

APPENDIX 4E

Annual Financial Report

Year ended 30 June 2017

<p>Name of Entity: Ingenia Communities Group (“INA”), a stapled entity comprising Ingenia Communities Holdings Limited ACN 154 444 925, Ingenia Communities Fund ARSN 107 459 576, and Ingenia Communities Management Trust ARSN 122 928 410.</p>
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Current period:	1 July 2016 - 30 June 2017
Previous corresponding period:	1 July 2015 - 30 June 2016

Results for announcement to the market

	2017	2016	Change	Change
	\$'000	\$'000	\$'000	%
Revenue	149,909	107,141	42,768	40%
Net profit for the year attributable to members	26,408	24,280	2,128	9%
Underlying profit	23,521	20,161	3,360	17%
Net tangible assets per security (\$)	\$2.50	\$2.45	\$0.05	2%
Distributions - (cents)				
Final Distribution (payable 13 September 2017)	5.10	5.10	-	-
Interim Distribution (paid 15 March 2017)	5.10	4.20	0.90	21%
Total Distributions	10.20	9.30	0.90	10%
FY17 Final distribution dates				
Ex-dividend date	25 August 2017			
Record date	5 pm 28 August 2017			
Payment date	13 September 2017			
The Dividend and Distribution Reinvestment Plan is operational for this distribution				

Other significant information and commentary on results

See attached ASX announcement and materials referred to below.

Audit status

The Annual Financial Report is based on the Financial Report which has been audited by Ernst & Young.

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

- Operating and financial review
- Financial Report
- Results presentation and media release



Leanne Ralph
Company Secretary

22 August 2017



INGENIA COMMUNITIES HOLDINGS LIMITED

A.C.N. 154 444 925

**FINANCIAL REPORT
YEAR ENDED 30 JUNE 2017**

www.ingeniacommunities.com.au

Registered Office: Level 9, 115 Pitt Street, Sydney NSW 2000

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Year ended 30 June 2017

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Ingenia Communities Holdings Limited
Directors' Report
Year ended 30 June 2017

DIRECTORS' REPORT

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 2017 (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"). In this report, the Company and the Trusts are referred to collectively as the "Group".

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.

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)

Robert Morrison (Deputy Chairman)

Philip Clark AM

Amanda Heyworth

Valerie Lyons (appointed, effective 1 March 2017)

Norah Barlow ONZM (resigned, effective 15 November 2016)

Executive Directors

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

Qualifications, experience and special responsibilities

Jim Hazel – Non-Executive Chairman

Mr Hazel was appointed to the Board in March 2012. Mr Hazel has had an extensive corporate career in both the banking and retirement sectors. His retirement village operations experience includes being Managing Director of Primelife Corporation Limited (now part of Lend Lease). Other current listed company directorships include Bendigo and Adelaide Bank Limited and Centrex Metals Limited. He also serves on the Boards of Coopers Brewery Limited and the University of South Australia. Mr Hazel was previously on the board of ImpediMed Limited. Mr Hazel holds a Bachelor of Economics and is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors. Mr Hazel is a member of the Investment Committee.

Robert Morrison – Non-Executive Deputy Chairman

Mr Morrison was appointed to the Board in February 2013. Mr Morrison brings to the board extensive experience in property investments, property development, portfolio management, capital raising as well as institutional funds management. During his 21 years at AMP Limited, 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 a Non-Executive Director of Mirvac Funds Management Limited, an Executive Director of AMP Capital Limited and a National Director of the Property Council of Australia. He is a founding partner and Executive Director of alternative investments firm, Barwon Investment Partners. Mr Morrison holds a Bachelor of Town and Regional Planning (Hons) and a Master of Commerce.

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

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Philip Clark AM – Non-Executive Director

Mr Clark was appointed to the Board in June 2012. Mr Clark is the Chair of SCA Property Group 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's qualifications include a Bachelor of Arts, Bachelor of Law and a Masters of Business Administration. Mr Clark is Chair of the Remuneration and Nomination Committee.

Amanda Heyworth – Non-Executive Director

Ms Heyworth is a professional company director and currently serves on the boards of a number of private, university and Government bodies. She previously served as Executive Director of a venture capital fund which specialised in technology investments. Early in her career, she worked as a Federal Treasury economist and held management roles in the finance and technology sectors.

Ms Heyworth has particular strengths in strategy, managing growth and marketing having worked as a venture capital investor for over a decade and been involved in numerous product launches. She holds a MBA from the Australian Graduate School of Management's MBA program and has taught strategy and marketing for the AGSM in both Australia and Hong Kong.

Ms Heyworth has strong finance and accounting credentials. She has been involved in over 40 capital raisings and M&A transactions and holds a BA (Accounting) with a major in finance from the University of South Australia and has post graduate qualifications in accounting and finance.

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

Valerie Lyons – Non-Executive Director

Ms Lyons was appointed to the Board in March 2017. Ms Lyons has over 30 years experience in executive, non-executive and advisory roles across the health, aged care and retirement, and finance and superannuation sectors. Ms Lyons has held CEO and CFO roles in well regarded seniors and disability service organisations including Uniting AgeWell, Villa Maria and Southern Cross Care (Vic) with prior directorships including Leading Age Services Australia (LASA), Catholic Health Australia (CHA) and Aged and Community Services Australia (ACSA). Ms Lyons is currently a non-executive director of Health Employees Superannuation Trust Australia (HESTA) and registered disability and aged care provider Independence Australia Group. She also serves as a non-executive member of the Audit & Risk Board committee for the Australian Digital Health Agency (ADHA), a government agency with responsibility for all national digital health services and systems. Ms Lyons holds a Bachelor of Business Studies Accounting. Ms Lyons is a Fellow of the Australian Institute of Company Directors, CPA Australia and the Governance Institute of Australia and a member of the Australian Institute of Superannuation Trustees.

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

Simon Owen – MD 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 focus on lifestyle parks. He brings to the Group in-depth sector experience. Mr Owen is currently a Director of BIG4 Holiday Parks, Australia's leading holiday parks group representing 180 parks across Australia and is a past member of the Retirement Living Division Council (part of the Property Council of Australia). He is also a past National President of the Retirement Villages Association (now part of the Retirement Living Council), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia, a role he held for four years. Mr Owen has over 20 years' experience working in ASX listed groups with roles across finance, funds management, mergers and acquisitions, business development and sales and marketing. Prior to joining Ingenia Communities, Mr Owen was the CEO of Aevum, a formerly listed retirement company. Mr Owen is a qualified accountant (CPA) with a Bachelor of Business (Accounting) and a postgraduate diplomas in finance and investment and advanced accounting.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

MEETINGS

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

	Board		Audit & Risk Committee		Remuneration & Nomination Committee		Investment Committee	
	A	B	A	B	A	B	A	B
Jim Hazel	14	13	-	-	-	-	4	4
Philip Clark AM	14	13	-	-	5	5	-	-
Amanda Heyworth	14	14	7	7	5	5	-	-
Robert Morrison	14	14	7	7	-	-	4	4
Norah Barlow	7	7	3	2	2	2	2	2
Valerie Lyons	3	3	2	2	2	2	2	2
Simon Owen	14	13	-	-	-	-	-	-

A: Meetings eligible to attend **B:** Meetings attended

Interests of directors

Securities in the Group held by directors or their associates as at 30 June 2017 were:

	Issued stapled securities	Rights
Jim Hazel	331,483	-
Amanda Heyworth	122,485	-
Robert Morrison	107,146	-
Philip Clark AM	52,674	-
Valerie Lyons	13,969	-
Simon Owen	1,352,772	365,772

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

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.

Natalie Kwok (appointed, effective 1 January 2017)

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

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

OPERATING AND FINANCIAL REVIEW

Ingenia Communities Group Overview

The Group is a leading owner, operator and developer of a diversified portfolio of senior lifestyle and holiday communities across Australia. The Group is in the ASX 300 with a market capitalisation of approximately \$536 million. Its real estate assets span key metropolitan and coastal markets, with a carrying value of \$693.5 million at 30 June 2017, comprising of 33 lifestyle communities, 31 rental communities and three retirement (deferred management fee) communities.

The Group's vision is to create Australia's best lifestyle communities of affordable permanent and tourism rental accommodation, focusing on the seniors demographic. The Board is committed to delivering continued earnings and security price growth to securityholders and providing a supportive community environment to both its permanent and short-term residents.

Our Values

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



Strategy

The Group's strategy is to accelerate the development of Lifestyle and Holiday communities coupled with enhancing the financial performance of its asset base by growing revenue streams and effective cost and capital management.

Increasing the velocity and margin on new home sales, repositioning and upgrading existing communities and targeting defined sector adjacencies and innovations are key growth priorities of the Group. In FY18 the Group is targeting the sale and development of over 260 new homes and is forecasting over 350 new homes for the 2019 financial year. Using a disciplined investment framework, the Group plans to continue its focus on metropolitan and coastal locations through portfolio targeted acquisitions and divestments.

The key immediate business priorities of the Group are:

- Achieve at least 260 new home settlements in FY18 and position for target of over 350 homes in FY19;
- Continue to focus on metropolitan and coastal locations through portfolio remixing and development;
- Improve performance of existing assets through repositioning and by driving revenue growth and leveraging the Group's operating and sales platform;
- Expand development margins through innovative home designs and building efficiencies.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

FY17 financial results

Significant investment in Ingenia Lifestyle and Holidays continued during FY17, with a focus on building the Group's development pipeline and lifestyle and tourism portfolio's, through eight strategic acquisitions in coastal and metropolitan markets. Management has also remained focused on occupancy and rental growth within the Ingenia Gardens and the Ingenia Lifestyle and Holidays rental assets.

In October 2016 in line with the Group's asset recycling strategy, five of the eight Settlers' assets were sold to the Forum Group. The Group retains a 15% share in these assets. The divestment provided cash proceeds of \$41 million which were deployed into acquiring lifestyle and holiday communities in key metropolitan and coastal markets during FY17.

FY17 has delivered a statutory profit of \$26.4 million, which is up 8.8% on prior year. Underlying Profit from continuing operations was \$23.5 million which represents an increase of \$3.4 million (16.7%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Ingenia Lifestyle and Holidays segment of \$28.3 million, up 72% from prior year. The statutory result is further impacted by an uplift in valuations of investment property offset by the impact of the loss on the sale of the Settlers portfolio during the year.

Operating cash flow for the year was \$30.3 million, up 43.9% from the prior year, reflecting growth in recurring rental income and new lifestyle home settlements growing by 97.2% to 211.

In May 2017, the Group raised \$74 million through a placement and entitlement offer, which was raised to invest in four lifestyle community acquisitions and accelerate development. Prior to 30 June, two of these acquisitions, being Bonny Hills and Durack have settled, with the remaining two acquisitions expected to settle in August 2017. Over the year the Group invested an additional \$174.8 million (including transaction costs) into eight newly acquired lifestyle communities.

The Group has today announced a final distribution of 5.1 cents, which brings the full year distribution to 10.2 cents. The dividend reinvestment plan will be available to securityholders and the Board reaffirms its commitment to further growth in securityholder returns.

Key metrics

- Statutory profit was \$26.4 million, up 8.8% from FY16
- Underlying Profit was \$23.5 million, up 16.7% from FY16
- Full year distributions of 10.2 cents per security, up 9.7% from FY16
- Cash flow was \$30.3 million, up 43.9% from FY16
- EBIT was \$32.1 million, up 32.6% from FY16
- Statutory profit per security was 14.6 cents, down 1.5 cents from FY16
- Underlying Profit per security was 13.0 cent, down 0.3 cents from FY16
- Net asset value grew by 5 cents per security to \$2.50

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Group results summary

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

	2017	2016
	\$'000	\$'000
EBIT	32,093	24,200
Net interest expense	(6,936)	(6,625)
Tax (expense)/benefit associated to underlying profit	(1,636)	2,586
Underlying Profit	23,521	20,161
Net foreign exchange (loss)/gain	(342)	471
Net loss on disposal of investment properties	(8,438)	(989)
Net gain/(loss) on change in fair value of:		
- Investment properties	12,372	7,496
- Retirement village resident loans	96	(1,388)
- Derivatives	126	(414)
Gain on revaluation of newly constructed retirement villages	(633)	(1,525)
Tax (expense)/benefit associated with items below underlying profit	(294)	468
Statutory profit	26,408	24,280

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.

Segment performance and strategic priorities

Ingenia Lifestyle and Holidays - consolidated

At 30 June 2017, Ingenia Lifestyle and Holidays comprised 33 lifestyle communities that offer an affordable community experience for seniors and tourism guests. Ingenia Lifestyle and Holidays EBIT grew 72% on FY16 to \$28.3 million.

During FY17 the Group continued to expand both its development and rental assets, completing eight acquisitions for \$175.0 million (including transaction costs). The carrying value of the Lifestyle and Holidays assets at 30 June 2017 is \$514.8 million. As summary of these acquisitions is tabled below:

New South Wales	Queensland
Ingenia Holidays Avina (Sydney)	Ingenia Holidays Hervey Bay (Fraser Coast)
Ingenia Holidays Ocean Lake (South Coast)	Ingenia Holidays Cairns Coconut (Far North QLD)
Latitude One (Mid North Coast)	Durack Gardens (Brisbane)
Ingenia Holidays Palms Oasis (Mid North Coast)	
Ingenia Holidays Bonny Hills (North Coast)	

Subsequent to 30 June, the Group completed the acquisition of Glenwood (NSW North Coast), and signed an unconditional contract for Sheldon Caravan Park (Brisbane), which brings the total number of Lifestyle and Holiday communities to 35.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Performance:

Ingenia Lifestyle and Holidays - Consolidated

	2017	2016	Change	%
New home settlements (#)	211	107	104	97%
Gross home development profit (\$m)	21.1	10.3	10.8	105%
Permanent rental income (\$m)	14.9	12.3	2.6	21%
Annuals rental income (\$m)	4.3	3.0	1.3	43%
Tourism rental income (\$m)	25.3	17.6	7.7	44%
Commercial rental income (\$m)	0.5	0.4	0.1	25%
EBIT contribution (\$m)	28.3	16.5	11.8	72%

The earnings contribution from development has grown rapidly with 211 new turnkey settlements in FY17, an increase of 104 homes (97.2%) compared to prior year. Development is progressing at 12 communities. The Glenwood acquisition and securing further development approvals at existing properties will increase the development pipeline to over 2,370 sites.

This strong result reflects increased awareness and interest in the market and Ingenia's investment in a sales and development platform for new homes.

Continuing to grow rental income and leveraging scale efficiencies was a focus of the Group during FY17. The rental portfolio grew EBIT to \$17.4 million in FY17 up 58.7% on prior year.

Tourism and annual rental income growth of \$9.0 million has been driven largely through new acquisitions including Ingenia Holidays Avina in October 2016 and Ingenia Holidays Cairns Coconut in March 2017. This, combined with a continued focus on leveraging our database and building our brand position within the tourism market, supported 43.8% growth compared to prior year.

Strategic priorities:

Continuing into FY18, the Group will deliver its first greenfield developments and continue its expansion within the lifestyle market. The strategic priorities for Ingenia Lifestyle and Holidays are; continuing the accelerated sales and settlement momentum achieved during FY17; optimising the development and sales platform for efficiency and increased scale; integrating and optimising newly acquired assets; growing rental returns; and leveraging scale efficiencies.

Ingenia Gardens

Ingenia Gardens comprises 31 rental communities located across the eastern seaboard and Western Australia. These communities accommodate more than 1,800 residents, and generate \$24.8 million in gross rental income per annum. The carrying value of these assets at 30 June 2017 is \$141.3 million.

Performance:

	2017	2016	Change	%
Occupancy (%)	92.8	90.7	2.1	2.3%
Rental income (\$m)	24.8	24.0	0.8	3.3%
Catering income (\$m)	3.2	3.3	(0.1)	(3.0%)
EBIT (\$m)	11.6	11.0	0.6	5.5%

The core Garden Village portfolio performed strongly over the period, closing at an all-time record occupancy of 92.8%. Rent growth was solid at 3.3% and EBIT from the business was up 5.5% to \$11.6 million.

Strategic priorities:

The strategic priorities of Ingenia Gardens over the coming year are maximising village income, whilst further seeking opportunities to leverage scale and ensuring residents are actively engaged. Following the successful pilot of Ingenia CarePLUS at Devonport and Taree Gardens, Ingenia CarePLUS will be rolled out across other villages. This will provide residents with piece of mind and allow them to remain in independent living longer.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Ingenia Settlers

Ingenia Settlers is comprised of three deferred management fee communities across Queensland, New South Wales and Western Australia. The carrying value of these assets at 30 June 2017, net of resident loans and lease liabilities, is \$10.8 million.

Performance:

Ingenia Settlers	2017	2016	Change	%
Occupancy (%)	85.8	97.0	(11)	(12%)
New settlements (#)	1	29	(28)	(97%)
Development income (\$m)	0.6	1.5	(0.9)	(60%)
Accrued DMF income (\$m)	1.8	4.2	(2.4)	(57%)
EBIT (\$m)	1.3	3.8	(2.5)	(66%)

Performance was impacted during the year by the sale of five communities to Forum Capital Partners, limited development stock and a continuing slowdown in the Western Australian market.

Strategic priorities:

The key strategic priority remains divestment of this non-core segment.

Capital management of the Group

The Group adopts a prudent and considered approach to capital management. In May 2017 the Group successfully completed a \$74 million capital raising to fund four acquisitions and development.

During the year, the Group refinanced a tranche of its syndicated facility, increasing the total Group facility limit by \$100m and providing increased tenor. As at 30 June 2017, the syndicated facility is drawn to \$177.3 million (including bank guarantees), which represents a loan to value ratio ("LVR") of 27.7%. LVR is below Ingenia's target range of 30-40% at 30 June 2017. The Group has interest rate hedges in place covering 38% of drawn debt at 30 June 2017.

Financial position

The following table provides a summary of the Group's financial position as at 30 June 2017:

\$'000	2017	2016	Change
Cash and cash equivalents	9,645	15,057	(5,412)
Inventories	21,597	17,665	3,932
Investment properties	693,473	710,746	(17,273)
Deferred tax asset	7,464	9,399	(1,935)
Other assets	15,977	13,952	2,025
Total assets	748,156	766,819	(18,663)
Borrowings	170,830	104,090	66,740
Retirement village resident loans	27,201	207,483	(180,282)
Other liabilities	34,393	33,644	749
Total liabilities	232,424	345,217	(112,793)
Net assets/equity	515,732	421,602	94,130

Inventories, up \$3.9 million, include 86 newly completed homes, reflecting the Group's rapidly growing lifestyle community development business.

Investment property book value decreased by \$17.3 million from the prior year. This was due to:

- Sale of five Settlers assets which had a gross value in investment property of \$230.7 million;
- Acquisition of eight lifestyle communities for \$174.8 million (including transaction costs);
- Development expenditure of \$29.2 million, and;
- Fair value uplift of \$12.6 million.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Borrowings increased by \$66.7 million, partly funding the acquisition and development of lifestyle community assets of \$174.8 million.

Cash flow

\$'000

	2017	2016	Change
Operating cash flow	30,257	21,028	9,229
Investing cash flow	(168,324)	(108,278)	(60,046)
Financing cash flow	132,599	87,126	45,473
Net change in cash and cash equivalents	(5,468)	(124)	(5,344)

Operating cash flow for the Group was up 44% to \$30.3 million reflecting strong growth in the recurring net rental income contribution from lifestyle and rental communities and \$15.8 million net cash inflow associated with the sale of new lifestyle community homes.

Distributions

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

- On 21 February 2017, the directors declared an interim distribution of 5.1 cps (2016: 4.2 cps) amounting to \$8,964,628 which was paid on 15 March 2017.
- On 22 August 2017, the directors declared a final distribution of 5.1 cps (2016: 5.1 cps) amounting to \$10,525,452, to be paid on 13 September 2017.

The final distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the distribution.

FY18 outlook

The Group is strongly positioned to continue growing its lifestyle communities business in FY18 with a strong development pipeline and debt capacity in place to facilitate the accelerated growth in settlement volumes expected as further projects are launched. Priorities in existing lifestyle and holiday communities are to integrate the recent acquisitions and make appropriate investment in key communities to grow revenue, particularly within the tourism business. Ingenia Gardens remains a key contributor to the Group's rental cash flow during FY18 and appropriate focus and investment is planned to ensure that along with the Lifestyles and Holidays portfolio, Ingenia continues to deliver the best possible support and experience to our residents and guests.

The Group will continue to regularly assess the performance of its existing assets and market opportunities, and make divestments and acquisitions where superior returns are available.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs during the financial year are set out in the various reports in this Financial Report. Refer to Note 10 for Australian investment properties acquired during the year, Note 16 for details of increased debt facility, and Note 18 for issued securities.

EVENTS SUSEQUENT TO REPORTING DATE

Final FY17 distribution

On 22 August 2017, the directors of the Group resolved to declare a final distribution of 5.1cps (2016: 5.1 cps amounting to \$10.5 million to be paid at 13 September 2017. The distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the final distribution.

Acquisition of Sheldon

On 31 July 2017, the Group signed an unconditional agreement to purchase Sheldon Caravan Park located in metropolitan Brisbane for \$25.0 million.

Acquisition of Glenwood

On 10 August 2017, the Group completed the acquisition of development approved land located north of Coffs Harbour, on the NSW mid-north coast, for a purchase price of \$7.8 million.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

LIKELY DEVELOPMENTS

The Group will continue to pursue strategies aimed at growing its cash earnings, profitability and market share within the seniors rental property and tourism industry during the next financial year, with a continuing focus on the development of lifestyle communities.

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

ENVIRONMENTAL REGULATIONS

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

GROUP INDEMNITIES

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

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young Australia, 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.

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 30.

