZ$49.4 million, representing the book value at 30 June 2014. Upon settlement, disposal costs and a FCTR gain will be released through profit. At 30 June 2014, the FCTR balance was A$1.0 million.

e. Refinance of Australian Debt

ICF's current Australian banking facility expires in September 2015. ICF has recently undertaken a debt refinance and obtained credit approval for a new $175 million Australian multilateral banking facility. This facility will be split between a three year and five year maturity profile.

Directors' Declaration

for the year ended 30 June 2014

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

1. In the opinion of the directors:
   (a) the financial statements and notes of Ingenia Communities Fund and of Ingenia Communities Management Trust 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 2014 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 2014.

On behalf of the Board

Jim Hazel
Chairman
Sydney, 19 September 2014

Independent Auditors' Report

for the year ended 30 June 2014

EY
Building a better working world

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Independent auditor's report to the unitholders of Ingenia Communities Fund and Ingenia Communities Management Trust ("the Trusts")

Report on the Financial Report

We have audited the accompanying financial report which has been prepared in accordance with ASIC class order 05/642 and comprises:

- the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in unitholders' interest and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Ingenia Communities Fund, comprising Ingenia Communities Fund and the entities it controlled at year end or from time to time during the financial year.

- the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in unitholders' interest and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Ingenia Communities Management Trust, comprising Ingenia Communities Management Trust and the entities it controlled at year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Ingenia Communities RE Limited as Responsible Entity of the Trusts are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditors' Report

for the year ended 30 June 2014

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Independence

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

Opinion

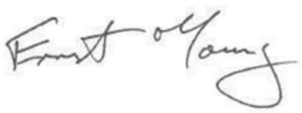
In our opinion:

1. the financial report of Ingenia Communities Fund and Ingenia Communities Management Trust is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the financial position of the Trusts as at 30 June 2014 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (b)



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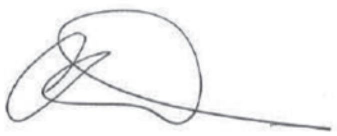

Chris Lawton
Partner
19 September 2014

Securityholder Information

for the year ended 30 June 2014

The information set out below was prepared as at 4 September 2014 and 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 Securityholders as at 4 September 2014

Securityholder	Number of Securities Held	% of Issued Capital
J P MORGAN NOMINEES AUSTRALIA LIMITED	151,820,670	22.39%
NATIONAL NOMINEES LIMITED	107,560,963	15.86%
CITICORP NOMINEES PTY LIMITED	74,958,077	11.05%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,600,979	8.05%
BNP PARIBAS NOMS PTY LTD	31,278,400	4.61%
MERCANTILE INVESTMENT COMPANY LTD	19,514,519	2.88%
MCNEIL NOMINEES PTY LIMITED	16,400,531	2.42%
CITICORP NOMINEES PTY LIMITED	14,109,792	2.08%
MERCANTILE INVESTMENT COMPANY LTD	13,103,817	1.93%
MIRRABOOKA INVESTMENTS LIMITED	8,500,000	1.25%
BNP PARIBAS NOMS (NZ) LTD	6,444,114	0.95%
GWYNVILL TRADING PTY LTD	6,166,667	0.91%
UBS NOMINEES PTY LTD	4,941,940	0.73%
CUSTODIAL SERVICES LIMITED	4,207,549	0.62%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,413,091	0.50%
BOND STREET CUSTODIANS LIMITED	3,249,667	0.48%
BODIAM PROPERTIES PTY LTD	3,123,000	0.46%
MRS MONIKA BATKIN	3,100,000	0.46%
FORSYTH BARR CUSTODIANS LTD	2,442,900	0.36%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,374,473	0.35%
TOTAL	**531,311,149**	**78.36%**

Distribution of securityholders as at 4 September 2014

Holding (securities)	Number of Securityholders	% of Issued Capital
1 to 1,000	252	6.24
1,001 to 5,000	814	20.15
5,001 to 10,000	785	19.44
10,001 to 100,000	1,906	47.19
100,001 and over	282	6.98
Total	**4,039**	**100.00**

The number of securityholders holding less than a marketable parcel on 4 September 2014 is 265 and they hold 92,420 securities.

Substantial holders in INA as at 4 September 2014

Securityholder	Number of Securities
Mercantile Investment Company Limited	35,428,533
Fisher Funds Management Limited	35,202,706

VOTING

Securityholders in Ingenia Communities Group are entitled to 1 vote for each security they hold in the Group.

Investor Relations

for the year ended 30 June 2014

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 securityholding.

www.ingeniacommunities.com.au

Ingenia's corporate website provides investors with extensive information about the Group. You can visit the website to find: information on Ingenia and its property portfolios; the latest financial information; reports; announcements; and corporate governance information.

Securityholders can access their investment details, including holding balance and payment history, from 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 2013/2014 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 2014	17 Sept 2014	$0.0065
December 2013	21 March 2014	$0.0050

*For resident securityholders the distribution is tax deferred. For non-resident securityholders, the total FY14 distributions comprised 0.496 cents of tax deferred amount and 0.654 cents of interest income.

Ingenia Communities Group operates a **Distribution Reinvestment Plan** through which securityholders can elect to reinvest all or part of their distributions in additional Ingenia securities. The rules of the Plan and how to apply can be found on the website or obtained from the Registry, Link Market Services.

Annual Taxation Statement

Annual Taxation Statements, which summarise payments made during the year and include information required to complete an Australian tax return, are dispatched each September. Details of past distributions and relevant tax information are available on Ingenia's website.

Annual General Meeting

The Annual General Meeting will be held on 12 November 2014 at the Grace Hotel in Sydney.

2014/2015 Securityholder Calendar*

17 September 2014	Final FY14 distribution paid
17 September 2014	Annual Tax Statement dispatched
12 November 2014	Annual General Meeting
February 2015	1H15 Result announced
March 2015	Interim FY15 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**

Complaints

Any securityholder 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 Financial Ombudsman Service (FOS). If a securityholder feels that a complaint remains unresolved or wishes it to be investigated further, FOS can be contacted as detailed below:

By telephone: 1300 780 808

In writing: Financial Ombudsman Service Limited
GPO Box 3, Melbourne VIC 3001
Website: www.fos.org.au

Corporate Directory

for the year ended 30 June 2014

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 415 862)

Registered Office
Level 5, 151 Castlereagh 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 INA (as at 4 September 2014)
J Hazel (Chairman)
A Heyworth
N Barlow NZOM
P Clark AM
R Morrison
S Owen

Secretary
L Ralph
T Betts

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
EY
680 George Street Sydney NSW 2000

Stock Exchange Quotation
Ingenia Communities Group is listed on the Australian Securities Exchange under ASX listing code: INA.

Disclaimer

www.ingeniacommunities.com.au

Ingenia Communities Group

Level 5, 151 Castlereagh Street Sydney NSW 2000
T. 1300 132 946
E. investor@ingeniacommunities.com.au
W. www.ingeniacommunities.com.au