Ingenia

Annual Report 2021

We create community

Ingenia Communities Group is a leading operator, owner and developer offering quality holiday accommodation and residential communities, focussed on the growing seniors' market in Australia.

Listed on the Australian Securities Exchange (ASX:INA), the Group is included in the S&P/ASX 200 and has a market capitalisation of over $1.9 billion. Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holidays and Ingenia Rental, the Group's portfolio includes 90* communities and is continuing to grow through acquisition and development.

* Includes acquisitions announced post 30 June 2021, Joint Venture and Fund assets.

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Key Financial Metrics

Revenue
$295.6m
up 21% on pcp

EBIT
$94.4m
up 31% on pcp

Statutory Profit
$72.8m
up 131% on pcp

Underlying Profit
$77.2m
up 31% on pcp

Underlying EPS
23.6c
up 7% on pcp

Net Asset Value Per Security
$3.03
up 4% on pcp

Distribution Per Security
10.5c
up 5% on pcp

New Home Settlements
380
up 17% on pcp

Ingenia has strengthened its **financial position** with acquisitions, a growing rental base, increased development and strong demand for domestic travel supporting future returns.

Our Vision and Values


Residents outside their new home at Ingenia Lifestyle Freshwater, QLD

Ingenia's communities are a place where people have a sense of connection and belonging.

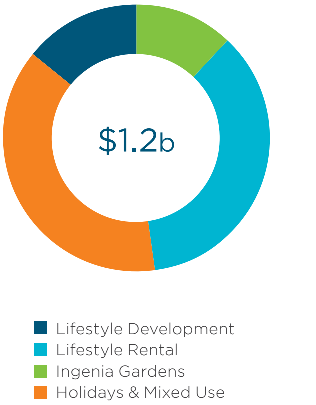
We have a positive impact on more than 8,800 residents each and every day. Our commitment to our customers, their families and security holders is to perform with **integrity**, foster **respect** for all and build **community** through continuous **improvement** in everything we do.

With over $1.5 billion assets owned/managed, our portfolio has expanded rapidly with the addition of 19 communities in the past 13 months bringing our total to 90 commununities, and growing.

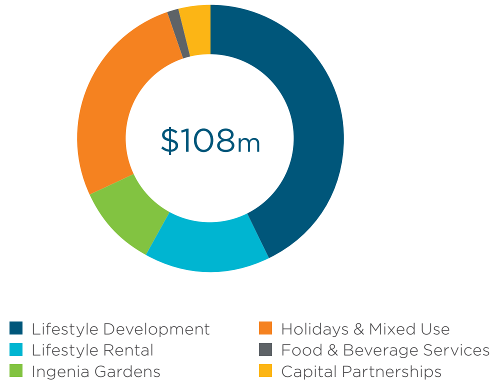
We have over 13,000 homes, villas, cabins and sites collecting rent and a development pipeline of 4,220 home sites owned or optioned, and over the past year we welcomed 500,000 guests to our Ingenia Holiday Parks.

Our 900 plus employees are dedicated to creating community for our residents and guests.

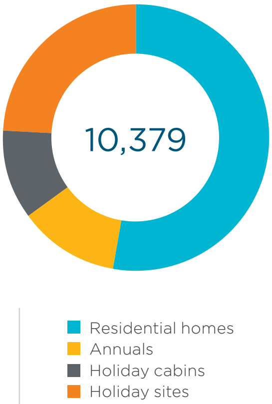
Book Value
(by portfolio at 30 June)