AUDITOR EXTENSION

On 16 May 2015 at the recommendation of the Audit & Risk Committee, the directors granted an approval for the extension of the Group's audit partner for a further one year, when the initial period of five years as permitted under the Corporations Act 2001 expired in June 2015. A further one year extension was granted on 15 October 2015. The Audit & Risk Committee's recommendation was based on the need to ensure the completion of the audit firm's succession plan for the audit. In doing so, the Audit & Risk Committee satisfied itself that the extension will maintain the quality of the audit and will not give rise to any conflicts of interest.

ROUNDING AMOUNTS

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

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



Jim Hazel
Chairman
Sydney, 22 August 2017

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

MESSAGE FROM THE REMUNERATION AND NOMINATION COMMITTEE

Dear Securityholders,

The Board of Ingenia Communities Group (Ingenia) is pleased to present the Remuneration Report for FY17.

Introduction

Ingenia undertakes regular reviews of its executive remuneration framework to ensure it is in line with Group strategy, group and individual performance and market relativities. There were only minor changes in the FY17 Key Management Personnel (KMP) remuneration structure.

In relation to the FY18 KMP remuneration structure an additional metric relating to earnings growth will be included in the long-term incentive vesting rules.

Ingenia's performance

The Board has established a strong nexus between executive remuneration and Ingenia's performance and its securityholder return.

The Group's FY17 result, as measured by underlying profit, is strong and significantly increased on the prior year, as supported by the on-target or better sales result achieved in the development business.

A key measure in determining the executives' remuneration outcomes is Ingenia's Total Shareholder Return (TSR) relative to that of the ASX 300 Industrials Index. Ingenia's TSR over the three years ending 30 June 2017 was 6.5% in relation to the TSR of 6.2% for the ASX 300 Industrials Index for the same period.

FY17 STI outcomes for KMP were in line with Ingenia's strong performance.

The review of NED remuneration is deferred until December 2017.

Ingenia's corporate strategy

The group's strategy is highlighted in the FY17 results presentation and Operational and Financial Review section within this Directors' report, and has not changed substantially from the prior year.

The Board has linked remuneration outcomes to the corporate strategy for medium to long term return on investment. Vesting of deferred STI awards requires year on year earnings growth and vesting of LTI awards occurs on meeting threshold TSR and ROW targets.

Conclusion

Overall, Ingenia's remuneration framework continues to be "fit for purpose", and remains substantially unchanged from 2016.

Remuneration levels are sufficient to attract and retain key executives, the performance measures focus management on board priorities for creating incremental value, and reward outcomes have varied in line with the Group's performance.

We recommend Ingenia's Remuneration Report to investors and seek your support for the resolution to adopt the Remuneration Report at Ingenia's AGM on Tuesday 14 November 2017.



Phil Marcus Clark AM
Chair - Remuneration and Nomination Committee
Sydney, 22 August 2017

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

REMUNERATION REPORT (AUDITED)

Introduction

The Board presents the Remuneration Report for the Group for the year ended 30 June 2017, which forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (**Corporations Act**). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Corporations Act.

Remuneration governance

Remuneration and Nomination Committee (RNC)

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

The RNC comprises the following NEDs:

- Philip Clark AM (Chair) (appointed, 15 November 2016);
- Amanda Heyworth; and
- Valerie Lyons (appointed, 1 March 2017);
- Norah Barlow ONZM (Chair) (resigned, effective 15 November 2016);

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 (a minimum of twice per year), and considers recommendations from internal management and external advisors.

The Board is ultimately responsible for decisions made on recommendations from the RNC. No Director votes on remuneration resolutions that directly impact their remuneration.

External remunerations advisers

Guerdon Associates, initially engaged in March 2014, provided independent remuneration advice during FY17 in respect of KMP and reviewed the rules of the Group's incentive plan. Guerdon Associates have been commissioned by, engaged with, and addressed reports directly to the Chair of the RNC.

The Board is satisfied that the remuneration advice from Guerdon Associates was made free from undue influence of the KMP in respect of whom the advice related, due to there being no engagement with the remuneration advisors outside of the RNC. A declaration of independence from Guerdon Associates was provided to the Board in respect of their engagement and their reports to the RNC.

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

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Details of KMP

KMP for the year ended 30 June 2017 are those persons identified as having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Group, and include any Executive Director or NED of the Group.

KMP of the Group for the year ended 30 June 2017 have been determined by the Board as follows:

	Position
NEDs	
Jim Hazel	Chairman of the Board Member – Investment Committee
Amanda Heyworth	Chair - Audit and Risk Committee Member - Remuneration and Nomination Committee
Philip Clark AM	Chair Remuneration and Nomination Committee (Appointed Chair upon Ms Barlow's resignation on 15 November 2016. Prior to that Mr Clark was a member of this Committee after previously being Chair)
Robert Morrison	Deputy Chairman of the Board Chair – Investment Committee Member - Audit and Risk Committee
Norah Barlow ONZM (resigned, effective 15 November 2016)	Chair - Remuneration and Nomination Committee Member - Audit and Risk Committee Member – Investment Committee
Valerie Lyons (appointed, effective 1 March 2017)	Member – Audit and Risk Committee Member – Investment Committee Member – Remuneration and Nomination Committee
Executive Director	
Simon Owen	MD and CEO
Other Executive KMP	
Tania Betts	CFO ⁽¹⁾
Nicole Fisher	COO

(1) CFO commenced maternity leave from 1 January 2017, an Acting CFO is currently in the role.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Remuneration of Executive KMP

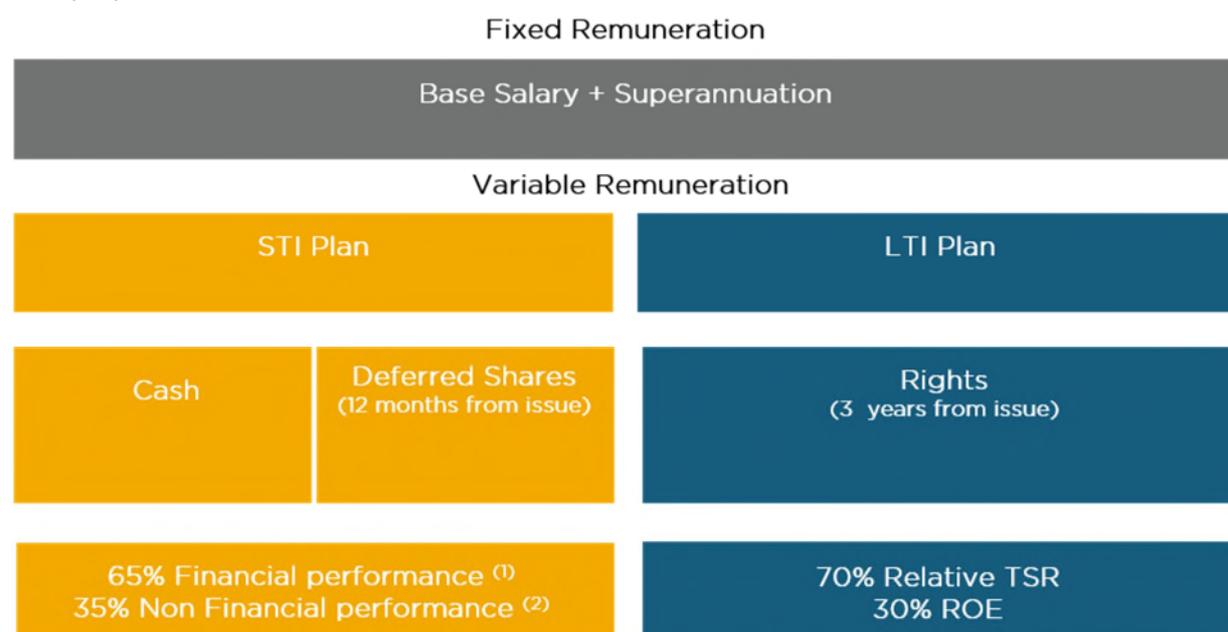
Remuneration policy

The Group's Remuneration Policy aims to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating 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 each individual executive KMP;
- The Group's overall performance;
- Remuneration levels being paid by competitors for similar positions; and
- The need to ensure executive continuity and succession.

Refer below for detail of the mechanisms that link the remuneration outcomes to individual and the Group's performance.



(1) Above mentioned percentage is for the CEO only. The CFO and COO are split 55% and 30% respectively.

(2) Above mentioned percentage is for the CEO only. The CFO and COO are split 45% and 70% respectively.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Link between remuneration and performance

The Board understands the importance of the relationship between the executive KMP remuneration policy and the Group's performance. Executive KMP remuneration packages are structured to align remuneration outcomes with the interests of securityholders.

Remuneration component Link to Group performance

Total Fixed Remuneration (TFR)	TFR is set with reference to the executive KMP's role, responsibilities and performance and remuneration levels for similar positions in the market.
Short-Term Incentive (STI)	<p>STIs are awarded to executive KMP whose achievements, behaviour and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. Details of the KPIs are explained below</p> <p>The Board maintains sole discretion over the granting of STIs to employees.</p> <p>For achievement of STIs in relation to executive KMP, the payment is 50% cash and a 50% deferred equity element linked to earnings growth sustainability.</p> <p>Deferred STI's are subject to a malus provision.</p>
Long-Term Incentive (LTI)	<p>LTIs are granted to executive KMP to align their focus with the Group's required Total Shareholder Return (TSR), measured over three financial years, and Return on Equity (ROE) performance measured in the third year following the LTI grant.</p> <p>The Board maintains sole discretion over the granting of LTIs.</p> <p>LTI grants are made in equity to ensure alignment with securityholders' interests.</p> <p>LTIs are subject to a malus provision.</p>

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

The table below sets out summary information about the Group's earnings and movement in securityholder wealth for the five years to 30 June 2017, noting that where applicable, certain amounts have been restated for the security consolidation that occurred in November 2015:

	FY17	FY16	FY15	FY14	FY13
EBIT (\$'000)	32,093	24,200	18,050	12,144	8,933
Total Underlying Profit (\$ '000)	23,521	20,161	17,507	11,568	5,867
Statutory profit/(loss) (\$ '000)	26,408	24,280	25,722	11,518	(10,290)
Underlying (Basic) EPS ⁽¹⁾ (cents)	13.0	13.4	12.8	10.8	6.8
Statutory (Basic) EPS ⁽¹⁾ (cents)	14.6	16.1	18.8	10.8	(12.0)
Net asset value per security (\$)	2.50	2.45	2.34	2.13	2.06
Security price at 30th June (\$)	2.60	2.87	2.58	3.03	2.07
Distributions (cents)	10.2	9.3	8.1	6.9	6.0

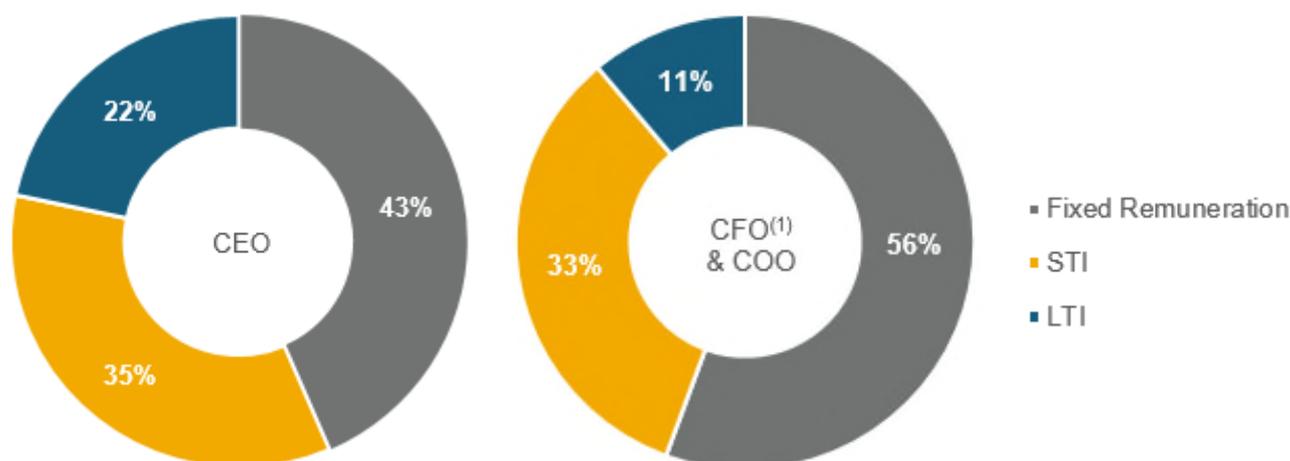
(1) Basic earnings per security is based on the weighted average number of securities on issue during the period.

Mix of remuneration components

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

The Group's policy is to position remuneration of executive KMP by reference to 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.

The remuneration mix the RNC is aiming to achieve for executives for FY17, expressed as a percentage of total remuneration, is detailed below:



(1) CFO commenced maternity leave on 1 January 2017, an Acting CFO is currently in the role.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Maximum Total Remuneration Available	TFR	Max STI	Max LTI	Max Total REM
Simon Owen (CEO) (\$)	682,500	546,000	341,250	1,569,750
Percentage (%)	43	35	22	100
Tania Betts (CFO) (\$)	346,286	207,772	69,257	623,315
Percentage (%)	56	33	11	100
Nicole Fisher (COO) (\$)	340,673	204,404	68,135	613,212
Percentage (%)	56	33	11	100
Effective, pro rata four days per week (\$)	272,538	204,404	68,135	545,077
Percentage (%)	50	37	13	100

Total fixed remuneration of Executive KMP

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

The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP on an annual basis.

The TFR for each of the executives for FY17 and FY16 is:

KMP (\$)	FY17 TFR (p.a.)	FY16 TFR (p.a.)	Movement
CEO	682,500	650,000	32,500
CFO	346,286	336,200	10,086
COO ⁽¹⁾	340,673	330,750	9,923
Total	1,369,459	1,316,950	52,509

(1) COO paid on the basis of a four day week, the above remuneration assumes full time employment.

Data ranges for the CEO, CFO and COO FY17 TFR were provided by Guerdon Associates. The RNC used an element of judgement to determine the appropriate positioning within this range. Those recommendations were approved by the Board.

Rights plan

The current Rights Plan was approved by securityholders at the Annual General Meeting (**AGM**) held on 12 November 2014.

The Rights Plan provides for the grant of Rights, which upon a determination by the Board that the performance conditions have been met, will result in the issue of stapled securities in the Group for each Right.

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

Short-Term Incentive Plan (STIP)

Under the FY17 Rights Plan, 50% of the maximum STI for the executive KMP will be paid in cash and 50% will be a deferred equity element. The deferred equity component is for a period of 12 months and subject to forfeiture where earnings growth is not sustained. The deferral element is rights to INA stapled securities, plus additional stapled securities equal to the value of distributions during the deferral period on a reinvestment basis.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

KMP	Maximum STIP (Cash)	Maximum STIP Deferred (Rights)	Total Maximum STIP Available
CEO ⁽¹⁾	40% of TFR \$273,000	40% of TFR \$273,000	80% of TFR \$546,000
CFO	30% of TFR \$103,886	30% of TFR \$103,886	60% of TFR \$207,772
COO ⁽²⁾	30% of TFR \$102,202	30% of TFR \$102,202	60% of TFR \$204,404
Total	\$479,088	\$479,088	\$958,176

(1) Approved by the securityholders at the Annual General Meeting held on 15 November 2016

(2) COO remuneration above is based on five day week

The FY17 STI Rights are subject to the following terms and conditions:

- A 'malus' provision during the deferral period, which means that some or all of the STIP Rights may be forfeited if:
 - the Board determines Ingenia's earnings growth is not sustainable; or
 - any of the circumstances set out in the rules of the Rights Plan occur, such as fraud or dishonesty, a breach of obligations or material misstatement of Ingenia's financial statements;
- A one-year deferral period and are eligible to vest on, or following 1 October 2018;
- On the vesting date Ingenia will cause the relevant number of Ingenia securities to be issued to the executive in accordance with a prescribed formula;
- No amount is payable by the executive KMP for the issue or transfer of Ingenia securities to the Executive KMP.

The STI award is subject to performance conditions that focus on operating earnings, capital management (for the CEO and CFO only), health and safety (COO only), operational targets, system implementation targets (for the COO and CFO only) and people and reporting assessments. Each assessment area is weighted. These KPIs have been chosen as they aim to focus individuals on meeting the Group's business plan. The KPIs specific to the executive are outlined below, together with what the Board will consider in determining the achievement of the KPI.

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

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

KMP	Financial	Health and Safety	Capital Management	Operational	Systems	People and Reporting	Total
CEO	40%	-	25%	20%	-	15%	100%
CFO	40%	-	15%	10%	15%	20%	100%
COO	30%	5%	-	40%	10%	15%	100%

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

The key considerations in assessing performance against the KPIs are:

KPI	Executive	Key Considerations in achievement
Financial	CEO, CFO, COO	EBIT and underlying profit per security to exceed threshold level.
Health and Safety	COO	Safe work environment culture established across the Group, and lost time injury frequency below benchmark.
Capital management	CEO, CFO	Non-core asset divestment, capital and debt available on competitive pricing and flexible terms.
Systems	CFO, COO	Successful implementation of various finance and operational systems.
Operational	CEO, CFO, COO	Achievement of operational and sales metrics that deliver on business strategy, established for each executive KMP specific for their area of responsibility.
People and reporting	CEO, CFO, COO	Recruit and retain leading industry talent. High calibre leadership team offering clear succession opportunities. High quality board and statutory reporting, analysis and forecasting. High quality management budgeting, reporting, analysis and forecasting.

For FY17 the Board assessed the performance of the CEO, and the CEO assessed the performance of the CFO and COO, against their respective KPIs. The RNC then recommended and the Board approved STIP awards.

The Board approved the FY17 STIP awards as follows:

KMP	Actual STI awarded⁽¹⁾	Actual STI awarded as a % of maximum STI
CEO	\$505,050	92.5%
CFO ⁽¹⁾	\$66,487	32.0%
COO ⁽²⁾	\$158,413	77.5%

(1) CFO commenced maternity leave on 1 January 2017 and was not awarded STIP whilst on leave.

(2) COO achievement percentage is the STI award divided by the maximum STI.

The CEO's maximum potential FY17 STIP deferred equity component was approved by securityholders at the AGM held on 15 November 2016. Any FY18 CEO deferred equity component will be subject to securityholder approval at the 2017 AGM to be held on 14 November 2017.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Long-term incentives

Long Term Incentive Plan (LTIP)

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

The FY17 LTIP Rights are subject to the following LTIP Performance Conditions:

- 70% based on Relative Total Shareholder Return (**Relative TSR**), and
- 30% based on Return on Equity (**ROE**).

Refer to page 20 for details of maximum LTIP.

Relative TSR Performance Condition

The Relative TSR hurdle is growth in Ingenia's TSR relative to growth in the ASX 300 Industrials Index (**Index**), measured over a three-year period ending on 30 September 2019.

The Index was chosen because the Board considers it transparent and more closely aligned to the Group's core business operations than alternative peer groups.

Total TSR is the growth in the INA security price plus distributions, assuming distributions are reinvested. To minimise the impact of any short-term volatility, Ingenia's TSR will be calculated using the weighted average of the closing security price over the 30 days up to and including the trading day prior to the start and the 30 days up to and including the end-trading day of the performance period.

Ingenia must outperform the Index for the LTIP rights to vest for the Executive KMP. The FY17 LTIP Rights will vest on the following basis:

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

CAGR: Compound Annual Growth Rate

ROE Performance Condition

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

ROE is defined as underlying profit divided by weighted average net assets. For FY17, the relevant metric is ROE achieved for FY19 on the following basis:

	ROE	% of Rights that vest
At or Below Threshold	Less than 9.0%	Nil
Between Threshold and Maximum	Equal to or greater than 9.0%	30% plus an additional amount progressively vesting on a straight line basis between Threshold and Maximum
Maximum	Equal to or greater than 10.0%	100%

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

The FY17 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30 day trading period ending on the grant date of 1 October 2016 (for the CFO and COO) and 15 November 2016 (for the CEO).

The number of LTIP Rights granted in FY17 was calculated by dividing the LTIP value by the 30 day VWAP of the Ingenia security price as above. Each LTI Right vested equals one Ingenia security plus an additional number of Ingenia securities calculated based on the distributions that would have been paid during the relevant period being reinvested.

FY17 LTIP Rights grants will be entitlements to Rights to stapled securities plus additional stapled securities equal to distributions paid during the vesting period. The Board aims to have executive KMP incentivised to grow distributions to securityholders. However, executives do not receive distributions on securities underlying any Rights that do not vest or remain unexercised.

Performance Quantum Rights (PQRs) issued in FY14

At 30 June 2017, no PQRs remain on issue and there is no intention to issue more. Prior to FY15, the Board adopted an LTI scheme that provided for the grant of PQRs that entitled the holder to one Ingenia stapled security if the performance conditions are met.

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.

No PQRs have been granted since FY14.

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

The balance of 619,333 PQRs vested on 1 July 2016 and 598,833 fully paid stapled securities were issued at that time.