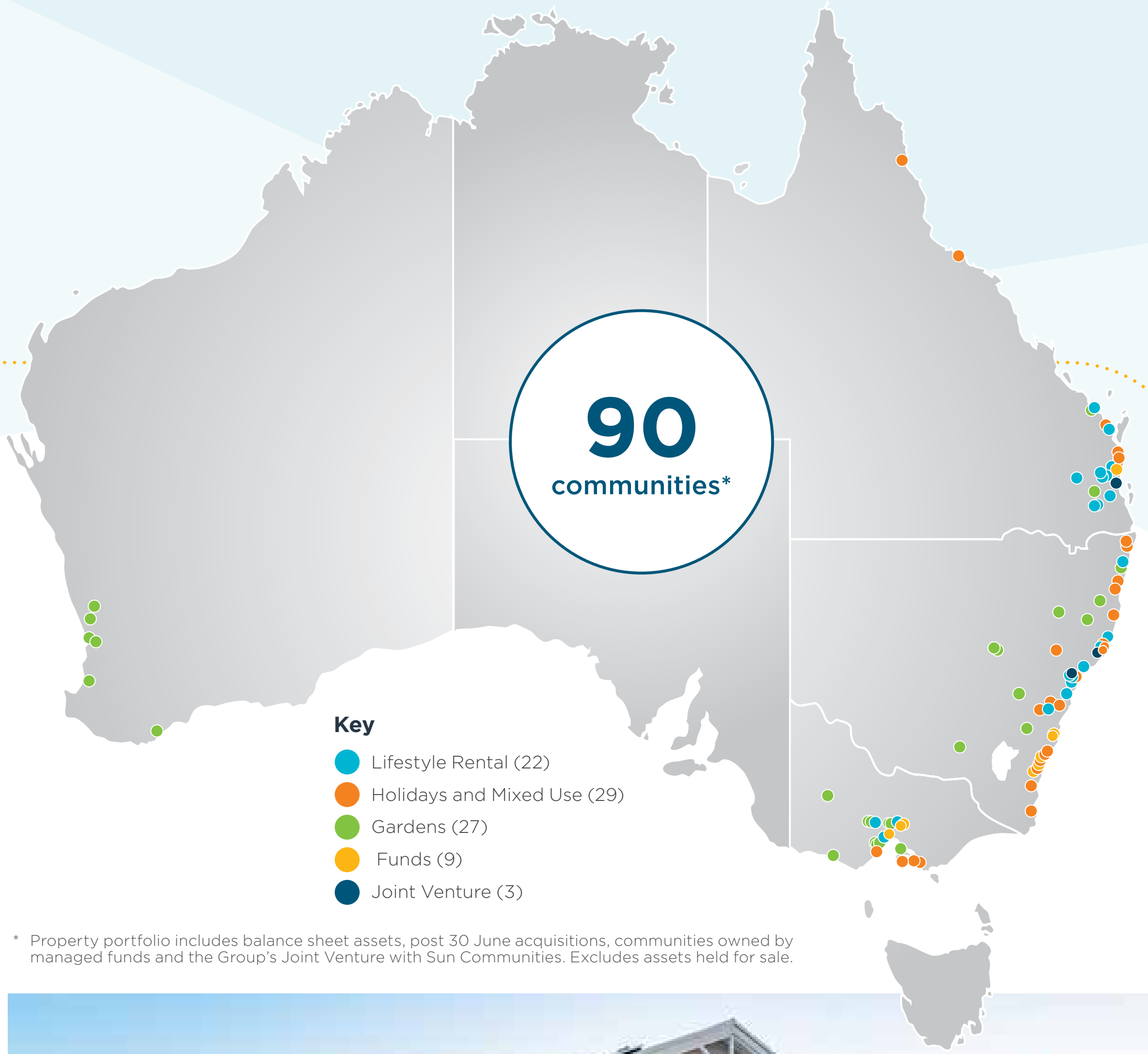


Portfolio EBIT
(at 30 June)



Income Generating Sites
(at 30 June)





* Property portfolio includes balance sheet assets, post 30 June acquisitions, communities owned by managed funds and the Group's Joint Venture with Sun Communities. Excludes assets held for sale.

Expansion

A total of $215 million in new acquisitions were complete in FY21, including the addition of established communities which contributed to an increase in Ingenia's revenue base to 10,379 income producing sites (up 26% on June 2020).

Development

Latitude One, Ingenia's first greenfield development, reached completion in FY21. The 270 home community includes resort style facilities and is a flagship development for the Group, demonstrating our commitment to 'creating community'. It was a key contributor to record settlements in FY21. Over 4,220 sites are now owned or optioned for future development.

Sustainability

Ingenia Communities announced a target of a carbon neutral operation by 2035, and progressed a range of initiatives in support of this objective. These initiatives included installing solar across existing communities and incorporating emissions targets in new projects.

Health and safety

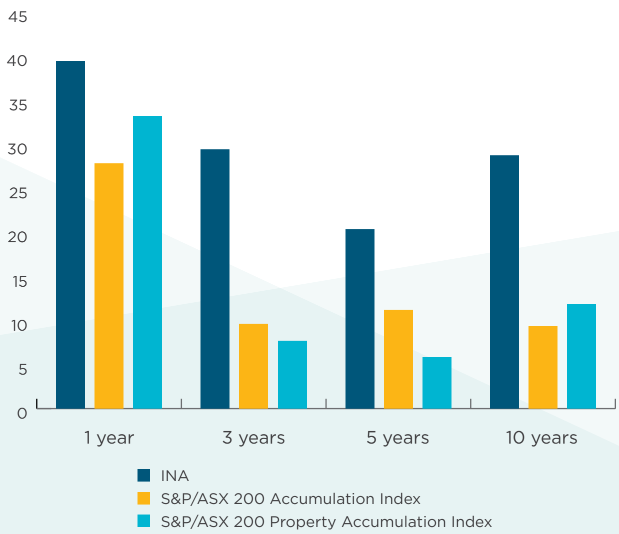
Over FY21 the Group's focus on 'creating community' was key to supporting our teams and residents through COVID-19. Increased engagement and new initiatives were aimed at ensuring health, safety and wellness for our >950 employees and 8,800 residents.