Summary of LTIPs on issue

The following table sets out all LTIPs granted to-date and not vested at 30 June 2017 (note: number of rights granted has been restated for the 6:1 consolidation of Ingenia securities in November 2015):

KMP	Scheme year	LTIP type	Number of rights granted	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
CEO	FY17	LTIP	124,598	15-Nov-16	\$179,843	1-Oct-19	\$127,857
	FY16	LTIP	122,938	17-Nov-15	\$234,444	1-Oct-18	\$97,756
	FY15	LTIP	118,236	12-Nov-14	\$179,481	1-Oct-17	\$15,065
CFO	FY17	LTIP	24,480	1-Oct-16	\$36,647	1-Oct-19	\$26,065
	FY16	LTIP	25,674	1-Oct-15	\$48,960	1-Oct-18	\$20,415
	FY15	LTIP	23,257	1-Oct-14	\$33,909	1-Oct-17	\$2,846
COO	FY17	LTIP	24,083	1-Oct-16	\$28,842	1-Oct-19	\$20,514
	FY16	LTIP	25,258	1-Oct-15	\$48,167	1-Oct-18	\$14,053
	FY15	LTIP	22,336	1-Oct-14	\$32,565	1-Oct-17	\$1,091
Total			510,860		\$822,858		\$325,662

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

LTIP – Termination of Employment

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

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

LTIP – Change in Control

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

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

KMP Employment Contracts

MD and CEO

Contract duration	Commenced 4 June 2012, open-ended.
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.
Variable remuneration	Eligible for STI of up to 80% for any one year of the fixed annual remuneration, of which 50% is in the form of deferred equity. Eligible for LTI of up to 50% for any one year of the fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	12 months.
Notice by Executive	12 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of Incentives: As outlined above.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

CFO

Contract duration	Commenced 14 May 2012, open-ended.
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits.
Variable remuneration eligibility	Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. Eligible for LTI of up to 20% for any one year of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	6 months.
Notice by Executive	6 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of Incentives: As outlined above.

COO

Contract duration	Commenced 4 June 2012, open-ended.
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation and other non-cash benefits, currently based on a four day working week.
Variable remuneration eligibility	Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity Eligible for LTI of up to 20% for any one year of fixed annual remuneration. The Board may withdraw or vary the STI and LTI schemes at any time by written notice to the executive, provided the scheme will not be varied or withdrawn part way through a financial year in respect of that same financial year.
Non-compete period	12 months.
Non-solicitation period	12 months.
Notice by Ingenia	6 months.
Notice by executive	6 months.
Treatment on termination	Payment in lieu of notice: Payment may be made in lieu of notice, which would include pro rata fixed remuneration and statutory entitlements. Treatment of Incentives: As outlined above.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Remuneration Tables

The following tables outline the remuneration provided to KMP excluding NEDs for FY16 and FY17.

KMP	Financial Year	Short-term					LTI	Total	Performance related	
		Salary	Superannuation benefits	STI ⁽¹⁾ Cash	STI ⁽¹⁾ Deferred Rights	Total short-term			STI+LTI Percent of total (%)	LTI Percent of total (%)
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)		
CEO	2017	662,885	19,615	252,525	252,525	1,187,550	341,250	1,528,800	55	22
	2016	630,696	19,308	208,000	208,000	1,066,004	385,534	1,451,538	55	27
CFO ⁽²⁾	2017	235,358	14,712	33,243	33,243	316,556	69,257	385,813	35	18
	2016	314,885	19,308	70,098	70,098	474,389	93,132	567,521	41	16
COO ⁽³⁾	2017	252,923	19,615	79,206	79,206	430,950	54,508	485,458	44	11
	2016	245,933	19,308	69,458	69,458	404,157	89,663	493,820	46	18
Total	2017	1,151,166	53,942	355,738	355,738	1,935,056	465,015	2,400,071	50	19
	2016	1,191,514	57,924	347,556	347,556	1,944,550	568,329	2,512,879	50	23

(1) STIs were accrued in the years ended 30 June 2017 and 30 June 2016.

(2) CFO commenced maternity leave on 1 January 2017, an Acting CFO is currently in the role.

(3) The COO's remuneration noted above is based on a four day week.

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

Non-Executive Directors' remuneration

NED fees

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

Performance-based remuneration

NEDs are remunerated by way of cash and mandated superannuation. They do not 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.

Equity-based remuneration

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

The Board has introduced a policy guideline for NED to hold the equivalent of one year's gross fees in Ingenia securities within a period of two years from the date of appointment.

NED remuneration table

The following table outlines the remuneration provided to NEDs for the FY16 and FY17:

NEDs – Directors' fees	2017	2016
	\$	\$
Jim Hazel	176,250	172,917
Amanda Heyworth	104,000	98,250
Philip Clark	101,500	94,750
Robert Morrison	107,000	97,500
Norah Barlow	34,000	96,250
Valerie Lyons	32,000	-
Total	554,750	559,667

The FY17 NED annual fees were increased effective 1 December 2016 as follows:

- Chairman of the board: from \$175,000 to \$177,500;
- Non-executive Directors: no change from \$96,000;
- Committee Chairs (ARC, IC and RNC): an additional \$10,000; and
- Deputy chair of the board: an additional \$6,000.

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

Ingenia Communities Holdings Limited
Directors' Report (continued)
Year ended 30 June 2017

KMP Interests

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

Directors	Balance 1 July 2016	Acquisitions	Disposals	On vesting of rights ⁽¹⁾	Balance 30 June 2017
Jim Hazel	287,276	44,207	-	-	331,483
Philip Clark AM	42,286	10,388	-	-	52,674
Amanda Heyworth	106,921	15,564	-	-	122,485
Robert Morrison	75,450	31,696	-	-	107,146
Valerie Lyons	-	13,969	-	-	13,969
Simon Owen	1,003,985	24,588	(137,920)	462,119	1,352,772
Tania Betts	211,858	5,357	-	118,856	336,071
Nicole Fisher	194,167	-	-	94,406	288,573
Total	1,921,943	145,769	(137,920)	675,381	2,605,173

(1) Includes STIP rights vested during the period.

Norah Barlow's opening shareholding at 1 July 2016 was 35,949 and at the date of her resignation (15 November 2016) was 41,977 reflecting acquisitions of 6,028 in the period up until her resignation. As she is no longer a KMP she has not been included in the above table.

PQRs held by KMP were:

KMP	Balance 1 July 2016	Granted	Vested	Balance 30 June 2017
Directors				
Simon Owen	410,000	-	(410,000)	-
Executives				
Tania Betts	106,833	-	(106,833)	-
Nicole Fisher	102,500	-	(102,500)	-
Total	619,333	-	(619,333)	-

The balance of 619,333 PQRs vested on 1 July 2016 and 598,833 fully paid stapled securities were issued at that time.

LTIP Rights held by KMP were:

	Balance 1 July 2016	Granted	Vested	Balance 30 June 2017
Directors				
Simon Owen	241,174	124,598	-	365,772
Executives				
Tania Betts	48,931	24,480	-	73,411
Nicole Fisher	47,594	24,083	-	71,677
Total	337,699	173,161	-	510,860

Signed in accordance with resolution of the directors.



Phil Marcus Clark AM
 Chair - Remuneration and Nomination Committee
 Sydney, 22 August 2017



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Ingenia Communities Holdings Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Chris Lawton
Partner
22 August 2017

Ingenia Communities Holdings Limited
Consolidated Statement of Comprehensive Income
Year ended 30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 \$'000	2016 \$'000
Revenue			
Rental income	5(a)	69,976	57,692
Manufactured home sales		63,752	32,009
Accrued deferred management fee income	17(b)	1,825	4,222
Catering income		3,191	3,258
Service station sales		7,284	6,745
Other property income	5(b)	3,856	3,045
Interest income		25	170
		149,909	107,141
Property expenses		(24,729)	(21,242)
Employee expenses		(32,097)	(26,153)
Administrative expenses		(6,377)	(5,129)
Operational, marketing and selling expenses		(5,463)	(3,555)
Cost of manufactured homes sold		(42,699)	(21,729)
Service station expenses		(6,229)	(5,862)
Finance expenses	6	(6,961)	(6,795)
Net foreign exchange gain/(loss)		(342)	471
Net loss on disposal of investment properties		(8,438)	(989)
Net gain/(loss) on change in fair value of:			
- Investment properties		12,372	7,496
- Derivatives		126	(414)
- Retirement village resident loans	17(b)	96	(1,388)
Depreciation expense	12(b)	(455)	(360)
Amortisation of intangible assets	13(b)	(375)	(266)
Profit before income tax		28,338	21,226
Income tax (expense)/benefit	7(a)	(1,930)	3,054
Net profit for the period		26,408	24,280
Total comprehensive income for the period net of income tax		26,408	24,280
Profit/(loss) attributable to securityholders of:			
- Ingenia Communities Holdings Limited		(446)	(1,631)
- Ingenia Communities Fund		(2,738)	25,855
- Ingenia Communities Management Trust		29,592	56
		26,408	24,280
Total comprehensive income/(loss) attributable to securityholders of:			
- Ingenia Communities Holdings Limited		(446)	(1,631)
- Ingenia Communities Fund		(2,738)	25,855
- Ingenia Communities Management Trust		29,592	56
		26,408	24,280

Ingenia Communities Holdings Limited
Consolidated Statement of Comprehensive Income (Continued)
Year ended 30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	2017	2016
		Cents	Cents
Distributions per security⁽¹⁾		10.2	8.4
Earnings per security:			
Basic earnings			
- Per security	4(a)	14.6	16.1
- Per security attributable to parent	4(b)	(0.2)	(1.1)
Diluted earnings			
- Per security	4(a)	14.6	16.0
- Per security attributable to parent	4(b)	(0.2)	(1.1)

⁽¹⁾ Distributions relate to the amount paid during the financial year. A final FY17 distribution of 5.1cps was declared on 22 August 2017 (payment due on 13 September 2017) resulting in a total FY17 distribution of 10.2cps.

Ingenia Communities Holdings Limited
Consolidated Balance Sheet
Year ended 30 June 2017

CONSOLIDATED BALANCE SHEET

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents		9,645	15,057
Trade and other receivables	8	5,901	6,852
Inventories	9	21,597	17,665
Other		38	18
		37,181	39,592
Non-current assets			
Other receivables	8	3,002	3,140
Investment properties	10(a)	693,473	710,746
Plant and equipment	12	2,752	1,943
Other financial assets		2,263	-
Intangibles	13	2,021	1,999
Deferred tax asset	14	7,464	9,399
		710,975	727,227
Total assets		748,156	766,819
Current liabilities			
Trade and other payables	15	25,983	24,857
Borrowings	16	493	497
Retirement village resident loans	17	27,201	207,483
Employee liabilities		1,480	1,382
Interest rate swaps		221	121
		55,378	234,340
Non-current liabilities			
Other payables	15	168	6,770
Borrowings	16	170,337	103,593
Other financial liabilities		6,136	-
Employee liabilities		344	228
Interest rate swaps		61	287
		177,046	110,878
Total liabilities		232,424	345,218
Net assets		515,732	421,601
Equity			
Issued securities	18(a)	809,836	723,383
Reserves	19	1,074	1,810
Accumulated losses	20	(295,178)	(303,592)
Total equity		515,732	421,601
Attributable to securityholders of:			
Ingenia Communities Holdings Limited			
- Issued securities	18(a)	11,131	10,205
- Reserves	19	1,074	1,810
- Retained earnings/(accumulated losses)	20	(1,711)	(1,265)
		10,494	10,750
Ingenia Communities Fund		441,671	385,993
Ingenia Communities Management Trust		63,567	24,858
		515,732	421,601
Net asset value per security		\$2.50	\$2.45

Ingenia Communities Holdings Limited
Consolidated Cash Flow Statement
Year ended 30 June 2017

CONSOLIDATED CASH FLOW STATEMENT

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Rental and other property income		82,562	71,193
Property and other expenses		(63,851)	(56,039)
Proceeds from sale of manufactured homes		63,376	35,054
Purchase of manufactured homes		(47,575)	(29,986)
Proceeds from sale of service station inventory		7,014	6,708
Purchase of service station inventory		(6,615)	(6,113)
Proceeds from resident loans	17(b)	3,411	11,056
Repayment of resident loans	17(b)	(2,191)	(5,757)
Interest received		27	124
Borrowing costs paid		(6,038)	(5,216)
Other		137	4
	31	30,257	21,028
Cash flows from investing activities			
Purchase and additions of plant and equipment		(1,301)	(1,729)
Purchase and additions of intangible assets		(364)	(568)
Payments for investment properties		(180,311)	(85,132)
Additions to investment properties		(27,190)	(19,884)
Proceeds/(costs) on sale of investment properties		40,842	(989)
Amounts received from villages		-	24
		(168,324)	(108,278)
Cash flows from financing activities			
Proceeds from issue of stapled securities		88,044	67,699
Payments for security issue costs		(3,013)	(2,243)
Payments for finance leases		(643)	(450)
Distributions to securityholders		(17,951)	(12,513)
Proceeds from borrowings		181,364	103,742
Repayment of borrowings		(114,000)	(68,542)
Payments for debt issue costs		(1,202)	(567)
		132,599	87,126
Net decrease in cash and cash equivalents			
		(5,468)	(124)
Cash and cash equivalents at the beginning of the year		15,057	15,117
Effects of exchange rate fluctuation on cash held		56	64
Cash and cash equivalents at the end of the year		9,645	15,057

Ingenia Communities Holdings Limited
 Consolidated Statement of Changes in Equity
 Year ended 30 June 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO SECURITYHOLDERS INGENIA COMMUNITIES HOLDINGS LIMITED						
Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	ICF & ICMT \$'000	Total equity \$'000		
	Carrying amount at 1 July 2016	10,205	1,810	(1,265)	10,750	410,851	421,601	
	Net profit/(loss)	-	-	(446)	(446)	26,854	26,408	
	Total comprehensive income for the year	-	-	(446)	(446)	26,854	26,408	
	Transactions with securityholders in their capacity as securityholders:							
	- Issue of securities	18	915	-	-	915	84,171	85,086
	- Share-based payment transactions	19	-	631	-	631	-	631
	- Payment of distributions to securityholders	20	-	-	-	(17,994)	(17,994)	
	- Transfer from reserves to issued securities	18,19	11	(1,367)	-	(1,356)	1,356	-
	Carrying amount at 30 June 2017	11,131	1,074	(1,711)	10,494	505,238	515,732	
	Carrying amount at 1 July 2015	9,231	1,334	366	10,931	332,589	343,520	
	Net profit/(loss)	-	-	(1,631)	(1,631)	25,911	24,280	
	Total comprehensive income for the year	-	-	(1,631)	(1,631)	25,911	24,280	
	Transactions with securityholders in their capacity as securityholders:							
	- Issue of securities	18	592	-	-	592	64,864	65,456
	- Share-based payment transactions	19	-	858	-	858	-	858
	- Payment of distributions to securityholders	20	-	-	-	(12,513)	(12,513)	
	- Transfer from reserves to issued securities	18,19	382	(382)	-	-	-	-
	Carrying amount at 30 June 2016	10,205	1,810	(1,265)	10,750	410,851	421,601	

NOTES TO THE FINANCIAL STATEMENTS

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 2017 was authorised for issue by the directors on 22 August 2017.

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

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

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

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

At 30 June 2017, the Group recorded a net current asset deficiency of \$18,197,000. This deficiency includes retirement village resident loans of \$27,201,000. 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. 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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of new and revised accounting standards

No new or revised standards and interpretations were issued by the Australian Accounting Standards Board that are relevant to the Group during the period.

(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) 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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency

Functional and presentation currencies:

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

Translation of foreign currency transactions:

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

(h) 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 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.

(i) Plant and equipment

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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; 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.

(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 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.

(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 Group holds inventory in relation to the acquisition and development of manufactured homes and service station fuel and supplies within its Ingenia Lifestyle and Holidays segment.

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

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

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Derivative and financial instruments

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

(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, tourism cabins and associated amenities.

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

It is the Group's policy to have all investment properties independently valued at intervals of not more than two years. It is the policy of the Group to review the fair value of each investment property every six months and 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 investment property are recorded in the statement of comprehensive income.

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

(q) Intangible assets

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

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

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

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

- > Useful life: Finite Amortisation method using 7 years on a straight line basis; and
- > Impairment test: Amortisation method reviewed at each financial year-end; closing carrying value reviewed annually for indicators of impairment.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(r) 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.

(s) Provisions, including employee benefits

General:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount 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.

Wages, salaries, annual leave and sick leave:

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

Long service leave:

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

(t) 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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1(z) and 25(k) for information regarding the valuation of retirement village resident loans.

(u) 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.

(v) 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.

(w) Revenue

Revenue from rents, interest and distributions is recognised to the extent that it is probable that the economic benefits will flow to the group 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. Fixed rental increases that do not represent direct compensation for underlying cost increases or capital expenditures are recognised on a straight-line basis until the next market review date. Rent paid in advance is recognised as unearned income.

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

Revenue from the sale of manufactured homes within the Lifestyle and Holidays segment is recognised when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

Service station sales revenue represents the revenue earned from the provision of products to external parties. Sales revenue is only recognised when the significant risks and rewards of ownership of the products including possession are passed to the buyer.

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

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) Income tax

Current income tax:

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

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

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 previously held 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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

(z) Fair value measurement

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

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

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- > Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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 Investment Committee and the Audit and Risk committee once approved. 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 based on the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy, as explained at Note 25.

(aa) Goods and services tax (GST)

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

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

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

(bb) Earnings per Share (EPS)

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

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

(cc) 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, measurement and de-recognition of financial assets and financial liabilities. Changes in the Group's credit risk, which affect the value of liabilities designated at fair value through profit and loss, can be presented in other comprehensive income. The application of the Standard is not expected to have any material impact on the Group's financial reporting in future periods.

AASB 15 *Revenue from Contracts with Customers* is applicable to reporting periods beginning on or after 1 January 2018. The Group has not early adopted this standard. The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions, to determine if, how much, and when revenue is recognised.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statement with more informative and relevant disclosures. The Group has reviewed this standard, and has assessed that it will not have a material impact on its future reporting.

AASB 16 *Leases* is applicable to reporting periods beginning on or after 1 January 2019. The Group has not early adopted this standard. This standard provides requirements for classification, measurement, and disclosure of all leases with a term of more than 12 months unless the underlying asset is of low value. A lease must now measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments) and payments made in optional periods, if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The Group is currently the lessee of two non-cancellable operating leases, which will be included under this new standard. These leases relate to the Group's Sydney and Brisbane offices, which have a future minimum lease payments total of \$1,492,000 at 30 June 2017. The Group is also the lessee of four finance leases (relating to the land component of investment properties), which are not expected to be materially impacted by the new standard because they are already substantially treated in the manner prescribed by the new standard.

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

(dd) 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 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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

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.

Valuation of investment property

The Group has investment properties with a carrying amount of \$693,473,000 (2016: \$710,746,000) (refer Note 10 and Note 11), and retirement village residents' loans with a carrying amount of \$27,201,000 (2016: \$207,483,000) (refer Note 17 and Note 11), which together represent the estimated fair value of the Group's property business.

These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation 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. The valuation assumption for properties to be developed reflect assumptions around sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates.

In forming these assumptions, the Group considered information about 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.

Valuations of inventories

The Group has inventory in the form of manufactured homes and service station fuel and supplies, which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time 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, and are continually reviewed.

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. Counterparty valuations are normally based on mid-market rates and calculated using the main variables including the forward market curve, time and volatility.

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 for long-term incentive performance rights and the security price at grant date of short-term incentive rights. Refer to Note 23 for assumptions used in determining the fair value.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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.

Calculation of deferred management fee (DMF)

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

(b) Critical judgment in applying the entity's accounting principles

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.

3. SEGMENT INFORMATION

(a) Description of segments

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

- > Ingenia Lifestyle & Holidays – comprising long-term and tourism accommodation within lifestyle parks;
- > Ingenia Lifestyle Development – comprising the development and sale of manufactured homes;
- > Ingenia Gardens – rental villages; and
- > Ingenia Settlers – deferred management fee villages.