Chairman's Letter

A solid balance sheet, a clear strategy and a purpose-driven culture positioned the business well as we entered FY21.

Jim Hazel
Chairman

Total Security Holder Return



Source: UBS Research. Annual compound returns to 30 June 2021.

Dear Security holders

As we enter the 2022 financial year we continue to be impacted by the course of the COVID-19 pandemic. This pandemic had a material impact on businesses and individuals over the 2021 financial year as governments grappled with an unprecedented health challenge. In this environment, supporting our residents and teams, many of them isolated from their families, was a key focus for the Board and management. Throughout FY21 our teams were faced with the challenges of working remotely, changing operating conditions and providing additional support to our residents, and I am proud of the way our people rose to this challenge. It is due to their efforts that we delivered strong performance in FY21 and are well placed as we enter FY22.

Financial Performance

A solid balance sheet, a clear strategy and a purpose-driven culture positioned the business well as we entered FY21 and it was pleasing to see the momentum that built in the business over the year, particularly from the second quarter as restrictions were eased. A stable base of recurring rents from a growing resident rental base, additional acquisitions, strong performance from the holidays business and record new home settlements, contributed to a record result, which exceeded guidance.

The Group delivered increases across all key metrics, including revenue (up 21%), EBIT (up 31% to $94.4 million) and underlying profit per security (up 7%). The full year distribution of 10.5 cents per stapled security represented an increase of 5% and the security price grew materially over the year, from $4.48 on 1 July 2020 to close the year at $6.14. The Group substantially outperformed both the S&P/ASX 200 Accumulation Index and the S&P/ASX 200 Property Accumulation Index over the one, three, five and ten-year period to 30 June 2021.

Over the year a focus on prudent capital management was maintained, with a new finance facility from the Clean Energy Finance Corporation for a 7-year term and refinancing of existing facilities. At year end, the Group had $270 million in cash and available undrawn debt to fund further investment.

Delivering our strategic and sustainability goals

In addition to delivering strong financial returns, we made significant progress on our strategy and sustainability initiatives.

We progressively invested the $178 million equity raised in June 2020 to build our rental base and accelerate development. A total of $215 million in acquisitions were completed over the year, adding a further 1,800 income producing sites to our growing rental base and extending our pipeline of development projects to deliver future growth. These acquisitions expanded our footprint and leveraged our platform, contributing to increasing margins across the Group.

Chairman's Letter

We continued to progress the sustainability initiatives outlined in our July 2020 sustainability report.

In February we announced our commitment to achieving a carbon neutral operation by 2035 and a 30% reduction in our Scope 1 and 2 emissions over the next five years. Our solar strategy and approach to new developments have continued to evolve in support of this objective, with 1,600kW of solar PV installed across our operating communities to date and new developments targeting carbon neutral outcomes.

Our focus on gender equality continued to yield results, with female representation across the business remaining high. In addition to 50:50 gender diversity at Board level (non executive independent directors), females comprise 55% of our executive team and occupy 61% of senior management positions. Recognising our leadership in this area, Ingenia ranked No. 2 for women in executive leadership team roles in the Chief Executive Women (CEW) Senior Executive Census in 2020 and 2021.

We are committed to operating in a sustainable way, maximising the social benefits of our business and reducing our environmental footprint, and will broaden our initiatives and expand our reporting in this key area over FY22.

Board renewal

In line with our Board renewal process and growth in the business, we expanded the Board over the year, with the appointment of two new directors, Greg Hayes and Sally Evans. We also farewelled Andrew McEvoy, who made a significant contribution to Ingenia and I thank him for his dedication and commitment as a Director over the past three years.

In addition to providing the right mix of skills and experience to guide the Group's strategy and deliver on business objectives, our Board composition also supports our commitment to gender diversity, with an equal number of male and female non executive independent directors.

Outlook

We enter FY22 with further uncertainty around the operating environment and the economy due to the emergence of the Delta-variant of COVID-19. Although we anticipate that lockdowns will be an ongoing occurrence for some time, we retain a positive outlook for the business.

While we face uncertainty in the near term, we have demonstrated the resilience of our business through the challenges of the last year and the longer-term drivers of demand for our communities and our holiday parks continue to be heightened through this pandemic.

The long-term fundamental drivers of an ageing population that is increasingly viewing community living as an affordable and attractive housing choice remains unchanged. The ability and desire to downsize is supported by rising home prices, movement out of cities to coastal and regional locations and an attraction to the support our communities provide.