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

(b) 2017**(i) Segment revenue**

	Lifestyle & Holidays Operations \$'000	Lifestyle & Holidays Development \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
External segment revenue	54,971	63,752	3,405	28,389	-	150,517
Interest income	-	-	-	-	25	25
Reclassification of gain on revaluation of newly constructed villages	-	-	(633)	-	-	(633)
Total revenue	54,971	63,752	2,772	28,389	25	149,909

(ii) Segment underlying profit

External segment revenue	54,971	63,752	3,405	28,389	-	150,517
Interest income	-	-	-	-	25	25
Property expenses	(14,827)	(493)	(871)	(8,023)	(515)	(24,729)
Employee expenses	(12,983)	(6,453)	(928)	(7,045)	(4,688)	(32,097)
Administration expenses	(2,131)	(532)	(133)	(607)	(2,974)	(6,377)
Operational, marketing and selling expenses	(1,145)	(2,440)	(210)	(982)	(686)	(5,463)
Manufactured home cost of sales	-	(42,699)	-	-	-	(42,699)
Service station expenses	(6,229)	-	-	-	-	(6,229)
Finance expense	-	-	-	-	(6,961)	(6,961)
Income tax expense	-	-	-	-	(1,636)	(1,636)
Depreciation expense	(145)	(94)	(7)	(29)	(180)	(455)
Amortisation of intangibles	(105)	(160)	(21)	(89)	-	(375)
Underlying profit/(loss)	17,406	10,881	1,235	11,614	(17,615)	23,521

Reconciliation of underlying profit to statutory profit

Net foreign exchange gain/(loss)	-	-	-	-	(342)	(342)
Net gain/(loss) disposal of investment property	(870)	-	(7,568)	-	-	(8,438)
Net gain/(loss) on change in fair value of:						
- Investment properties	7,838	-	(286)	4,820	-	12,372
- Retirement village resident loans	-	-	96	-	-	96
- Derivatives	-	-	-	-	126	126
Gain on revaluation of newly constructed villages	-	-	(633)	-	-	(633)
Income tax expense associated with reconciliation items	-	-	-	-	(294)	(294)
Profit/(loss) per the consolidated statement of comprehensive income	24,374	10,881	(7,156)	16,434	(18,125)	26,408

(iii) Segment assets

	526,135	23,310	41,606	133,930	23,175	748,156
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Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

(c) 2016	Lifestyle & Holidays Operations \$'000	Lifestyle & Holidays Development \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
(i) Segment revenue						
External segment revenue	41,956	32,009	6,949	27,516	66	108,496
Interest income	-	-	-	-	170	170
Reclassification of gain on revaluation of newly constructed villages	-	-	(1,525)	-	-	(1,525)
Total revenue	41,956	32,009	5,424	27,516	236	107,141
(ii) Segment underlying profit						
External segment revenue	41,956	32,009	6,949	27,516	66	108,496
Interest income	-	-	-	-	170	170
Property expenses	(11,801)	-	(1,438)	(7,565)	(438)	(21,242)
Employee expenses	(10,026)	(3,984)	(1,054)	(7,154)	(3,935)	(26,153)
Administration expenses	(1,470)	(441)	(147)	(872)	(2,199)	(5,129)
Operational, marketing and selling expenses	(1,722)	(301)	(480)	(910)	(142)	(3,555)
Manufactured home cost of sales	-	(21,729)	-	-	-	(21,729)
Service station expenses	(5,862)	-	-	-	-	(5,862)
Finance expense	-	-	-	-	(6,795)	(6,795)
Income tax benefit	-	-	-	-	2,586	2,586
Depreciation expense	(106)	(33)	(9)	(38)	(174)	(360)
Amortisation Expense	-	-	-	-	(266)	(266)
Underlying profit/(loss) – continuing operations	10,969	5,521	3,821	10,977	(11,127)	20,161
Reconciliation of underlying profit to statutory profit						
Net foreign exchange gain	-	-	-	-	471	471
Net gain/(loss) on disposal of investment property	-	-	(989)	-	-	(989)
Net gain/(loss) on change in fair value of:						
- Investment properties	-	(2,283)	2,317	7,462	-	7,496
- Retirement village resident loans	-	-	(1,388)	-	-	(1,388)
- Derivatives	-	-	-	-	(414)	(414)
Gain on revaluation of newly constructed villages	-	-	(1,525)	-	-	(1,525)
Income tax benefit associated with reconciliation items	-	-	-	-	468	468
Profit/(loss) per the consolidated statement of comprehensive income	10,969	3,238	2,236	18,439	(10,602)	24,280
(iii) Segment assets	314,436	18,415	273,841	140,587	19,540	766,819

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

4. EARNINGS PER SECURITY

	<u>2017</u>	<u>2016</u>
(a) Per security		
Profit attributable to securityholders (\$'000)	26,408	24,280
Weighted average number of securities outstanding (thousands):		
Issued securities	180,383	150,408
Dilutive securities (thousands):		
- Performance quantum rights	-	620
- Long-term incentive rights	486	269
- Short-term incentive rights	111	56
Weighted average number of issued and dilutive potential securities outstanding (thousands)	180,980	151,353
Basic earnings per security (cents)	14.6	16.1
Dilutive earnings per security (cents)	14.6	16.0
(b) Per security attributable to parent		
Profit/(loss) attributable to securityholders (\$'000)	(446)	(1,631)
Weighted average number of securities outstanding (thousands):		
Issued securities	180,383	150,408
Dilutive securities (thousands):		
- Performance quantum rights	-	620
- Long-term incentive rights	486	269
- Short-term incentive rights	111	56
Weighted average number of issued and dilutive potential securities outstanding (thousands)	180,980	151,353
Basic earnings per security (cents)	(0.2)	(1.1)
Dilutive earnings per security (cents)	(0.2)	(1.1)

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

5. REVENUE

	2017	2016
	\$'000	\$'000
(a) Rental income		
Residential rental income – Ingenia Gardens	24,770	23,961
Residential rental income – Settlers	232	462
Residential rental income – Lifestyle & Holidays	14,911	12,311
Annuals rental income – Lifestyle & Holidays	4,348	2,970
Tourism rental income – Lifestyle & Holidays	25,251	17,565
Commercial rental income – Lifestyle & Holidays	464	423
Total rental income	69,976	57,692
(b) Other property income		
Government incentives	267	142
Commissions and administrative fees	335	809
Ancillary lifestyle park income	1,173	644
Utility recoveries	1,281	1,076
Sundry income	800	374
Total other property income	3,856	3,045

6. FINANCE EXPENSE

	2017	2016
	\$'000	\$'000
Debt facility interest paid or payable	6,377	5,636
Deferred consideration interest on acquisitions	169	793
Finance lease interest paid or payable ⁽¹⁾	415	366
Total finance expense	6,961	6,795

⁽¹⁾ Finance leases relate to certain investment properties and are long-term in nature. Refer to Note 16(c) for further detail.

Interest costs of \$620,000 have been capitalised into investment properties associated with development assets (2016: \$nil).

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

7. INCOME TAX EXPENSE

	2017	2016
	\$'000	\$'000
(a) Income tax (expense)/ benefit		
Current tax benefit	233	-
(Decrease)/Increase in deferred tax asset	(2,163)	3,054
Income tax (expense)/benefit	(1,930)	3,054
(b) Reconciliation between tax expense and pre-tax profit		
Profit before income tax	28,338	21,226
Add/(less) amounts not subject to Australian income tax	2,738	(25,855)
	31,076	(4,629)
Income tax (expense)/benefit at the Australian tax rate of 30%	(9,323)	1,389
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Prior period income tax return true-ups	(325)	369
Movements in tax cost base of investment properties ⁽¹⁾	7,615	1,399
Other	103	(103)
Income tax (expense)/benefit	(1,930)	3,054

⁽¹⁾ Movement in cost base of investment property impacted by valuation adjustments and resetting of historic cost bases where updated information is available.

(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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$'000	\$'000
Current		
Trade and other receivables	2,814	2,218
Prepayments	1,912	3,946
Deposits	1,175	688
	5,901	6,852
Non-current		
Other receivables	3,002	3,140

9. INVENTORIES

	2017	2016
	\$'000	\$'000
Manufactured homes:		
- Completed	15,247	11,140
- Under construction	6,190	6,331
Service station fuel and supplies	160	194
Total inventories	21,597	17,665

The manufactured homes balance includes:

- 86 new completed homes (2016: 60)
- 9 refurbished/renovated/annuals completed homes (2016: 7)
- Manufactured homes under construction include partially completed homes at different stages of development. It also includes demolition, site preparation costs and buybacks on future development sites.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES

(a) Summary of carrying amounts

	2017	2016
	\$'000	\$'000
Completed properties	583,372	637,289
Properties under development	110,101	73,457
Total carrying amount	693,473	710,746

(b) Individual valuations and carrying amounts

Property	Purchase date	Latest external valuation	External valuation amount	Carrying amount	
				2017	2016
			\$'000	\$'000	\$'000
<i>Ingenia Settlers:</i>					
Cessnock, Cessnock, NSW	Jun-04	Oct-15	6,604	6,756	6,793
Forest Lake, Forest Lake, QLD ⁽¹⁾	-	-	-	-	16,103
Gladstone, South Gladstone, QLD	Nov-05	Oct-15	12,572	11,018	11,333
Rockhampton, Rockhampton, QLD ⁽¹⁾	-	-	-	-	14,087
Ridge Estate, Gillieston Heights, NSW ⁽¹⁾	-	-	-	-	14,887
Lakeside, Ravenswood, WA ⁽¹⁾	-	-	-	-	77,224
Meadow Springs, Mandurah, WA	Apr-07	Oct-15	21,022	19,566	20,063
Ridgewood Rise, Ridgewood, WA ⁽¹⁾	-	-	-	-	108,436
				37,340	268,926

⁽¹⁾ Asset sold as part of Settlers asset sale in October 2016

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

Properties	Purchase date	Latest external valuation	External valuation amount	Carrying amount	
				2017	2016
				\$'000	\$'000
<i>Ingenia Gardens:</i>					
Brooklyn, Brookfield, VIC	Jun-04	Dec-16	4,550	4,690	4,220
Carey Park, Bunbury, WA	Jun-04	Jun-17	4,400	4,400	4,430
Elphinwood, Launceston, TAS	Jun-04	Dec-16	4,100	4,100	3,970
Horsham, Horsham, VIC	Jun-04	Jun-17	3,700	3,700	3,960
Jefferis, Bundaberg North, QLD	Jun-04	Jun-17	4,550	4,550	4,420
Oxley, Port Macquarie, NSW	Jun-04	Dec-16	4,900	4,760	4,360
Townsend, St Albans Park, VIC	Jun-04	Jun-17	4,850	4,850	4,310
Yakamia, Yakamia, WA	Jun-04	Jun-17	4,500	4,500	4,880
Chatsbury, Goulburn, NSW	Jun-04	Dec-16	4,300	4,420	3,680
Claremont, Claremont, TAS	Jun-04	Dec-16	4,100	4,260	3,360
Coburns, Brookfield, VIC	Jun-04	Dec-16	4,450	4,500	3,940
Devonport, Devonport, TAS	Jun-04	Dec-16	1,750	2,160	1,709
Hertford, Sebastopol, VIC	Jun-04	Dec-15	3,700	3,840	3,970
Seascape, Erskine, WA	Jun-04	Dec-15	4,700	4,980	4,920
Seville Grove, Seville Grove, WA	Jun-04	Dec-15	3,900	3,660	3,960
St Albans Park, St Albans Park, VIC	Jun-04	Dec-15	4,950	5,680	5,120
Taloumbi, Coffs Harbour, NSW	Jun-04	Dec-15	4,900	5,150	5,160
Wheelers, Dubbo, NSW	Jun-04	Dec-16	4,900	5,050	5,130
Taree, Taree, NSW	Dec-04	Dec-16	3,350	3,940	3,300
Grovedale, Grovedale, VIC	Jun-05	Jun-17	5,400	5,400	5,000
Glenorchy, Glenorchy, TAS	Jun-05	Dec-15	3,800	4,280	4,110
Marsden, Marsden, QLD	Jun-05	Dec-16	9,350	9,560	8,970
Swan View, Swan View, WA	Jan-06	Dec-15	7,150	7,610	7,430
Dubbo, Dubbo, NSW	Dec-12	Dec-15	3,800	5,170	3,640
Ocean Grove, Mandurah, WA	Feb-13	Dec-16	3,850	3,870	3,680
Peel River, Tamworth, NSW	Mar-13	Dec-16	4,850	5,270	4,590
Sovereign, Ballarat, VIC	Jun-13	Dec-15	3,150	2,540	3,320
Wagga, Wagga Wagga, NSW	Jun-13	Dec-15	4,250	3,950	4,350
Bathurst, Bathurst, NSW	Jan-14	Dec-16	4,150	4,100	4,340
Launceston, Launceston, TAS	Jan-14	Dec-16	3,400	3,350	3,460
Warrnambool, Warrnambool, VIC	Jan-14	Dec-16	3,050	3,000	2,880
				141,290	134,569

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

Properties completed	Purchase date	Latest external valuation	External valuation amount	Carrying amount	
				2017	2016
			\$'000	\$'000	\$'000
<i>Ingenia Lifestyle & Holidays:</i>					
The Grange, Morisset, NSW	Mar-13	Dec-16	12,600	13,718	10,312
Ettalong Beach, Ettalong Beach, NSW ⁽¹⁾	Apr-13	Dec-15	5,788	5,968	5,853
Albury, Lavington, NSW	Aug-13	Jun-16	2,464	3,132	2,464
Nepean River, Emu Plains, NSW	Aug-13	Jun-16	11,000	13,867	11,000
Mudgee Valley, Mudgee, NSW	Sep-13	Jun-16	2,358	2,934	2,358
Mudgee, Mudgee, NSW	Oct-13	Jun-16	4,558	4,587	4,558
Kingscliff, Kingscliff, NSW	Nov-13	Dec-16	12,000	12,524	12,682
Lake Macquarie (Lifestyle), Morisset, NSW	Nov-13	Jun-16	5,108	6,778	5,263
Chain Valley Bay, Chain Valley Bay, NSW	Dec-13	Dec-16	1,500	2,435	-
One Mile Beach, One Mile, NSW ⁽²⁾	Dec-13	Jun-16	12,492	14,809	12,492
Hunter Valley, Cessnock, NSW	Feb-14	Jun-16	8,033	7,868	8,028
Cessnock, Cessnock, NSW ⁽⁶⁾	-	-	-	-	1,000
Sun Country, Mulwala, NSW	Apr-14	Jun-16	6,981	7,384	7,098
Stoney Creek, Marsden Park, NSW	May-14	Jun-16	13,002	18,529	13,002
Rouse Hill, Rouse Hill, NSW ⁽⁴⁾	Jun-14	Jun-17	10,300	10,300	10,300
White Albatross, Nambucca Heads, NSW	Dec-14	Jun-16	26,650	28,443	26,650
Noosa, Tewantin, QLD	Feb-15	Jun-17	16,800	16,800	14,996
Chambers Pines, Chambers Flat, QLD	Mar-15	Jun-17	19,200	19,200	15,457
Lake Macquarie (Holidays), Mannering Park, NSW	Apr-15	Jun-16	7,500	8,020	7,500
Sydney Hills, Dural, NSW	Apr-15	Jun-17	15,200	15,200	13,100
Bethania, Bethania, QLD	Jul-15	Jun-17	5,401	5,401	1,537
Conjola Lakeside, Lake Conjola, NSW	Sep-15	Jun-17	27,500	27,500	24,000
Soldiers Point, Port Stephens, NSW	Oct-15	Jun-16	11,500	13,027	11,500
Lara, Lara, VIC	Oct-15	Jun-16	1,600	4,582	1,610
South West Rocks, South West Rocks NSW ⁽³⁾	Feb-16	Dec-16	7,380	7,016	4,713
Broulee, Broulee, NSW ⁽³⁾	Mar-16	Dec-16	6,325	6,463	6,321
Ocean Lake, Ocean Lake, NSW ⁽⁵⁾	Aug-16	Jun-17	8,900	8,900	-
Avina Van Village, Vineyard, NSW ⁽⁵⁾	Oct-16	-	-	17,480	-
Hervey Bay, Hervey Bay, QLD ⁽⁵⁾	Oct-16	-	-	9,667	-
Blueys Beach, Blueys Beach, NSW ⁽⁵⁾	Jan-17	-	-	4,480	-
Cairns Coconut, Woree, QLD ⁽⁵⁾	Mar-17	-	-	51,296	-
Bonny Hills, Bonny Hills, NSW ⁽⁵⁾	May-17	-	-	13,500	-
Durack Gardens, Durack, QLD ⁽⁵⁾	Jun-17	-	-	22,934	-
				404,742	233,794
Total completed properties				583,372	637,289

External valuation figures shown above are the valuation of the existing park rental streams and exclude any valuation attributed to the development component.

Variances between valuations and carrying amount are driven by improvements to park operations and additional investment spend since the last valuation.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

Properties to be developed	Purchase date	Carrying amount	
		2017	2016
		\$'000	\$'000
<i>Ingenia Lifestyle & Holidays:</i>			
The Grange, Morisset, NSW	Mar-13	1,967	2,516
Albury, Lavington, NSW	Aug-13	3,682	3,426
Mudgee Valley, Mudgee, NSW	Sep-13	700	2,334
Mudgee, Mudgee, NSW	Oct-13	2,203	2,270
Kingscliff, Kingscliff, NSW	Nov-13	-	502
Lake Macquarie (Lifestyle), Morisset, NSW	Nov-13	-	648
Chain Valley Bay, Chain Valley Bay, NSW	Dec-13	2,678	5,334
Hunter Valley, Cessnock, NSW	Feb-14	3,395	2,243
Cessnock, Cessnock, NSW ⁽⁶⁾	Feb-14	-	556
Sun Country, Mulwala, NSW	Apr-14	1,904	1,519
Stoney Creek, Marsden Park, NSW	May-14	2,560	5,765
Rouse Hill, Rouse Hill, NSW ⁽⁴⁾	Jun-14	8,224	6,165
Chambers Pines, Chambers Flat, QLD	Mar-15	9,590	8,322
Sydney Hills, Dural, NSW	Apr-15	160	-
Bethania, Bethania, QLD	Jul-15	15,084	11,889
Conjola Lakeside, Lake Conjola, NSW	Sep-15	5,000	1,416
Lara, Lara, VIC	Oct-15	13,702	13,410
South West Rocks, NSW ⁽³⁾	Feb-16	2,616	5,142
Avina Van Village, Vineyard, NSW ⁽⁵⁾	Oct-16	17,745	-
Latitude One, Port Stephens, NSW ^{(5) (7)}	Dec-16	13,805	-
Blueys Beach, Blueys Beach, NSW ⁽⁵⁾	Jan-17	3,020	-
Durack Gardens, Durack, QLD ⁽⁵⁾	Jun-17	2,066	-
Properties to be developed		110,101	73,457
Total investment properties		693,473	710,746

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

(2) 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.

(3) South West Rocks and Broulee land is leased from the Crown and is recognised as investment property with an associated finance lease.

(4) Rouse Hill has been valued on a highest and best used basis as a medium density residential development.

(5) Held at purchase price plus any subsequent and supportable capital expenditure in accordance with accounting policy.

(6) Cessnock Lifestyle and Holidays was sold in December 2016.

(7) Latitude One is carried at purchase price exclusive of obligations assumed at acquisition which are recorded separately as liabilities.

Investment property that has not been valued by external valuers at reporting date is carried at the Group's estimate of fair value in accordance with the accounting policy. Properties acquired during the period are carried at purchase price, excluding acquisition costs, plus any subsequent, supportable capital expenditure, which is reflective of the fair value.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

Valuations of retirement villages are provided net of retirement village 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 the separate balance sheet presentation. The carrying amounts include the fair value of units completed since the date of the external valuation.

(c) Movements in carrying amounts

	Note	2017 \$'000	2016 \$'000
Carrying amount at beginning of the year		710,746	539,728
Acquisitions		174,883	81,536
Expenditure capitalised		29,163	19,946
Net transfer from/(to) inventory		(601)	442
Net change in fair value		12,372	7,496
Transferred from assets held for sale	11	-	61,598
Disposals			
Carrying value		(224,652)	-
Net loss on disposal of investment property		(8,438)	-
Carrying amount at end of the year		693,473	710,746

Fair value hierarchy disclosures for investment properties have been provided in Note 26(a).

(d) Reconciliation of fair value

	Ingenia Gardens \$'000	Settlers \$'000	Lifestyle & Holidays \$'000	Total \$'000
Carrying amount at 1 July 2016	134,569	268,926	307,251	710,746
Acquisitions	-	-	174,883	174,883
Expenditure capitalised	1,901	176	27,086	29,163
Net transfer from inventory	-	-	(601)	(601)
Net gain/(loss) on change in fair value	4,820	(286)	7,838	12,372
Disposals				
Carrying value	-	(223,908)	(744)	(224,652)
Net loss on disposal of investment property	-	(7,568)	(870)	(8,438)
Carrying amount at 30 June 2017	141,290	37,340	514,843	693,473

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship of unobservable input to fair value
Ingenia Gardens	Capitalisation method	Stabilised occupancy	80% - 98% (92.8%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
		Capitalisation rate	9.5% - 10.9% (9.9%)	Capitalisation has an inverse relationship to valuation.
Settlers	Discounted cash flow	Current market value per unit	\$100,000 - \$390,000	Market value and growth in property value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Long-term property growth rate	0.0%	
		Average length of stay – future residents	12.6 years	Average length of stay projection is based on life expectancy and other factors.
		Discount rate	13.5% - 17.0%	
Lifestyle and Holidays	Capitalisation method (for existing rental streams)	Short-term occupancy	20% - 80% for powered and camp sites; 15% - 75% for tourism and short term rental	Higher the occupancy, the greater the value.
		Residential occupancy	100%	
		Operating profit margin	35% - 70% dependent upon short-term and residential accommodation mix	Higher the profit margin, the greater the value.
		Capitalisation rate	7.4% - 14.0%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for future development)	Discount rate	12.5% - 17.5%	Discount rate has an inverse relationship to valuation.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

10. INVESTMENT PROPERTIES (CONTINUED)

Capitalisation method

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

Discounted cash flow method

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

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

11. ASSETS AND LIABILITIES HELD FOR SALE

As disclosed at 31 December 2015, the five Settlers assets held-for-sale at 30 June 2015 were deemed to no longer meet the required criteria to maintain such classification. Accordingly, the assets were transferred back to investment property (\$61,598,000), and the associated loans were transferred back to retirement village resident loans (\$42,041,000). The remaining three Settlers assets are held in investment property, refer to Note 10(b).

12. PLANT AND EQUIPMENT

	2017	2016
	\$'000	\$'000
(a) Summary of carrying amounts		
Plant and equipment	4,476	3,434
Less: accumulated depreciation ⁽¹⁾	(1,724)	(1,491)
Total plant and equipment	2,752	1,943
(b) Movements in carrying amount		
Carrying amount at beginning of year	1,943	720
Additions	1,264	1,583
Depreciation expense ⁽¹⁾	(455)	(360)
Carrying amount at end of year	2,752	1,943

⁽¹⁾During the year \$222,000 of cost and accumulated depreciation was written off, but had no impact on the written down value of assets.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

13. INTANGIBLES

	2017	2016
	\$'000	\$'000
(a) Summary of carrying amounts		
Software & development	2,818	2,422
Less: accumulated amortisation	(797)	(423)
Total Intangibles	2,021	1,999
(b) Movements in carrying amount		
Carrying amount at beginning of year	1,999	1,579
Additions	397	686
Amortisation expense	(375)	(266)
Carrying amount at end of year	2,021	1,999

14. DEFERRED TAX ASSET AND LIABILITIES

	2017	2016
	\$'000	\$'000
Deferred tax assets		
Tax losses	14,679	20,827
Other	276	1,399
Deferred tax liabilities		
DMF receivable	(1,011)	(8,883)
Investment properties	(6,480)	(3,944)
Net deferred tax asset	7,464	9,399
Deductible temporary differences and carried forward losses tax effected for which no deferred tax asset has been recognised	7,500	7,500

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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

15. TRADE AND OTHER PAYABLES

	2017	2016
	\$'000	\$'000
Current		
Trade payables and accruals	20,071	11,846
Deposits	4,562	2,841
Other unearned income	1,350	1,670
Deferred acquisition consideration	-	8,500
Total current	25,983	24,857
Non-current		
Deferred acquisition consideration	-	6,770
Other	168	-
Total non-current	168	6,770

16. BORROWINGS

	2017	2016
	\$'000	\$'000
Current		
Finance leases	493	497
Non-current		
Bank debt	166,464	99,100
Prepaid borrowing costs	(1,735)	(1,373)
Finance leases	5,608	5,866
Total non-current	170,337	103,593

(a) Bank debt

The total \$300 million syndicated debt facility (2016: \$200 million) is with three Australian banks. The facility maturity dates are:

- 12 February 2020 (\$124.6 million); and
- 12 February 2022 (\$175.4 million)

As at 30 June 2017 the facility has been drawn to \$166.5 million (2016: \$99.1 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is \$602.9 million (2016: \$470.3 million).

(b) Bank guarantees

The Group has the ability to utilise its bank facility to provide bank guarantees, which at 30 June 2017 were \$10.8 million (2016: \$26.2 million). Refer to Note 22 for further detail.

(c) Finance leases

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

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

The leases are long-term in nature and range between 9 years to perpetuity.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

16. BORROWINGS (CONTINUED)

Minimum lease payments – excluding perpetual lease:

	2017	2016
	\$'000	\$'000
Minimum lease payments:		
Within one year	518	510
Later than one year but not later than five years	2,152	2,119
Later than five years	4,014	4,565
Total minimum lease payments	6,684	7,194
Future finance charges	(1,718)	(1,966)
Present value of minimum lease payments	4,966	5,228
Present value of minimum lease payments:		
Within one year	493	497
Later than one year but not later than five years	1,837	1,832
Later than five years	2,636	2,899
	4,966	5,228

Minimum lease payments – perpetual lease:

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

17. RETIREMENT VILLAGE RESIDENT LOANS

	2017	2016
	\$'000	\$'000
(a) Summary of carrying amounts		
Gross resident loans	30,155	240,473
Accrued deferred management fee	(2,954)	(32,990)
Net resident loans	27,201	207,483
(b) Movements in carrying amounts		
Carrying amount at beginning of year	207,483	161,878
Net gain/(loss) on change in fair value of resident loans	(96)	1,388
Accrued deferred management fee income	(1,825)	(4,222)
Deferred management fee cash collected	465	1,211
Proceeds from resident loans	3,411	11,056
Repayment of resident loans	(2,191)	(5,757)
Transfer from/(to) liabilities held for sale	-	42,041
Disposal of villages	(180,283)	-
Other	237	(112)
Carrying amount at end of year	27,201	207,483

Fair value hierarchy disclosures for retirement village resident loans have been provided in Note 26.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

18. ISSUED SECURITIES

	2017	2016
	\$'000	\$'000
(a) Carrying values		
At beginning of year	723,383	657,544
Issued during the year:		
Dividend Reinvestment Plan issues	5,517	3,344
Performance Quantum Rights	1,158	383
Institutional Placement and Rights issue	74,045	64,355
Security Purchase Plan	8,162	-
Short-Term Incentive Plan	238	-
Institutional Placement and Rights issue costs	(2,667)	(2,243)
At end of year	809,836	723,383
The closing balance is attributable to the securityholders of:		
Ingenia Communities Holding Limited	11,131	10,204
Ingenia Communities Fund	755,570	679,160
Ingenia Communities Management Trust	43,135	34,019
	809,836	723,383
(b) Number of issued securities		
At beginning of year	172,155	147,118
Issued during the year:		
Dividend Reinvestment Plan	2,049	2,968
Performance Quantum Rights	599	640
Security Purchase Plan	3,023	-
Short-Term Incentive Plan	77	-
Institutional Placement and Rights Issue	28,479	21,429
At end of year	206,382	172,155

(c) Term of Securities

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

19. RESERVES

	2017	2016
	\$'000	\$'000
Share-based payment reserve		
Balance at beginning of year	1,810	1,334
Granting of securities	(1,367)	(383)
Share-based payment expense	631	859
Balance at end of year	1,074	1,810

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.

20. ACCUMULATED LOSSES

	2017	2016
	\$'000	\$'000
Balance at beginning of year	(303,592)	(315,359)
Net profit for the year	26,408	24,280
Distributions	(17,994)	(12,513)
Balance at end of year	(295,178)	(303,592)

The closing balance is attributable to the securityholders of:

Ingenia Communities Holding Limited	(1,711)	(1,265)
Ingenia Communities Fund	(313,899)	(293,167)
Ingenia Communities Management Trust	20,432	(9,160)
	(295,178)	(303,592)

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

21. COMMITMENTS

(a) Capital commitments

There were commitments for capital expenditure on investment property and inventory contracted but not provided for at reporting date of \$805,725 (2016: \$659,000).

(b) Operating lease commitments

A subsidiary of ICMT has two non-cancellable operating leases for its Sydney and Brisbane offices. These leases have remaining lives of three and two years respectively.

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

	2017	2016
	\$'000	\$'000
Within one year	502	598
Later than one year but not later than five years	990	1,929
	1,492	2,527

(c) Finance lease commitments

Refer to Note 16 for future minimum lease payments payable and the present value of minimum lease payments payable at reporting date for the finance leases relating to investment property.

22. CONTINGENT LIABILITIES

There are no known contingent liabilities other than the bank guarantees totalling \$10.8 million provided for under the \$300.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements (\$10.0 million).

23. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) Short-Term Incentive Plan (STIP)

STIP performance rights are awarded to eligible employees whose achievements, behaviour, and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. STIP rights are subject to a one year vesting deferral period from the issue date and allow for certain lapsing conditions within the deferral period, should certain conditions occur. Payment of STIP rights are 50% cash and a 50% deferred equity element linked to earnings growth sustainability.

The deferred expense for conditional STIP rights recognised for the period is \$321,004 (2016: \$345,064) and is based on an estimate of the Group's and individual employee's current period performance. The total value of STIP rights is subject to adjustment up until the final full-year audited result is known and KPIs reliably measured, being 1 October 2017.

(b) Long-Term Incentive Plan (LTIP)

LTIP performance rights are granted to individuals to align their focus with the Group's required Total Shareholder Return (TSR) and Return on Equity (ROE), as measured over three financial years. TSR is benchmarked against the ASX 300 Industrials Index, and contributes 70%, whilst ROE is benchmarked against internal targets, and contributes 30%. Payment of LTIP rights is in equity, in order to increase alignment with securityholder's interests.

LTIP rights replaced the Performance Quantum Rights (PQRs) for the year ended 30 June 2015. The last remaining PQRs vested on 1 July 2016.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The number of LTIP rights that will vest depends on the TSR and ROE achieved, and is also conditional on the eligible employee being employed by the Group at the relevant vesting date. One right equates to one security in the Group.

	2017	2016
	Thousands	Thousands
Movements in rights during the year were:		
PQRs		
Outstanding at beginning of year	619	1,259
Converted to fully paid stapled securities ⁽¹⁾	(619)	(640)
Granted during the year	-	-
Outstanding at end of year	-	619
Weighted average remaining life of outstanding rights (years) ⁽¹⁾	-	-
LTIPs		
Outstanding at beginning of year	451	164
Granted during the year	248	287
Outstanding at end of year	699	451
Weighted average remaining life of outstanding rights (years)	1.3	1.8
STIPs		
Outstanding at beginning of year	77	-
Converted to fully paid stapled securities	(77)	-
Granted during the year	123	77
Outstanding at end of year	123	77
Weighted average remaining life of outstanding rights (years)	0.3	0.3

⁽¹⁾ 619,333 PQRs vested on 1 July 2016 and 598,833 fully paid stapled securities were issued at that time.

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

Grant Date	1 October 2016	15 November 2016
Security price at grant date	\$2.81	\$2.67
30 day Volume Weighted Average Price (VWAP) at start of performance period	\$2.83	\$2.64
Expected remaining life at grant date	3.0	2.9
Risk-free interest rate at grant date	1.52%	2.05%
Distribution yield	4.17% (FY17)	4.17% (FY17)
	4.97% (FY18)	4.97% (FY18)
	5.43% (FY19)	5.43% (FY19)
LTIP right fair value (TSR hurdle)	\$1.40	\$1.35
LTIP right fair value (ROE hurdle)	\$2.47	\$2.39
Weighted Average LTIP fair value	\$1.72	\$1.44

The fair value of LTIPs and PQRs is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period. The total LTIP and PQR expense recognised for the financial year was \$338,783 (2016: \$612,459).

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

24. 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, 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 primarily monitors its capital position through the Loan to Value Ratio (LVR) which is a key covenant under the Group's \$300.0 million syndicated debt facility. LVR is calculated as the sum of bank debt, bank guarantees, finance leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2017, LVR is 27.7% compared to 24.9% at 30 June 2016.

In addition the Group also monitors Interest Cover Ratio as defined under the syndicated debt facility. At 30 June 2017, the Total Interest Cover Ratio was 5.36x (2016: 4.46x) and the Core Interest Cover Ratio was 3.52x (2016: 3.73x).

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS

(a) Introduction

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its Investment, Derivatives, and Borrowing policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or the forecast is unlikely to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Investment, Derivatives, and Borrowing policy are accepted and no plan of action is put in place to meet the treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Investment, Derivatives, and Borrowing policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

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

(b) Interest rate risk

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

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investment, Derivatives, and Borrowing policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

At 30 June 2017, after taking into account the effect of interest rate swaps, approximately 29% of the Group's borrowings are at a fixed rate of interest (2016: 28%). Further, the Group has entered into an interest rate collars to provide further interest rate protection.

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk exposure

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

\$'000

	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 Years	More than 5 years	
2017					
<i>Financial assets</i>					
Cash at bank	9,645	-	-	-	9,645
<i>Financial liabilities</i>					
Bank debt	166,464	-	-	-	166,464
Finance leases (excluding perpetual lease)	-	493	1,837	2,636	4,966
Interest rate swaps: Group pays fixed rate	(64,000)	16,000	48,000	-	-
2016					
<i>Financial assets</i>					
Cash at bank	15,057	-	-	-	15,057
<i>Financial liabilities</i>					
Bank debt	99,100	-	-	-	99,100
Finance leases (excluding perpetual lease)	-	497	1,832	2,899	5,228
Interest rate swaps; Group pays fixed rate	(44,000)	-	44,000	-	-

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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate sensitivity analysis

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

	Effect on profit after tax higher/(lower)	
	2017	2016
	\$'000	\$'000
Increase in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	(1,665)	(991)
Interest rate swaps (AUD denominated)	1,084	822
Decrease in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	1,665	991
Interest rate swaps (AUD denominated)	(1,366)	(822)

(e) Foreign exchange risk

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

(f) Net foreign currency exposure

The Group's net foreign currency monetary exposure as at reporting date is shown in the following table. The net foreign currency exposure reported is of foreign currencies held by entities whose functional currency is 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	
	2017	2016
	\$'000	\$'000
Net foreign currency exposure:		
United States dollars	2,054	3,479
New Zealand dollars	254	289

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Net foreign currency sensitivity analysis

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

	Effect on profit after tax higher/(lower)	
	2017	2016
	\$'000	\$'000
(i) Effect of appreciation in Australian dollar of 10%:		
Foreign exchange risk exposures denominated in:		
United States dollars	(187)	(316)
New Zealand dollars	(23)	(26)
(ii) Effect of depreciation in Australian dollar of 10%:		
Foreign exchange risk exposures denominated in:		
United States dollars	228	387
New Zealand dollars	28	32

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

(h) Credit risk

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

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

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

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

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

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Group. The Group's Investment, Derivatives, and Borrowing policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) Liquidity risk

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

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

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

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

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

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

	Less than 1 year \$'000	1 to 5 Years \$'000	More than 5 years \$'000	Total \$'000
2017				
Trade and other payables	25,983	168	-	26,151
Retirement village residents loans	27,201	-	-	27,201
Borrowings	7,435	187,635	-	195,070
Provisions	1,480	344	-	1,824
Finance leases (excluding perpetual lease)	518	2,152	4,014	6,684
Finance lease (perpetual lease) ⁽¹⁾	121	483	-	604
	62,738	190,782	4,014	257,534

⁽¹⁾ For the purpose of the table above, lease payments are included for five years for the perpetual lease. Refer to Note 16(c).

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

	Less than 1 year \$'000	1 to 5 Years \$'000	More than 5 years \$'000	Total \$'000
2016				
Trade and other payables	24,857	6,770	-	31,627
Retirement village residents loans	207,483	-	-	207,483
Borrowings	4,572	38,153	65,711	108,436
Provisions	1,382	227	-	1,609
Finance leases (excluding perpetual lease)	510	2,119	4,565	7,194
Finance lease (perpetual lease) ⁽¹⁾	121	483	-	604
	238,925	47,752	70,276	356,953

⁽¹⁾ For the purpose of the table above, lease payments are included for five years for the perpetual lease. Refer to Note 16(c).

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.

	Less than 1 year \$'000	1 to 5 Years \$'000	More than 5 years \$'000	Total \$'000
2017				
Liabilities				
Derivative liabilities – net settled	221	61	-	282
2016				
Liabilities				
Derivative liabilities – net settled	121	287	-	408

(j) 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)	
	2017	2016
	\$'000	\$'000
Increase in market prices of investment properties of 10%	(3,016)	(24,047)
Decrease in market prices of investment properties of 10%	3,016	24,047

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.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (CONTINUED)

(k) Fair value

The Group uses the following fair value measurement hierarchy:

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

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

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

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

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

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

There has been no movement from Level 3 to Level 2 during the year. Changes in the Group's retirement village resident loans, which are Level 3 instruments are presented in Note 17.

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

26. FAIR VALUE MEASUREMENT

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

		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(a) Assets Measured at Fair Value	Date of valuation	\$'000	\$'000	\$'000	\$'000
2017					
Investment properties	30 June 2017 Refer Note 10	693,473	-	-	693,473
Other financial assets	30 June 2017	2,263	-	-	2,263
2016					
Investment properties	30 June 2016 Refer Note 10	710,746	-	-	710,746
(b) Liabilities Measured at Fair Value					
2017					
Retirement village resident loans	30 June 2017 Refer Note 17	27,201	-	-	27,201
Other financial liabilities	30 June 2017	6,136	-	-	6,136
Derivatives	30 June 2017	282	-	282	-
2016					
Retirement village resident loans	30 June 2016 Refer Note 17	207,483	-	-	207,483
Derivatives	30 June 2016	408	-	408	-

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

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

27. AUDITOR'S REMUNERATION

	2017	2016
	\$	\$
Amounts received or receivable by EY for:		
Audit or review of the financial reports	572,788	440,461
Other audit related services	58,528	54,848
Tax services	13,000	35,570
	644,316	530,879

28. RELATED PARTIES

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

	2017	2016
	\$	\$
Directors fees	554,750	559,667
Salaries and other short-term benefits	1,241,177	1,191,514
Short-term incentives	796,436	695,110
Superannuation benefits	60,147	57,924
Share-based payments	457,015	568,329
	3,109,525	3,072,544

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

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

Issue date	Right Type	Expiry date	Number outstanding	
			2017	2016
FY14	PQR	FY17	-	619,333
FY15	STIP	FY17	-	76,548
FY15	LTIP	FY18	163,829	163,829
FY16	LTIP	FY19	173,870	173,870
FY16	STIP	FY18	122,850	-
FY17	LTIP	FY20	173,161	-
			633,710	1,033,580

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

29. COMPANY FINANCIAL INFORMATION

Summary financial information about the Company is:

	2017	2016
	\$'000	\$'000
Current assets	106	189
Total assets	11,184	13,419
Current liabilities	690	1,633
Total liabilities	690	2,670
Net assets	10,494	10,750
Securityholders' equity		
Issued securities	11,131	10,205
Reserves	1,074	1,810
Accumulated losses	(1,711)	(1,265)
Total securityholders' equity	10,494	10,750
Profit/(loss) from continuing operations	(446)	(1,631)
Net profit/(loss) attributable to securityholders	(446)	(1,631)
Total comprehensive income	(446)	(1,631)

The 2016 comparative information for the Company has been adjusted to realign the recognition of historical transactions within the individual stapled entities. This has resulted in an increase in net assets and equity of the Company as at 30 June 2016 of \$9,889,000 and a reduction in net profit for the year ended on that date of \$169,000. These adjustments are internal realignments only and do not impact the reported consolidated results of the Stapled Group

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

30. SUBSIDIARIES

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

	Country of residence	Ownership interest	
		2017 %	2016 %
Bridge Street Trust	Australia	100	100
Browns Plains Road Trust	Australia	100	100
Casuarina Road Trust	Australia	100	100
Edinburgh Drive Trust	Australia	100	100
Garden Villages Management Trust	Australia	100	100
INA Community Living Lynbrook Trust	Australia	100	100
INA Community Living Subsidiary Trust	Australia	100	100
INA Community Living Subsidiary Trust No. 2	Australia	-	100
INA Garden Villages Pty Ltd	Australia	100	100
INA Kiwi Communities Pty Ltd	Australia	100	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	100	100
INA Management Pty Ltd	Australia	100	100
INA Settlers Co Pty Ltd	Australia	100	100
INA Sunny Communities Pty Ltd	Australia	100	100
INA Sunny Trust	Australia	100	100
Ingenia Communities RE Limited	Australia	100	100
Jefferis Street Trust	Australia	100	100
Lovett Street Trust	Australia	100	100
Settlers Operations Trust	Australia	100	100
Settlers Subsidiary Trust	Australia	100	100
SunnyCove Gladstone Unit Trust	Australia	100	100
SunnyCove Rockhampton Unit Trust	Australia	100	100
Ridge Estate Trust	Australia	100	100
Taylor Street (2) Trust	Australia	100	100
INA Subsidiary Trust No.1	Australia	100	100
INA Subsidiary Trust No.3	Australia	100	100
INA Operations Pty Ltd	Australia	100	100
INA Operations Trust No.1	Australia	100	100
INA Operations Trust No.2	Australia	100	100
INA Operations Trust No.3	Australia	100	100
INA Operations Trust No.4 (formerly INA Subsidiary Trust No.2)	Australia	100	100
INA Operations Trust No.6	Australia	100	100
INA Operations Trust No.7	Australia	100	100
INA Operations Trust No.8	Australia	100	100
INA Operations Trust No.9	Australia	100	100
Settlers Company Pty Limited (formerly INA Operations No. 2 Pty Ltd)	Australia	-	100
Settlers Management Pty Ltd	Australia	100	-
INA Latitude One Pty Ltd	Australia	100	-
INA Latitude One Development Pty Ltd	Australia	100	-
INA Soldiers Point Pty Ltd	Australia	100	-

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

30. SUBSIDIARIES (CONTINUED)

	Country of residence	Ownership interest	
		2017 %	2016 %
Settlers Property Trust	Australia	-	100
Settlers Operations Pty Ltd	Australia	-	100
INA Operations No.3 Pty Limited	Australia	100	100
IGC NZ Student Holdings Ltd	New Zealand	100	100
INA NZ Subsidiary Unit Trust No 1	New Zealand	100	100
CSH Lynbrook GP LLC	USA	-	100
CSH Lynbrook LP	USA	-	100
Lynbrook Freer Street Member LLC	USA	-	100
Lynbrook Management, LLC	USA	-	100
INA Community Living LLC (formerly ING Community Living LLC)	USA	100	100
INA Community Living II LLC (formerly ING Community Living II LLC)	USA	-	100
INA US Community Living Fund LLC (formerly ING US Community Living Fund LLC)	USA	-	100

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

31. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of profit to net cash flow from operating activities

	2017	2016
	\$'000	\$'000
Net profit for the year	26,408	24,280
Adjustments for:		
Net foreign exchange (gain)/loss	342	(471)
Net loss on disposal of investment properties - continuing	8,438	989
Net (gain)/loss on change in fair value of:		
Investment properties – continuing	(12,372)	(7,496)
Derivatives	(126)	414
Retirement village resident loans	(96)	1,388
Income tax expense/(benefit):		
Continuing	1,930	(3,054)
Depreciation and amortisation	830	626
Share-based payments expense	631	858
Amortisation of borrowing costs	933	573
Other non-cash items	117	(71)
Operating profit for the year before changes in working capital	27,035	18,036
Changes in working capital:		
(Increase)/decrease in receivables	1,089	784
Increase in inventory	(3,932)	(4,457)
Increase in retirement village residents' loans	1	3,563
Increase/(decrease) in other payables and provisions	6,064	3,102
Net cash provided by operating activities	30,257	21,028

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

32. SUBSEQUENT EVENTS

Final FY17 distribution

On 22 August 2017, the directors of the Group resolved to declare a final distribution of 5.1 cps (2016: 5.1 cps amounting to \$10.5 million to be paid at 13 September 2017. The distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the final distribution.

Acquisition of Sheldon

On 31 July 2017, the Group signed an unconditional agreement to purchase Sheldon Caravan Park located in metropolitan Brisbane for \$25.0 million.

Acquisition of Glenwood

On 10 August 2017, the Group completed the acquisition of development approved land located north of Coffs Harbour, on the NSW mid-north coast, for a purchase price of \$7.8 million.

Ingenia Communities Holdings Limited
Notes to the Financial Statements (continued)
Year ended 30 June 2017

DIRECTORS' DECLARATION

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 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2017 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, 22 August 2017

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

1. Valuation of Investment Property

Why significant

Approximately 93% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date.

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

The Group has three categories of investment properties as disclosed in note 10 to the financial report.

- ▶ The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key judgements include capitalisation rates, discount rates, market and contractual rent and forecast occupancy levels.
- ▶ The Settlers portfolio consists of investment properties earning revenue predominantly via deferred management fee arrangements and key judgements include assessing discount rates, growth rates in property values and average length of stay of residents.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- ▶ We considered the objectivity, independence and competence of the external valuers and evaluated the suitability of their valuation scope and methodology for the financial report;
- ▶ We assessed the Group's internal valuation methodology and on a sample basis checked the mathematical accuracy of their valuation models. We also assessed the competence of the internal valuer;
- ▶ On a sample basis we assessed the property related data used as input for both the external and internal valuations against actual and budgeted property performance; and
- ▶ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data, where we involved our real estate valuation specialists.

- ▶ The Lifestyle & Holidays portfolio consists of investment properties earning revenue from a mix of longer term land rental agreements and short-term accommodation rental. In addition the group earns revenue from the sale of manufactured homes to residents of the properties.

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

2. Deferred tax assets

Why significant

The Group has recorded net deferred tax assets of \$7.5m in the financial report resulting from temporary differences and tax losses carried forward as disclosed in note 14 to the financial report. The Group recognises these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- ▶ We evaluated assumptions and methodologies used by the Group to forecast future taxable profits to determine the likelihood that the losses will be recovered; and
- ▶ We checked that information used to forecast future taxable profits was derived from the Group's business cash flow forecasts that have been subject to internal reviews and were approved by those charged with governance.



Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 29 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

The Ernst & Young logo, featuring the company name in a stylized, cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Chris Lawton'.

Chris Lawton
Partner
Sydney
22 August 2017



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

**FINANCIAL REPORT
YEAR ENDED 30 JUNE 2017**

www.ingeniacommunities.com.au

Registered Office: Level 9, 115 Pitt Street, Sydney NSW 2000

Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report
For the year ended 30 June 2017

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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.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report
For the year ended 30 June 2017**

DIRECTORS' REPORT

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 ("ICRE" or "Responsible Entity") is Ingenia Communities Holdings Limited (the "Company" or "ICH"). 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 for the full year ended 30 June 2017 (the "current period").

DIRECTORS

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

Non - Executive Directors ("NEDs")

Jim Hazel (Chairman)

Robert Morrison (Deputy Chairman)

Philip Clark AM

Amanda Heyworth

Valerie Lyons (appointed, effective 1 March 2017)

Norah Barlow ONZM (resigned, effective 15 November 2016)

Executive Directors

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

OPERATING AND FINANCIAL REVIEW

ICF and ICMT overview

ICF and ICMT are two of the entities that form part of the Ingenia Communities Group (the "Group") which is a triple stapled structure traded on the ASX.

The Group is a leading owner, operator and developer of a diversified portfolio of senior lifestyle and holidays communities across Australia. The Group is in the ASX 300 with a market capitalisation of approximately \$536 million. Its real estate assets span key metropolitan and coastal markets, with a carrying value of \$693.5 million at 30 June 2017, comprising of 33 lifestyle communities, 31 rental communities and three retirement (deferred management fee) communities.

The Group's vision is to create Australia's best lifestyle communities for affordable permanent and tourism rental accommodation with a focus on the seniors demographic. The Board is committed to delivering continued earnings and security price growth to securityholders and providing a supportive community environment to both its permanent and short-term residents.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report (continued)
For the year ended 30 June 2017**

Strategy

The strategies of ICF and ICMT are aligned with the Group's strategy to accelerate the development of Lifestyle and Holiday communities coupled with enhancing the financial performance of its asset base by growing revenue streams and effective cost and capital management.

Increasing the velocity and margin on new home sales, repositioning and upgrading existing communities and targeting defined sector adjacencies and innovations are key growth priorities of the Group. In FY18 the Group is targeting the sale and development of over 260 new homes and is forecasting over 350 new homes for the 2019 financial year. Using a disciplined investment framework, the Group plans to continue its focus on metropolitan and coastal locations through portfolio targeted acquisitions and divestments.

The key immediate business priorities of the Group are:

- Achieve at least 260 new home settlements in FY18 and position for target of over 350 homes in FY19;
- Continue focus on metropolitan and coastal locations through portfolio remixing and development;
- Improve performance of existing assets through repositioning and by driving revenue growth and leverage operating and sales platform;
- Expand development margins through innovative home designs and building efficiencies.

FY17 financial results

The financial results for the Ingenia Communities Group are disclosed below and includes the results of Ingenia Communities Holdings Limited (ICH), which do not form part of these accounts, but are relevant as ICH is stapled with ICF and ICMT.

Significant investment in Ingenia Lifestyle and Holidays continued during FY17, with a focus on building the development pipeline and lifestyle and tourism portfolio's through eight strategic acquisitions in coastal and metropolitan markets. Management has also remained focused on occupancy and rental growth within the Ingenia Gardens and the Ingenia Lifestyle and Holidays rental assets.

In October 2016 in line with the Groups asset recycling strategy, five of the eight Settlers' assets were sold to the Forum Group. The Group retains a 15% share in these assets. The divestment provided cash proceeds of \$41 million which were deployed into acquiring lifestyle and holiday communities in key metropolitan and coastal markets during FY17.

FY17 has delivered a statutory profit of \$26.4 million, which is up 8.8% on prior year. Underlying Profit from continuing operations was \$23.5 million which represents an increase of \$3.4 million (16.7%) on the prior year. The underlying result is underpinned by a significantly higher EBIT contribution from the Ingenia Lifestyle and Holidays of \$28.3 million, up 72% from prior year. The statutory result is further impacted by uplift in valuations on investment property offset by the loss on the sale of the Settlers portfolio during the year.

Operating cash flow for the year was \$30.3 million, up 43.9% from the prior year, reflecting growth in recurring rental income and new manufactured home settlements growing by 97.2% to 211.

In May 2017, the Group raised \$74 million through a placement and entitlement offer, which was raised to invest in four lifestyle community acquisitions and accelerate development. Prior to 30 June, two of these acquisitions, being Bonny Hills and Durack have settled, with the remaining acquisitions expected to settle in August 2017. Over the year the Group invested an additional \$174.8 million (excluding transaction costs) into eight newly acquired lifestyle communities.

The Group has today announced a final distribution of 5.1 cents, which brings the full year distribution to 10.2 cents. The dividend reinvestment plan will be available to securityholders and the Board reaffirms its commitment to further growth in securityholder returns.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report (continued)
For the year ended 30 June 2017**

Key metrics

- Net Loss for the year for ICF \$2.7 million (2016: \$25.9m profit).
- Net Profit for the year for ICMT of \$29.6 million (2016: \$0.06m profit).
- Full year distribution of 10.2 cents per unit by ICF, nil from ICMT

Capital management

The Trusts adopts a prudent and considered approach to capital management. In May 2017 the Group successfully completed a \$74 million capital raising to fund four acquisitions and development.

During the year, the Group undertook a refinance of a tranche of its syndicated facility, increasing the total facility limit by \$100m and providing increased tenor. As at 30 June 2017, the syndicated facility is drawn to \$177.3 million (including bank guarantees), which represents a loan to value ratio ("LVR") of 27.7%. LVR is below our target range of 30-40% at 30 June 2017. The Group has interest rate hedges in place covering 38% of drawn debt at 30 June 2017.

Distributions

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

- On 21 February 2017, the directors declared an interim distribution of 5.1 cps (2016: 4.2 cps) amounting to \$8,964,628 which was paid on 15 March 2017.
- On 22 August 2017, the directors declared a final distribution of 5.1 cps (2016: 5.1 cps) amounting to \$10,525,452, to be paid on 13 September 2017.

The final distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the distribution.

FY18 outlook

The Group is strongly positioned to continue growing its lifestyle communities business in FY18 with a strong development pipeline and debt capacity in place to facilitate the accelerated growth in settlement volumes expected as further projects are launched. Priorities in existing lifestyle and holiday communities are to integrate the recent acquisitions and make appropriate investment in key communities to grow revenue, particularly within the tourism business. Ingenia Gardens remains a key contributor to the Groups rental cash flow during FY18 and appropriate focus and investment is planned to ensure that along with the Lifestyles and Holidays portfolio, Ingenia continues to deliver the best possible support and experience to our residents and guests.

The Group will continue to regularly assess the performance of its existing assets and market opportunities, and make divestments and acquisitions where superior returns are available.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs during the financial year are set out in the various reports in this Financial Report. Refer to Note 8 for Investment properties acquired or disposed of during the year, Note 20 for details of Australian debt refinanced and Note 16 for issued units.

EVENTS SUBSEQUENT TO REPORTING DATE

Final FY17 distribution:

On 22 August 2017, the directors of the Group resolved to declare a final distribution of 5.1 cps (2016: 5.1 cps amounting to \$10.5 million to be paid at 13 September 2017. The distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the final distribution.

Acquisition of Sheldon

On 31 July 2017, the Group signed an unconditional agreement to purchase Sheldon Caravan Park located in metropolitan Brisbane for \$25.0 million.

Acquisition of Glenwood

On 10 August 2017, the Group completed the acquisition of development approved land located north of Coffs Harbour, on the NSW mid-north coast, for a purchase price of \$7.8 million.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report (continued)
For the year ended 30 June 2017**

LIKELY DEVELOPMENTS

The Trusts will continue to pursue strategies aimed at growing its cash earnings, profitability and market share within the rental property industry during the next financial year, with a continuing focus on the development of lifestyle communities.

Other information about 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 this Financial Report.

ENVIRONMENTAL REGULATION

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

GROUP INDEMNITIES

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

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young Australia, 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.

INTERESTS OF DIRECTORS OF THE RESPONSIBLE ENTITY

Units in each Trust held by directors of the Responsible Entity or associates of the directors as at 30 June 2017 were:

	Issued stapled securities	Rights
Jim Hazel	331,483	-
Amanda Heyworth	122,485	-
Robert Morrison	107,146	-
Philip Clark AM	52,674	-
Valerie Lyons	13,969	-
Simon Owen	1,352,772	365,772

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 24 in the financial report.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Report (continued)
For the year ended 30 June 2017**

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 8.

AUDITOR EXTENSION

On 16 May 2015 at the recommendation of the Audit & Risk Committee, the directors granted an approval for the extension of the Group's audit partner for a further one year, when the initial period of five years as permitted under the Corporations Act 2001 expired in June 2015. A further one year extension was granted on 15 October 2015. The Audit & Risk Committee's recommendation was based on the need to ensure the completion of the audit firm's succession plan for the audit. In doing so, the Audit & Risk Committee satisfied itself that the extension will maintain the quality of the audit and will not give rise to any conflicts of interest.

ROUNDING OF AMOUNTS

The Trusts are of a kind referred to in Instrument 2016/191, 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, 22 August 2017



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Chris Lawton
Partner
22 August 2017

Ingenia Communities Fund & Ingenia Communities Management Trust
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Ingenia Communities Fund		Ingenia Communities Management Trust	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Revenue					
Rental income		9,101	9,101	69,976	57,696
Manufactured home sales		-	-	63,752	32,009
Accrued deferred management fee income	15(b)	-	-	1,825	4,222
Catering income		-	-	3,191	3,258
Other property income		-	-	3,856	3,045
Service station sales		-	-	7,284	6,745
Interest income		20,631	17,105	14	14
		29,732	26,206	149,898	106,989
Property expenses		(877)	(222)	(34,414)	(30,080)
Employee expenses		-	-	(27,737)	(22,385)
Administrative expenses		(310)	(170)	(3,802)	(2,821)
Operational, marketing and selling expenses		-	-	(5,281)	(3,358)
Cost of manufactured homes		-	-	(42,699)	(21,729)
Service station expenses		-	-	(6,229)	(5,862)
Finance expenses		(6,810)	(5,367)	(20,421)	(17,941)
Net foreign exchange gain/(loss)		(342)	422	-	45
Net gain/(loss) on disposal of investment properties		(27,556)	-	19,117	(638)
Net gain/(loss) on change in fair value of:					
- Investment properties	8(b)	6,000	7,668	6,373	(172)
- Derivatives		126	(414)	-	-
- Retirement village resident loans	15(b)	-	-	96	(1,388)
Responsible Entity's fees and expenses	24(b)	(2,677)	(2,244)	(2,769)	(2,693)
Depreciation expense	10(b)	(24)	(24)	(275)	(152)
Amortisation of intangible assets	11(b)	-	-	(375)	(266)
Profit/(loss) before income tax		(2,738)	25,855	31,482	(2,451)
Income tax (expense)/benefit	5	-	-	(1,890)	2,507
Net profit/(loss) for the period		(2,738)	25,855	29,592	56
Total comprehensive income for the period, net of income tax		(2,738)	25,855	29,592	56

Ingenia Communities Fund & Ingenia Communities Management Trust
Consolidated Statements of Comprehensive Income (continued)
For the year ended 30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit/(loss) attributable to unitholders of:				
Ingenia Communities Fund	(2,738)	25,855	-	-
Ingenia Communities Management Trust	-	-	29,592	56
	(2,738)	25,855	29,592	56
Total comprehensive income attributable to unitholders of:				
Ingenia Communities Fund	(2,738)	25,855	-	-
Ingenia Communities Management Trust	-	-	29,592	56
	(2,738)	25,855	29,592	56
	2017	2016	2017	2016
	Cents	Cents	Cents	Cents
Distributions per unit⁽¹⁾	10.2	8.4	-	-
Earnings per unit:⁽¹⁾				
Basic earnings	4 (1.5)	14.6	16.4	-
Diluted earnings	4 (1.5)	14.5	16.4	-

⁽¹⁾ Distributions relate to the amount paid during the financial year. A final FY17 distribution of 5.1cpu was declared on 22 August (payment due on 13 September 2017) resulting in a total FY17 distribution of 10.2cpu.

Ingenia Communities Fund & Ingenia Communities Management Trust
Consolidated Cash Flow Statements
For the year ended 30 June 2017

CONSOLIDATED BALANCE SHEETS

		Ingenia Communities Fund		Ingenia Communities Management Trust	
Note		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Current assets					
		991	8,329	8,547	6,621
		719	2,599	5,708	6,684
		-	-	21,597	17,665
		19	-	19	19
		1,729	10,928	35,871	30,989
Non-current assets					
		10,129	31,818	458	300
		441,244	279,786	-	-
		154,556	162,795	538,918	547,951
		73	103	1,991	1,018
		773	-	1,490	-
		-	2	2,021	1,962
		-	-	5,233	7,084
		606,775	474,504	550,111	558,315
		608,504	485,432	585,982	589,304
Total assets					
Current liabilities					
		1,822	1,266	23,474	22,166
		-	-	493	2,962
		-	-	27,201	207,483
		-	-	1,480	1,164
		221	121	-	-
		2,043	1,387	52,648	233,775
Non-current liabilities					
		-	-	167	6,770
		-	-	449,907	289,469
		164,729	97,764	13,913	34,905
		-	-	6,136	-
		-	-	344	227
		61	287	-	-
		164,790	98,051	470,467	331,371
		166,833	99,438	523,115	565,146
Total liabilities					
Net assets					
		441,671	385,994	62,867	24,158
Equity					
		755,571	679,161	43,136	34,019
		(313,900)	(293,167)	20,431	(9,161)
Unitholders' interest					
		441,671	385,994	63,567	24,858
		-	-	(700)	(700)
Total equity					
		441,671	385,994	62,867	24,158
Attributable to unitholders of:					
		441,671	385,994	(700)	(700)
		-	-	63,567	24,858
		441,671	385,994	62,867	24,158

Ingenia Communities Fund & Ingenia Communities Management Trust
Consolidated Cash Flow Statements
For the year ended 30 June 2017

CONSOLIDATED CASH FLOW STATEMENTS

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Rental and other property income	-	-	82,542	71,147
Property and other expenses	(77)	(898)	(58,523)	(48,049)
Proceeds from sale of manufactured homes	-	-	63,402	35,054
Purchase of manufactured homes	-	-	(47,587)	(29,986)
Proceeds from sale of service station inventory	-	-	7,014	6,708
Purchase of service station inventory	-	-	(6,620)	(6,113)
Proceeds from resident loans	-	-	3,444	11,056
Repayment of resident loans	-	-	(2,190)	(5,757)
Interest received	157	104	11	20
Borrowing costs paid	(5,803)	(4,109)	(353)	(1,107)
Other	-	-	137	4
27	(5,723)	(4,903)	41,277	32,977
Cash flows from investing activities				
Purchase and additions of plant and equipment	-	(4)	(1,259)	(835)
Purchase and additions of intangible assets	-	-	(284)	(529)
Payments for investment properties	-	-	(180,311)	(85,113)
Additions to investment properties	(3,829)	(1,423)	(23,361)	(18,475)
Proceeds/(costs) from sale of investment properties	-	(36)	41,297	(16)
Amounts received from/villages	-	-	-	24
	(3,829)	(1,463)	(163,918)	(104,944)
Cash flows from financing activities				
Proceeds from the issue units	78,226	61,940	8,937	4,676
Payment of unit issue costs	(4,472)	(2,064)	(299)	(150)
Distributions to unitholders	(17,952)	(12,513)	-	-
Finance lease payments	-	-	(643)	(450)
(Repayment of)/proceeds from related party borrowings	(119,879)	(76,304)	116,564	68,384
Proceeds from borrowings	181,364	103,742	-	-
Repayment of borrowings	(114,000)	(68,542)	-	-
Payments for debt issue costs	(1,126)	(559)	-	-
	2,161	5,700	124,559	72,460
Net (decrease)/increase in cash and cash equivalents	(7,391)	(666)	1,918	493
Cash and cash equivalents at the beginning of the year	8,329	8,966	6,621	6,094
Effects of exchange rate fluctuation on cash held	53	29	8	34
Cash and cash equivalents at the end of the year	991	8,329	8,547	6,621

Ingenia Communities Fund & Ingenia Communities Management Trust
Statement of Changes in Unitholders' Interest
For the year ended 30 June 2017

STATEMENT OF CHANGES IN UNITHOLDERS' INTEREST

Ingenia Communities Fund

		Issued capital	Retained earnings	Total	Non-controlling interest	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016		679,161	(293,168)	385,993	-	385,993
Net loss for the period		-	(2,738)	(2,738)	-	(2,738)
Total comprehensive income for the year		-	(2,738)	(2,738)	-	(2,738)
Transactions with unitholders in their capacity as unitholders:						
- Issue of units	16	75,122	-	75,122	-	75,122
- Distributions paid or payable	17	-	(17,994)	(17,994)	-	(17,994)
- Transfer from reserves of ICH to issued units		1,288	-	1,288	-	1,288
Carrying amount at 30 June 2017		755,571	(313,900)	441,671	-	441,671
Carrying amount at 1 July 2015		619,285	(306,510)	312,775	-	312,775
Net profit for the period		-	25,855	25,855	-	25,855
Total comprehensive income for the year		-	25,855	25,855	-	25,855
Transactions with unitholders in their capacity as unitholders:						
- Issue of units	16	59,876	-	59,876	-	59,876
- Distributions paid or payable	17	-	(12,513)	(12,513)	-	(12,513)
Carrying amount at 30 June 2016		679,161	(293,168)	385,993	-	385,993

Ingenia Communities Management Trust

		Issued capital	Retained earnings	Total	Non-controlling interest	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016		34,019	(9,161)	24,858	(700)	24,158
Net profit for the period		-	29,592	29,592	-	29,592
Total comprehensive income for the year		-	29,592	29,592	-	29,592
Transactions with unitholders in their capacity as unitholders:						
- Issue of units	16	9,049	-	9,049	-	9,049
- Distributions paid or payable		-	-	-	-	-
- Transfer from reserves of ICH to issued units		68	-	68	-	68
Carrying amount at 30 June 2017		43,136	20,431	63,567	(700)	62,867
Carrying amount at 1 July 2015		29,027	(9,217)	19,810	(700)	19,110
Net profit for the period		-	56	56	-	56
Total comprehensive income for the year		-	56	56	-	56
Transactions with unitholders in their capacity as unitholders:						
- Issue of units	16	4,992	-	4,992	-	4,992
Carrying amount at 30 June 2016		34,019	(9,161)	24,858	(700)	24,158

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements
For the year ended 30 June 2017

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.

The financial report as at and for the year ended 30 June 2017 was authorised for issue by the directors on 22 August 2017.

(b) Basis of preparation

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

The financial report complies with Australian Accounting Standards as issued by the 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 as permitted by Instrument 2016/191.

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.

Where appropriate comparative amounts have been restated to ensure consistency of disclosure throughout the financial report. The 2016 comparative information for the Trusts has been adjusted to realign the recognition of historical transactions within the individual stapled entities. This has resulted in the following:

- For ICF, a reduction in net assets and equity as at 30 June 2016 of \$6,186,000 and an increase in net profit for the year ended on that date of \$3,874,000.
- For ICMT, a reduction in net assets and equity as at 30 June 2016 of \$698,000.

These adjustments are internal realignments only and do not impact the reported consolidated results of the stapled Group.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As at 30 June 2017, ICMT recorded a net current asset deficiency of \$16,777,000. This deficiency includes retirement village resident loans of \$27,201,000. 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 Trust to settle its existing loan obligations should those incumbent residents vacate their units. Intercompany loan balances of \$448,028,000 are payable in the event of default or on termination date, being 30 June 2025 (or such other date as agreed by the parties in writing). 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

No new or revised standards and interpretations were issued by the Australian Accounting Standards Board that are relevant to the Group during the period.

(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.

(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 related 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 interests and any previous interest held 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) 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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency

Functional and presentation currencies:

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

Translation foreign currency transactions:

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

(h) 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.

(i) Plant and Equipment

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

(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; 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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and service station fuel and supplies within its Lifestyle & Holidays segment.

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

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

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

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, tourism cabins and associated amenities.

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. In determining the fair value of assets held for sale recent market offers have been taken into consideration.

It is the Trusts' policy to have all investment properties externally valued at intervals of not more than two years. It is the policy of the responsible trust to review the fair value of each investment property every six months and 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 investment property are recorded in the statement of comprehensive income.

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

(q) Intangible assets

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

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

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

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

- Useful life: Finite Amortisation method using 7 years on a straight line basis; and
- Impairment test: Amortisation method reviewed at each financial year end; closing carrying value reviewed annually for indicators of impairment.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(r) 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.

(s) 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 15 and 1(z) for information regarding the valuation of retirement village resident loans.

(t) 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.

(u) 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.

(v) Revenue

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred management fee income is calculated as the expected fee 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 Lifestyle Development segment is recognised when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

Service station sales revenue represents the revenue earned from the provision of products to external parties. Sales revenue is only recognised when the significant risks and rewards of ownership of the products including possession are passed 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.

(w) Provisions, including for employees benefits

General:

Provisions are recognised when the Trusts have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount 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.

Wages, salaries, annual leave and sick leave:

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

Long service leave:

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

(x) Income tax

Current income tax:

Under the current tax legislation, ICF and its subsidiaries are not liable to pay Australian income tax provided that their taxable income (including any assessable capital gains) is fully distributed to 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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 previously held the Trusts' foreign properties may be subject to corporate income tax and withholding tax in the countries in which they operate. Under current Australian income tax legislation, unitholders may be entitled to receive a foreign tax credit for this withholding tax.

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. Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Income taxes related to items recognised directly in equity are recognised in equity and not against income. Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

(y) 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.

(z) Fair value measurement

The Trusts measure financial instruments, such as derivatives, investment properties, non-financial assets and non-financial liabilities, at fair value at each balance sheet date. Refer to Note 21.

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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

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 in Note 22.

(aa) Pending accounting standards

The trusts have not early adopted the following standards, interpretations, or amendments that have been issued but are not yet effective:

AASB 9 *Financial Instruments* is applicable to reporting periods beginning on or after 1 January 2018. The Trusts have not early adopted this standard. This standard provides requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Changes in the Trusts' credit risk, which affect the value of liabilities designated at fair value through profit and loss, can be presented in other comprehensive income. The application of the Standard is not expected to have any material impact on the Trusts' financial reporting in future periods.

AASB 15 *Revenue from Contracts with Customers* is applicable to reporting periods beginning on or after 1 January 2018. The Trusts have not early adopted this standard. The standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer.

It contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statement with more informative and relevant disclosures. The Group is currently assessing the impact of this standard, however it does not expect it to have a material impact on future reporting.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16 *Leases* is applicable to reporting periods beginning on or after 1 January 2019. The Group has not early adopted this standard. This standard provides requirements for classification, measurement, and disclosure of all leases with a term of more than 12 months unless the underlying asset is of low value.

A lease must now measure right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The Group is currently the lessee of two non-cancellable operating leases which would be captured under this new standard. They relate to the Sydney and Brisbane offices with have future minimum lease payments totalling \$1,492,000. The Group is also the lessee of four existing finance leases which relate to the land of certain investment properties. The application of the Standard is not expected to have any material impact on these finance leases

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 Trusts' financial reporting in future reporting periods.

(bb) 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 Trusts classify all other liabilities as non-current.

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

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the 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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

Valuation of investment property:

The Trusts have investment properties with a combined carrying amount of \$693,473,000 (2016: \$710,746,000) (refer Note 8), and combined retirement village residents' loans of \$27,201,000 (2016: \$207,483,000) (refer Note 8 and 15) which together represent the estimated fair value of the Trusts interest in retirement villages.

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. The valuation assumption for properties to be developed reflect assumptions around sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates.

In forming these assumptions, the 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.

Valuations of inventories

ICMT has inventory in the form of manufactured homes and service station fuel and supplies, which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time 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, and are continually reviewed.

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.

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.

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.

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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgments 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.

3. SEGMENT INFORMATION

(a) Description of segments

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

- > Ingenia Lifestyle & Holidays – comprising long-term and tourism accommodation within lifestyle parks and the sale of manufactured homes;
- > Ingenia Lifestyle Development – comprising the development and sale of manufactured homes;
- > Ingenia Gardens – rental villages; and
- > Ingenia Settlers – deferred management fee villages.

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".

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

(b) Ingenia Communities Fund 2017

	Lifestyle & Holidays \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
(i) Segment revenue					
External segment revenue	384	-	8,717	-	9,101
Interest income	-	-	-	20,631	20,631
Total revenue	384	-	8,717	20,631	29,732
(ii) Segment underlying profit					
External segment revenue	384	-	8,717	-	9,101
Interest income	-	-	-	20,631	20,631
Property expenses	-	-	(8)	(869)	(877)
Administration expenses	-	-	-	(310)	(310)
Finance expense	-	-	-	(6,810)	(6,810)
Depreciation expense	-	-	-	(24)	(24)
Underlying profit	384	-	8,709	12,618	21,711
Reconciliation of underlying profit to statutory profit:					
Net foreign exchange loss	-	-	-	(342)	(342)
Net loss disposal of investment property	-	(27,556)	-	-	(27,556)
Net gain/(loss) on change in fair value of:					
- Investment properties	1,196	(16)	4,820	-	6,000
- Derivatives	-	-	-	126	126
Responsible entity fees	-	-	-	(2,677)	(2,677)
Profit/(loss) per the consolidated statement of comprehensive income	1,580	(27,572)	13,529	9,725	(2,738)
(iii) Segment assets	15,685	10,253	133,177	449,389	608,504

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

(c) Ingenia Communities Fund 2016

	Lifestyle & Holidays \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
(i) Segment revenue					
External segment revenue	384	-	8,717	-	9,101
Interest income	-	-	-	17,105	17,105
Total revenue	384	-	8,717	17,105	26,206
(ii) Segment underlying profit					
External segment revenue	384	-	8,717	-	9,101
Interest income	-	-	-	17,105	17,105
Property expenses	-	-	(3)	(219)	(222)
Administration expenses	-	-	-	(170)	(170)
Finance expense	-	-	-	(5,367)	(5,367)
Depreciation expense	-	-	-	(24)	(24)
Underlying profit/(loss)	384	-	8,714	11,325	20,423
Reconciliation of underlying profit to statutory profit:					
Net foreign exchange gain	-	-	-	422	422
Net gain/(loss) on change in fair value of:					
Investment properties	206	-	7,462	-	7,668
Derivatives	-	-	-	(414)	(414)
Responsible entity fees	-	-	-	(2,244)	(2,244)
Profit per the consolidated statement of comprehensive income	590	-	16,176	9,089	25,855
(iii) Segment assets	7,751	63,690	91,362	322,629	485,432

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

(d) Ingenia Communities Management Trust 2017

	Lifestyle & Holidays \$'000	Lifestyle Development \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
(i) Segment revenue						
External segment revenue	54,971	63,752	3,405	28,389	-	150,517
Interest income	-	-	-	-	14	14
Reclassification of gain on revaluation of newly constructed villages	-	-	(633)	-	-	(633)
Total revenue	54,971	63,752	2,772	28,389	14	149,898
(ii) Segment underlying profit						
External segment revenue	54,971	63,752	3,405	28,389	-	150,517
Interest income	-	-	-	-	14	14
Property expenses	(15,211)	(493)	(871)	(16,731)	(1,108)	(34,414)
Employee expenses	(12,983)	(6,453)	(928)	(7,045)	(328)	(27,737)
Administration expenses	(2,131)	(532)	(133)	(606)	(400)	(3,802)
Operational, marketing and selling expenses	(1,145)	(2,440)	(210)	(982)	(504)	(5,281)
Manufactured home cost of sales	-	(42,699)	-	-	-	(42,699)
Service station expenses	(6,229)	-	-	-	-	(6,229)
Finance expense	-	-	-	-	(20,421)	(20,421)
Income tax benefit/(expense)	-	-	-	-	(1,595)	(1,595)
Depreciation expense	(145)	(94)	(7)	(29)	-	(275)
Amortisation of intangibles	(105)	(160)	(21)	(89)	-	(375)
Underlying profit/(loss) – continuing operations	17,022	10,881	1,235	2,907	(24,342)	7,703
Reconciliation of underlying profit to statutory profit :						
Net gain/(loss) disposal of investment property	(871)	-	19,988	-	-	19,117
Net gain/(loss) on change in fair value of:						
- Investment properties	6,642	-	(269)	-	-	6,373
- Retirement village resident loans	-	-	96	-	-	96
Loss on revaluation of newly constructed villages	-	-	(633)	-	-	(633)
Responsible entity fees	-	-	-	-	(2,769)	(2,769)
Income tax expense associated with reconciling items	-	-	-	-	(295)	(295)
Profit/(loss) per the consolidated statement of comprehensive income	22,793	10,881	20,417	2,907	(27,406)	29,592
(iii) Segment assets	515,010	23,310	31,353	753	15,556	585,982

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

(e) Ingenia Communities Management Trust 2016

	Lifestyle & Holidays \$'000	Lifestyle Development \$'000	Ingenia Settlers \$'000	Ingenia Gardens \$'000	Corporate/ Unallocated \$'000	Total \$'000
(i) Segment revenue						
External segment revenue	41,957	32,009	6,950	27,517	68	108,501
Interest income	-	-	-	-	14	14
Reclassification of gain on revaluation of newly constructed villages	-	-	(1,526)	-	-	(1,526)
Total revenue	41,957	32,009	5,424	27,517	82	106,989
(ii) Segment underlying profit						
External segment revenue	41,957	32,009	6,950	27,517	68	108,501
Interest income	-	-	-	-	14	14
Property expenses	(11,557)	(244)	(1,435)	(16,844)	-	(30,080)
Employee expenses	(10,195)	(3,983)	(1,053)	(7,154)	-	(22,385)
Administration expenses	(1,358)	(441)	(147)	(875)	-	(2,821)
Operational, marketing and selling expenses	(571)	(1,440)	(437)	(910)	-	(3,358)
Manufactured home cost of sales	-	(21,729)	-	-	-	(21,729)
Service station expenses	(5,862)	-	-	-	-	(5,862)
Finance expense	-	-	-	-	(17,941)	(17,941)
Income tax benefit	-	-	-	-	2,623	2,623
Depreciation expense	(69)	(39)	(6)	(38)	-	(152)
Amortisation expense	-	-	-	-	(266)	(266)
Underlying profit/(loss)	12,345	4,133	3,872	1,696	(15,502)	6,544
Reconciliation of underlying profit to statutory profit:						
Net foreign exchange gain	-	-	-	-	45	45
Net loss on disposal of investment property	-	-	(638)	-	-	(638)
Net gain/(loss) on change in fair value of:						
Investment properties	(2,489)	-	2,317	-	-	(172)
Retirement village resident loans	-	-	(1,388)	-	-	(1,388)
Loss on revaluation of newly constructed villages	-	-	(1,526)	-	-	(1,526)
Responsible entity fees	-	-	-	-	(2,693)	(2,693)
Income tax expense associated with reconciliation items	-	-	-	-	(116)	(116)
Profit/(loss) per the consolidated statement of comprehensive income	9,856	4,133	2,637	1,696	(18,266)	56
(iii) Segment assets	306,978	18,412	253,363	6,013	4,538	589,304

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

4. EARNINGS PER UNIT

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
Earnings per Unit				
Net (loss)/profit for the year (\$000)	(2,738)	25,855	29,592	56
Weighted average number of units outstanding (thousands):				
Issued units	180,383	150,408	180,383	150,408
Dilutive units (thousands)				
- Performance quantum rights	-	620	-	620
- Long-term incentive rights	486	269	486	269
- Short-term incentive rights	111	56	111	56
Weighted average number of issued and dilutive potential units outstanding (thousands)	180,980	151,353	180,980	151,353
Basic earnings per unit (cents)	(1.5)	14.6	16.4	-
Dilutive earnings per unit (cents)	(1.5)	14.5	16.4	-

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

5. INCOME TAX EXPENSE

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Income tax (expense)/benefit				
Current tax	-	-	-	-
(Decrease)/increase in deferred tax asset	-	-	(2,768)	2,507
Income tax (expense)/benefit	-	-	(2,768)	2,507
(b) Reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax	(2,738)	25,855	31,482	(2,451)
Less amounts not subject to Australian income tax	2,738	(25,855)	-	-
	-	-	31,482	(2,451)
Income tax at the Australian tax rate of 30%	-	-	(9,445)	735
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Prior period income tax return true-ups	-	-	-	330
Movement in tax cost base of investment properties ⁽¹⁾	-	-	7,615	1,399
Movements in tax cost base of DMF receivables	-	-	-	(59)
Non-deductible (expenses)/benefits	-	-	(60)	102
Income tax (expense)/benefit	-	-	(1,890)	2,507

⁽¹⁾ Movement in cost base of investment property impacted by valuation adjustments and resetting of historic cost bases where updated information is available.

(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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

6. TRADE AND OTHER RECEIVABLES

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Rental and other amounts due	-	-	4,906	5,882
Finance lease receivable from stapled entity	719	2,599	-	-
Other receivables	-	-	802	802
Total current trade and other receivables	719	2,599	5,708	6,684
Non-current				
Finance lease receivable from stapled entity	7,585	28,978	-	-
Other receivables	2,544	2,840	458	300
Total non-current trade and other receivables	10,129	31,818	458	300

Rental amounts due are typically paid in advance and other amounts due are receivable within 30 days.

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 88 and 112 years. There are no purchase options. Minimum payments under the agreements and their present values are:

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments receivable:				
Not later than one year	719	2,599	-	-
Later than one year and not later than five years	3,019	10,573	-	-
Later than five years	71,843	237,447	-	-
	75,581	250,619	-	-
Unearned finance income	(67,277)	(219,042)	-	-
Net present value of minimum lease payments	8,304	31,577	-	-
Net present value of minimum lease payments receivable:				
Not later than one year	719	2,526	-	-
Later than one year and not later than five years	2,298	8,295	-	-
Later than five years	5,287	20,756	-	-
	8,304	31,577	-	-
Finance income recognised and included in interest income in the income statement	719	2,599	-	-

Information about the related finance lease payable by ICMT is given in Note 24.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

7. INVENTORIES

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Carrying values:				
Manufactured homes:				
- Completed	-	-	15,247	11,140
- Under Construction	-	-	6,190	6,331
Service station fuel and supplies	-	-	160	194
Total Inventories	-	-	21,597	17,665

The manufactured homes balance includes:

- 86 new completed homes (2016: 60)
- 9 refurbished/renovated completed homes (2016: 7)
- Manufactured homes under construction include partially completed homes at different stages of development. It also includes demolition, site preparation costs and buybacks on future development sites.

8. INVESTMENT PROPERTIES

(a) Summary of carrying amounts	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Completed properties	154,556	162,795	428,816	474,494
Properties under development	-	-	110,102	73,457
Total investment properties	154,556	162,795	538,918	547,951
(b) Movements in carrying amounts				
Carrying amount at beginning of period	162,795	153,434	547,951	386,294
Acquisitions	-	-	174,883	81,536
Expenditure capitalised	3,895	1,451	25,268	19,133
Net transfer from/(to) inventory	(268)	242	(333)	200
Transfer of cross staple lease	9,690	-	(9,690)	-
Net change in fair value	6,000	7,668	6,373	(172)
Transferred from assets held for sale	-	-	-	61,598
Disposals				
Carrying Value	-	-	(224,652)	-
Net (loss)/gain on disposal of investment property	(27,556)	-	19,118	(638)
Carrying amount at end of the period	154,556	162,795	538,918	547,951

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

8. INVESTMENT PROPERTIES (CONTINUED)

(c) Description of valuation techniques used and key inputs to valuation of investment properties

Capitalisation method

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

Discounted cash flow method

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

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

9. ASSETS AND LIABILITIES HELD FOR SALE

As disclosed at 31 December 2015, the five Settlers assets held-for-sale at 30 June 2015 were deemed to no longer meet the required criteria to continue such classification. Accordingly, the assets were transferred back to investment property (\$61,598,000), and the associated loans were transferred back to retirement village resident loans (\$42,041,000). The remaining three Settlers assets are held in investment property, refer to Note 8.

10. PLANT AND EQUIPMENT

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Summary of carrying amounts				
Plant and equipment	195	430	3,089	1,800
Less: accumulated depreciation ⁽¹⁾	(122)	(327)	(1,098)	(782)
Total plant and equipment	73	103	1,991	1,018
(b) Movements in carrying amount				
Carrying amount at beginning of year	103	122	1,018	459
Additions	-	5	1,248	711
Disposals	(6)	-	-	-
Depreciation expense ⁽¹⁾	(24)	(24)	(275)	(152)
Carrying amount at end of year	73	103	1,991	1,018

⁽¹⁾ During the year \$229,000 (ICF) and \$41,000 (ICMT) of cost and accumulated depreciation was written off, but had no impact on the written down value of assets.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

11. INTANGIBLES

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Summary of carrying amounts				
Software & development	-	2	2,818	2,385
Less: accumulated amortisation	-	-	(797)	(423)
Total intangibles	-	2	2,021	1,962
(b) Movements in carrying amount				
Carrying amount at beginning of year	2	2	1,962	1,577
Additions	-	-	434	651
Disposals	(2)	-	-	-
Amortisation expense	-	-	(375)	(266)
Carrying amount at end of year	-	2	2,021	1,962

12. DEFERRED TAX ASSETS AND LIABILITIES

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets				
Tax losses	-	-	12,737	18,799
Other	-	-	-	1,129
Deferred tax liabilities				
DMF receivable	-	-	(1,011)	(8,871)
Investment properties	-	-	(6,493)	(3,973)
Net deferred tax asset	-	-	5,233	7,084
Deductible temporary differences and carried forward losses tax effected for which no deferred tax asset has been recognised	-	-	7,500	7,500

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.

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

13. TRADE AND OTHER PAYABLES

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade payables and accruals	1,822	1,266	17,563	9,155
Deposits	-	-	4,561	2,841
Other unearned income	-	-	1,350	1,670
Deferred acquisition consideration	-	-	-	8,500
Total current	1,822	1,266	23,474	22,166
Non-current				
Deferred acquisition consideration	-	-	-	6,770
Other	-	-	167	-
Total non-current	-	-	167	6,770

14. BORROWINGS

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Finance leases	-	-	493	2,962
Total current	-	-	493	2,962
Non-current				
Bank debt	166,464	99,100	-	-
Prepaid borrowing costs	(1,735)	(1,336)	-	-
Finance leases	-	-	13,913	34,905
Total non-current	164,729	97,764	13,913	34,905

(a) Bank debt

The total \$300 million syndicated debt facility (2016: \$200 million) is with three Australian banks. The facility maturity dates are:

- 12 February 2020 (\$124.6 million); and
- 12 February 2022 (\$175.4 million)

As at 30 June 2017 the facility has been drawn to \$166.5 million (30 June 2016: \$99.1 million). The carrying value of investment property net of resident liabilities at reporting date for the Trusts' Australian properties pledged as security is \$602.9 million (30 June 2016: \$470.3 million).

(b) Bank guarantees

The Group has the ability to utilise its bank facility to provide bank guarantees, which at 30 June 2017 were \$10.8 million (2016: \$26.2 million).

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

14. BORROWINGS (CONTINUED)

(c) Finance leases

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

- a) Gosford City Council for the land and facilities of Ettalong Beach
- b) Crown leases for the land of One Mile Beach
- c) Crown lease for the land of Big 4 Broulee Beach
- d) Crown lease for the land of South West Rocks

The leases are long-term in nature and range between 9 years to perpetuity.

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 88 and 112 years. There are no purchase options.

Minimum lease payments – excluding perpetual lease

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments:				
Within one year	-	-	1,273	3,274
Later than one year but not later than five years	-	-	5,171	13,175
Later than five years	-	-	75,858	244,345
Total minimum lease payments	-	-	82,302	260,794
Future finance charges	-	-	(69,032)	(224,027)
Present value of minimum lease payments	-	-	13,270	36,767
Present value of minimum lease payments:				
Within one year	-	-	1,212	2,979
Later than one year but not later than five years	-	-	4,135	9,888
Later than five years	-	-	7,923	23,900
	-	-	13,270	36,767

Minimum lease payments – perpetual lease

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

15. RETIREMENT VILLAGE RESIDENT LOANS

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Summary of carrying amounts				
Gross resident loans	-	-	30,155	240,473
Accrued deferred management fee	-	-	(2,954)	(32,990)
Net resident loans	-	-	27,201	207,483
(b) Movements in carrying amounts				
Carrying amount at beginning of year	-	-	207,483	161,878
Net (gain)/loss on change in fair value of resident loans	-	-	(96)	1,388
Accrued deferred management fee income	-	-	(1,825)	(4,222)
Deferred management fee cash collected	-	-	465	1,211
Proceeds from resident loans	-	-	3,411	11,056
Repayment of resident loans	-	-	(2,191)	(5,757)
Transfer from/(to) liabilities held for sale	-	-	-	42,041
Disposal of villages	-	-	(180,283)	-
Other	-	-	237	(112)
Carrying amount at end of year	-	-	27,201	207,483

16. ISSUED UNITS

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Carrying amounts				
At beginning of year	679,161	619,285	34,019	29,027
Issued during the year:				
Dividend Reinvestment Plan (DRP)	5,027	2,802	429	501
Performance Quantum Rights	1,087	-	58	-
Institutional and DRP Placement	64,766	59,138	8,492	4,648
Security Purchase Plan	7,641	-	430	-
Short-Term Incentive Plan	225	-	10	-
Institutional placement and rights issue costs	(2,336)	(2,064)	(302)	(157)
At end of year	755,571	679,161	43,136	34,019
The closing balance is attributable to the unitholders of:				
- Ingenia Communities Fund	755,571	679,161	-	-
- Ingenia Communities Management Trust	-	-	43,136	34,019
	755,571	679,161	43,136	34,019

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

16. ISSUED UNITS (CONTINUED)

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	Thousands	Thousands	Thousands	Thousands
(b) Movements in issued units				
At beginning and year	172,155	147,118	172,155	147,118
Issued during the year:				
Dividend Reinvestment Plan (DRP)	2,049	2,968	2,049	2,968
Performance Quantum Rights	599	640	599	640
Security Purchase Plan	3,023	-	3,023	-
Short-Term Incentive Plan	77	-	77	-
Institutional placement and rights issue costs	28,479	21,429	28,479	21,429
At end of year	206,382	172,155	206,382	172,155

(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.

17. ACCUMULATED LOSSES AND RETAINED EARNINGS

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at beginning of year	(293,168)	(306,510)	(9,161)	(9,217)
Net (loss)/profit for the year	(2,738)	25,855	29,592	56
Distributions	(17,994)	(12,513)	-	-
Balance at end of year	(313,900)	(293,168)	20,431	(9,161)
The closing balance is attributable to the unitholders of:				
Ingenia Communities Fund	(313,900)	(293,168)		
Ingenia Communities Management Trust	-	-	20,431	(9,161)
	(313,900)	(293,168)	20,431	(9,161)

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

18. COMMITMENTS

(a) Capital commitments

There were commitments for capital expenditure on investment property and inventory contracted but not provided for at reporting date of \$805,725 (2016: \$659,000).

(b) Operating lease commitments

A subsidiary of ICMT has two non-cancellable operating leases for its Sydney and Brisbane offices. These leases have remaining lives of three and two years respectively.

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

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Within one year	-	-	502	598
Later than one year but not later than five years	-	-	990	1,929
	-	-	1,492	2,527

(c) Finance lease commitments

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 relating to investment property.

For commitments for inter-staple related party finance leases refer to Notes 6, 14 and 24.

19. CONTIGENCIES

There are no known contingent liabilities other than the bank guarantees totalling \$10.8 million provided for under the \$300.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements (\$10.0 million).

20. 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, 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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

20. CAPITAL MANAGEMENT (CONTINUED)

The Group primarily monitors its capital position through the Loan to Value Ratio (LVR) which is a key covenant under the Group's \$300 million multilateral debt facility. LVR is calculated as the sum of bank debt, bank guarantees, finance leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2017, LVR is 27.7% compared to 24.9% at 30 June 2016.

In addition the Group also monitors Interest Cover Ratio as defined under the multilateral debt facility. At 30 June 2017, the Total Interest Cover Ratio was 5.36x (2016: 4.46x) and the Core Interest Cover Ratio was 3.52x (2016: 3.73x).

21. FINANCIAL INSTRUMENTS

(a) Instruments

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

The main risks arising from the Trusts' financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Trusts manage the exposure to these risks primarily through the Investments, Derivatives, and Borrowing Policy. The policy sets out various targets aimed at restricting the financial risk taken by the Trusts. Management reviews actual positions of the Trusts against these targets on a regular basis. If the target is not achieved, or the forecast is unlikely to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Trusts at a point in time, it may be that positions outside of the Investments, Derivatives, and Borrowing Policy are accepted and no plan of action is put in place to meet the treasury targets, because, for example, the risks associated with bringing the Trusts into compliance outweigh the benefits. The adequacy of the Investments, Derivatives, and Borrowing Policy in addressing the risks arising from the Trust's financial instruments is reviewed on a regular basis.

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

The main risks arising from ICMT's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. These risks are not separately managed. Management of these risks for the ICF may result in consequential changes for ICMT.

(b) Interest rate risk

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

The Trusts manage the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investments, Derivatives, and Borrowing Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21. FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2017 after taking into account the effect of interest rate swaps, approximately 29% of ICF's borrowings are at a fixed rate of interest (2016: 28%).

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 were:

\$'000	Ingenia Communities Fund				
	Fixed interest maturing in:				
	Floating interest rate	Less than 1 year	1 to 5 Years	More than 5 years	Total
2017					
<i>Financial assets</i>					
Cash at bank	991	-	-	-	991
Finance leases (excluding perpetual lease)	-	493	1,837	2,636	4,966
<i>Financial liabilities</i>					
Bank debt	166,464	-	-	-	166,464
Interest rate swaps; Fund pays fixed rate	(64,000)	16,000	48,000	-	-
2016					
<i>Financial assets</i>					
Cash at bank	8,329	-	-	-	8,329
Finance leases (excluding perpetual lease)	-	497	1,832	2,899	5,228
<i>Financial liabilities</i>					
Bank debt denominated in AUD	99,100	-	-	-	99,100
Interest rate swaps; Fund pays fixed rate	(44,000)	-	44,000	-	-

ICMT's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date were:

\$'000	Ingenia Communities Management Trust				
	Fixed interest maturing in:				
	Floating Interest Rate	Less than 1 year	1 to 5 years	More than 5 years	Total
2017					
<i>Financial assets</i>					
Cash at bank	8,547	-	-	-	8,547
<i>Financial liabilities</i>					
Finance leases (excluding perpetual lease)	-	493	1,837	2,636	4,966
2016					
<i>Financial assets</i>					
Cash at bank	6,621	-	-	-	6,621
<i>Financial liabilities</i>					
Finance leases (excluding perpetual lease)	-	497	1,832	2,899	5,228

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.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate sensitivity analysis

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

	Effect on profit after tax			
	Ingenia Communities Fund		Ingenia Communities Management Trust	
	Higher/(lower)		Higher/(lower)	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Increase in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	(1,665)	(991)	-	-
Interest rate swaps (AUD denominated)	1,084	1,238	-	-
Decrease in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	1,665	991	-	-
Interest rate swaps (AUD denominated)	(1,366)	(735)	-	-

(e) Foreign exchange risk

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

(f) Net foreign currency exposure

	Net foreign currency asset/(liability)			
	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Net foreign currency exposure:				
United States dollars	2,054	3,479	-	-
New Zealand dollars	254	289	-	-
Total net foreign currency assets	2,308	3,768	-	-

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
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21. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Foreign exchange sensitivity analysis

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

	Effect on profit after tax			
	Ingenia Communities Fund		Ingenia Communities Management Trust	
	Higher/(lower)	Higher/(lower)	Higher/(lower)	Higher/(lower)
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(i) Effect of appreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	(187)	(316)	-	-
New Zealand dollars	(23)	(26)	-	-
(ii) Effect of depreciation in Australian dollar of 10%:				
Foreign exchange risk exposures denominated in:				
United States dollars	228	387	-	-
New Zealand dollars	28	32	-	-

(h) Credit risk

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

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

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

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

Rent receivable balances are monitored on an ongoing basis and arrears actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default.

The Responsible Entity believes that the Trusts' receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Trusts. The Trusts' investment, derivatives, and borrowing policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Trusts, after allowing for appropriate set offs which are legally enforceable.

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Trusts do not have the resources available to meet their financial obligations and working capital and committed capital expenditure requirements. The Trust's investment, derivatives, and borrowing policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events such as tenant default.

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

The Trusts monitor the debt expiry profile and aims to achieve debt maturities below a target level of total committed debt facilities, where possible, to reduce refinance risk in any one year.

The contractual maturities of the Trusts' non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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

	Ingenia Communities Fund			
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
2017				
Trade and other payables	1,822	-	-	1,822
Borrowings	7,435	187,635	-	195,070
	9,257	187,635	-	196,892
2016				
Trade and other payables	1,266	-	-	1,266
Borrowings	4,572	38,153	65,711	108,436
	5,838	38,153	65,711	109,702

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21. FINANCIAL INSTRUMENTS (CONTINUED)

	Ingenia Communities Management Trust			
	Less than 1 year	1 to 5 years	More than 5 years	Total⁽¹⁾
	\$'000	\$'000	\$'000	\$'000
2017				
Trade and other payables	23,474	167	-	23,641
Retirement village resident loans	27,201	-	-	27,201
Finance leases (excluding perpetual lease)	1,273	5,171	75,858	82,302
Finance lease (perpetual lease) ⁽²⁾	121	483	-	604
Provisions	1,480	344	-	1,824
	53,549	6,165	75,858	135,572
2016				
Trade and other payables	22,168	6,770	-	28,938
Retirement village resident loans	207,483	-	-	207,483
Borrowings (excluding perpetual lease)	3,274	13,175	244,345	260,794
Finance lease (perpetual lease) ⁽²⁾	121	483	-	604
Provisions	1,382	227	-	1,609
	234,428	20,655	244,345	499,428

⁽¹⁾ Excludes related party loans

⁽²⁾ For purpose of the table above, the lease payments are included for five years for the perpetual lease. Refer to Note 24.

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

	Ingenia Communities Fund			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
2017				
Liabilities				
Derivative liabilities – net settled	221	61	-	282
2016				
Liabilities				
Derivative liabilities – net settled	121	287	-	408

ICMT did not have any derivative financial liabilities at either 30 June 2016 or 30 June 2017.

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

21. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

Other financial instrument risk	Effect on profit after tax			
	Ingenia Communities Fund		Ingenia Communities Management Trust	
	Higher/(lower)		Higher/(lower)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Increase in market prices of investment properties of 10%	-	-	(3,016)	(24,047)
Decrease in market prices of investment properties of 10%	-	-	3,016	24,047

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.

22. FAIR VALUE MEASUREMENT

(a) Ingenia Communities Fund

The following table provides the fair value measurement hierarchy of Ingenia Communities Fund assets and liabilities:

Ingenia Communities Fund		Fair value measurement using:			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	Date of valuation	Total \$'000	\$'000	\$'000	\$'000
(i) Assets Measured at Fair Value 2017					
Investment properties	30 June 2017 Refer to Note 8	154,556	-	-	154,556
Other financial assets	30 June 2017	773	-	-	773
2016					
Investment properties	30 June 2016 Refer to Note 8	162,795	-	-	162,795
(ii) Liabilities Measured at Fair Value 2017					
Derivatives		282	-	282	-
2016					
Derivatives		408	-	408	-

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

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

22. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Ingenia Communities Management Trust

The following table provides the fair value measurement hierarchy of Ingenia Communities Management Trust assets and liabilities:

Ingenia Communities Management Trust		Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(i) Assets Measured at Fair Value		\$'000	\$'000	\$'000	\$'000
2017	Date of valuation				
Investment properties	30 June 2017 Refer to Note 8	538,918	-	-	538,918
Other financial assets	30 June 2017	1,490	-	-	1,490
2016					
Investment properties	30 June 2016 Refer to Note 8	547,951	-	-	547,951
(ii) Liabilities Measured at Fair Value					
2017					
Retirement village resident loans	30 June 2017 Refer to Note 15	27,201	-	-	27,201
Other Financial liabilities	30 June 2017	6,136	-	-	6,136
2016					
Retirement village resident loans	30 June 2016 Refer to Note 15	207,483	-	-	207,483

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

23. AUDITOR'S REMUNERATION

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Amounts received or receivable by EY for:				
Audit or review of financial reports	257,755	207,091	257,755	229,751
Other audit related services	-	6,489	20,600	6,489
Non-audit related services	6,500	14,228	6,500	14,228
	264,255	227,808	284,855	250,468

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

24. 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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Ingenia Communities RE Limited:				
Asset management fees	2,676,519	2,244,053	2,768,738	2,693,243

The Responsible Entity is entitled to a fee of 0.5% of total assets. In addition, it is entitled to recover certain expenses.

The gross amount accrued and recognised but unpaid at reporting date was:

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Current trade payables	543,812	4,960,724	691,347	8,025,433

The above ICF balances are netted against the receivable from related party balance on the face of the balance sheet. The above ICMT balances are included in the payable to related party balance on the face of the balance sheet, which is shown net of related party receivables.

(c) Holdings of the Responsible Entity and its related parties

There were no holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2017 and 30 June 2016.

(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 88 and 112 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, amended on and effective from 1 July 2015, encompassing ICH, ICF and ICMT and their respective subsidiaries. The revised deed stipulates that interest is calculated on the intercompany balances between ICH, ICF and ICMT for the preceding month. Interest is charged at a margin of 3.5% on the monthly Australian Bank Bill Swap Reference Rate. Intercompany loan balances are payable in the event of default or on termination date, being 30 June 2025 (or such other date as agreed by the parties in writing).

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

24. RELATED PARTIES (CONTINUED)

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	
	2017 \$	2016 \$	2017 \$	2016 \$
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	1,366,037	2,643,268	(1,366,037)	(2,643,268)
Finance lease balance receivable/(payable) between ICF and ICMT	8,303,254	31,576,706	(8,303,254)	(31,576,706)
Finance lease commitments	75,581	250,619,000	(75,581)	(250,619,000)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	9,101,040	9,101,040	(9,101,040)	(9,101,040)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities	20,619,500	14,359,442	(19,000,335)	(13,924,014)
Intercompany loan balances between stapled entities	441,244,097	279,785,979	(449,906,552)	(289,468,560)

(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)
 Robert Morrison (Deputy Chairman)
 Philip Clark AM
 Amanda Heyworth
 Norah Barlow ONZM (resigned, November 2016)
 Valerie Lyons (appointed March 2017)
 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:

Nicole Fisher - Chief Operating Officer
 Tania Betts - Chief Financial Officer (maternity leave, effective 1 January 2017)

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

24. RELATED PARTIES (CONTINUED)

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

	2017	2016
	\$	\$
Directors fees	554,750	559,667
Salaries and other short-term benefits	1,241,177	1,191,514
Short-term incentives	796,436	695,110
Superannuation benefits	60,147	57,924
Share-based payments	457,015	568,329
	3,109,525	3,072,544

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

The aggregate Rights of the Group held directly, by KMP, are as follows:

Issue date	Right Type	Expiry date	Number outstanding	
			2017	2016
FY14	PQR	FY17	-	619,333
FY15	STIP	FY17	-	76,548
FY15	LTIP	FY18	163,829	163,829
FY16	LTIP	FY19	173,870	173,870
FY16	STIP	FY18	122,850	-
FY17	LTIP	FY20	173,161	-
			633,710	1,033,580

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

25. PARENT FINANCIAL INFORMATION

Summary financial information about the parent of each Trust is:

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current assets	1,293	8,392	28	1,816
Total assets	577,736	440,710	16,067	4,652
Current liabilities	1,823	1,646	201	7,606
Total liabilities	166,552	99,409	22,244	7,780
Net assets/(liabilities)	411,184	341,301	(6,177)	(3,128)
Unitholders' equity:				
Issued units	755,573	679,161	43,130	34,013
Accumulated losses	(344,389)	(337,860)	(49,307)	(37,141)
Total unitholders' equity	411,184	341,301	(6,177)	(3,128)
Profit/(loss)	13,190	25,855	(14,632)	(10,788)
Net profit/(loss) attributable to unitholders of each Trust	13,190	25,855	(14,632)	(10,788)
Total comprehensive income/(loss)	13,190	25,855	(14,632)	(10,788)

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

26. SUBSIDIARIES

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

	Ownership interest		
	Country of residence	2017 %	2016 %
<i>Subsidiaries of Ingenia Communities Fund</i>			
Bridge Street Trust	Australia	100	100
Browns Plains Road Trust	Australia	100	100
Casuarina Road Trust	Australia	100	100
Edinburgh Drive Trust	Australia	100	100
INA Community Living Subsidiary Trust 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
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
Settlers Property Trust	Australia	-	100
INA Community Living LLC (formerly ING Community Living LLC)	USA	100	100
<i>Subsidiaries of Ingenia Communities Management Trust</i>			
Garden Villages Management Trust	Australia	100	100
INA Community Living Lynbrook Trust	Australia	100	100
Settlers Operations Trust	Australia	100	100
Settlers Management Pty Ltd	Australia	100	-
INA Operations Trust No.1	Australia	100	100
INA Operations Trust No.2	Australia	100	100
INA Operations Trust No.3	Australia	100	100
INA Operations Trust No.4 (formerly INA Subsidiary Trust No. 2)	Australia	100	100
INA Operations Trust No.6	Australia	100	100
INA Operations Trust No.7	Australia	100	100
INA Operations Trust No.8	Australia	100	100
INA Operations Trust No.9	Australia	100	100
Ridge Estate Trust	Australia	100	100
INA Subsidiary Trust No.3	Australia	100	100
INA Latitude One Pty Ltd	Australia	100	-
INA Latitude One Development Pty Ltd	Australia	100	-
INA Soldiers Point Pty Ltd	Australia	100	-
INA NZ Subsidiary Unit Trust No. 1	New Zealand	100	100

The Trusts' voting interest in all other subsidiaries is the same as the ownership interest

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

27. NOTES TO THE CASH FLOW STATEMENTS

Reconciliation of profit to net cash flows from operations:

	Ingenia Communities Fund		Ingenia Communities Management Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net profit for the year	(2,738)	25,855	29,592	56
Adjustments for:				
Net foreign exchange (gain)/loss	342	(422)	-	(45)
Net loss on disposal of investment properties	27,556	-	19,117	(638)
Net (gain)/loss on change in fair value of:				
Investment properties - continuing	(6,000)	(7,668)	(6,373)	172
Derivatives	(126)	414	-	-
Retirement village resident loans	-	-	(96)	1,388
Income tax expense/(benefit)	-	-	1,890	(2,507)
Depreciation and amortisation expense	24	24	650	418
Amortisation of borrowing costs	993	574	-	2
Share based payments expense	-	-	174	300
Operating profit/(loss) for the year before changes in working capital	20,051	18,777	44,954	(854)
Changes in working capital:				
(Increase)/decrease in receivables	315	(320)	818	1,024
(Increase)/decrease in other assets	-	-	(5,276)	(4,457)
Increase in retirement village resident loans	-	-	(872)	3,563
Increase/(decrease) in other payables and provisions	67,516	35,628	9,661	4,679
Increase/(decrease) in other payables and provisions related to investing activities	(93,605)	(58,988)	(8,008)	29,022
Net cash provided by operating activities	(5,723)	(4,903)	41,277	32,977

Ingenia Communities Fund & Ingenia Communities Management Trust
Notes to the Financial Statements (continued)
For the year ended 30 June 2017

28. SUBSEQUENT EVENTS

Final FY17 distribution

On 22 August 2017, the directors of the Group resolved to declare a final distribution of 5.1 cps (2016: 5.1 cps amounting to \$10.5 million to be paid at 13 September 2017. The distribution is 26.5% tax deferred and the dividend reinvestment plan will apply to the final distribution.

Acquisition of Sheldon

On 31 July 2017, the Group signed an unconditional agreement to purchase Sheldon Caravan Park located in metropolitan Brisbane for \$25.0 million.

Acquisition of Glenwood

On 10 August 2017, the Group completed the acquisition of development approved land located north of Coffs Harbour, on the NSW mid-north coast, for a purchase price of \$7.8 million.

**Ingenia Communities Fund & Ingenia Communities Management Trust
Directors' Declaration
For the year ended 30 June 2017**

DIRECTORS' DECLARATION

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 2017 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 2017.

On behalf of the Board



Jim Hazel
Chairman
Sydney, 22 August 2017

Independent Auditor's Report to the unitholders of Ingenia Communities Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Fund (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

1. Valuation of Investment Properties

Why significant

Approximately 25% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date.

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

The investment properties, as disclosed in note 8 to the financial report, earn revenue predominantly from longer term rental agreements and the key judgments include capitalisation rates, discount rates, market and contractual rent and forecast occupancy levels.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- ▶ We considered the objectivity, independence and competence of the external valuers and evaluated the suitability of their valuation scope and methodology for the financial report;
- ▶ We assessed the Group's internal valuation methodology and on a sample basis checked the mathematical accuracy of their valuation models. We also assessed competence of the internal valuer;
- ▶ On a sample basis we assessed the property related data used as input for both the external and internal valuations against actual property performance; and
- ▶ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data, where we involved our Real Estate valuation specialists.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Ernst & Young



Chris Lawton
Partner
Sydney
22 August 2017

Independent Auditor's Report to the unitholders of Ingenia Communities Management Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Management Trust (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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



1. Valuation of Investment Property

Why significant

Approximately 92% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations, and is based on market conditions existing at reporting date.

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

The Group has two categories of investment properties as disclosed in note 8 to the financial report.

- ▶ The Group holds a Lifestyle & Holidays portfolio consisting of investment properties earning revenue from a mix of longer term land rental agreements and short-term accommodation rental. In addition the group earns revenue from the sale of manufactured homes to residents of the properties.

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

- ▶ The Group holds a Settlers portfolio consisting of investment properties earning revenue predominantly via deferred management fee arrangements and key judgements include assessing discount rates, growth rates in property values and average length of stay of residents.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- ▶ We considered the objectivity, independence and expertise of the external valuers and evaluated the suitability of their valuation scope and methodology for the financial statements;
- ▶ We assessed the Group's internal valuation methodology and on a sample basis checked the mathematical accuracy of their valuation models. We also assessed competence of the internal valuer;
- ▶ On a sample basis we assessed the property related data used as input for both the external and internal valuations against actual and budgeted property performance; and
- ▶ We considered the key inputs and assumptions used in the valuations by comparing this information to external market data, where we involved our Real Estate valuation specialists.



2. Deferred tax assets

Why significant

The Group has recorded net deferred tax assets of \$5.2m in the financial statements resulting from temporary differences and tax losses carried forward as disclosed in note 12 to the financial statements. The Group recognises these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.

How our audit addressed the key audit matter

In obtaining sufficient audit evidence:

- ▶ We evaluated assumptions and methodologies used by the Group to forecast future taxable profits to determine the likelihood that the losses will be recovered; and
- ▶ We assessed that information used was derived from the Group's business cash flow forecasts that have been subject to internal reviews and were approved by those charged with governance.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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



Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



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

A handwritten signature in cursive script, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Chris Lawton'.

Chris Lawton
Partner
Sydney
22 August 2017