The Holidays business is currently impacted by lockdowns and border closures, however forward bookings are strong and demand for domestic travel has grown and is responding rapidly as restrictions ease. We expect these conditions to remain while international borders are closed, and beyond, as our target markets remain attracted to 'low risk', affordable domestic travel.

I would like to assure all security holders of our ongoing commitment to navigating the challenges of the present while maintaining a focus on future prosperity. New acquisitions, a strong capital position and a business which is focussed on the health and safety of our residents and guests place us well to weather the current challenges and continue to grow. The results delivered in FY21 were testament to our teams who demonstrated their ability to respond, innovate and adapt as conditions changed – they remain key to our success and I thank them for their commitment.

Finally, I would like to thank all security holders for your continued support of Ingenia Communities.

Jim Hazel
Chairman

For further information, visit the website http://www.ingeniacommunities.com.au/investor-centre/key-dates/

CEO & Managing Director's Letter

The past 12 months have been a challenging period for Ingenia, and for all businesses across Australia. Through COVID-19, our overwhelming focus has been the health and safety of our residents, staff and guests, as we continued to deliver on our strategy and respond to changes in operating conditions.

Simon Owen
Chief Executive Officer and Managing Director

Revenue

$295.6m

up 21% on pcp

The momentum the business maintained despite these challenges resulted in a record result in FY21, supported by the stability of cashflows from our residential communities, growth in our asset base and new home sales, strong demand for domestic travel and the dedication of our team.

Financial Performance

While the year commenced with significant uncertainty, as we moved into the second quarter, performance improved as restrictions began to ease.

Revenue grew 21% to $295.6 million and operating cash flow of $137.6 million was up 105% as an increase in rental sites, higher new home settlements and strong performance from the Group's holiday communities contributed.

Statutory Profit of $72.8 million was up 131% on the 2020 result. Underlying Profit of $77.2 million increased 31% on the prior year and Net Asset Value per security (NAV) increased to $3.03 (from $2.90 at 30 June 2020).

Underlying EPS of 23.6 cents represented a 7% increase on FY20 and was impacted by an increase in weighted average securities on issue as a result of the June 2020 equity raising. The full year distribution of 10.5 cents per stapled security increased 5% on FY20.

Capital management

The Group closed FY21 with a strong balance sheet, with long term funding in place. At 30 June 2020, Ingenia's loan to value ratio (LVR) was 22.2%, well below the Group's target range of 30-40%, providing significant capacity to grow the Group's portfolio through acquisitions and additional development.

As a result of the establishment of a new 7-year debt facility with the Clean Energy Finance Corporation and the refinancing of existing facilities, the Group has no debt expiry until December 2025, with a weighted average term to maturity of 5.3 years at 30 June.

Building portfolio scale

Following the $178 million equity raising in June 2020, a focus on growing exposure to the lifestyle and holidays market continued with $215 million invested in the acquisition of established communities and future development sites.

The benefit of a dedicated acquisitions team was demonstrated as new acquisitions were identified in a market that is experiencing increased competition.

CEO & Managing Director's Letter

Aerial view of the development at Ingenia Lifestyle Chambers Pines, Qld

Established communities acquired over the year included:

- BIG4 Inverloch, the Group's first holiday park in Victoria
- Nature's Edge, a premium lifestyle community on the Queensland Sunshine Coast
- Sunnylake Shores, an established lifestyle community on the NSW Central Coast
- Lake Sherrin (Redlands), a rental community in Brisbane with expansion
- Middle Rock, a mixed use community on the NSW MId North Coast.

Four greenfield sites with approvals in place and expansion land at the Joint Venture's Freshwater project were also acquired.

Since year end this growth has continued, with $58 million in acquisitions complete or announced.

Combined with growth in the Group's capital partnerships, the Group now owns or manages a $1.5 billion portfolio of 90 assets.

Residential communities providing resilient cash flows

The residential communities business remains the core of our strategy and we continued to expand this portfolio over FY21.

Our communities, which are located in attractive outer metro and regional locations, have benefited from the strength of residential markets and an appreciation of the connection and security they provide to residents.

Sales across our Ingenia Lifestyle communities increased materially, as we achieved a record 380 new home settlements (up 17% on FY20). The average home sale price also increased, as our first greenfield project, the premium Latitude One, was sold out with record home prices. New projects in Victoria (Ballarat and Lara) were commenced and additional land was acquired, consistent with our objective to grow new home sales year on year.

Revenue in the Lifestyle Rental business was up 40%. Home settlements, acquisitions and the addition of new rental homes to existing communities increased the number of homes across the portfolio by 24%, to 3,681 at 30 June 2021.

Occupancy across the 26-village Ingenia Gardens portfolio reached an all-time high, with uninterrupted rent collection and no increase in defaults. The addition of an established community in Victoria, to be settled in September 2021, will expand this rental base.

Ingenia Holidays One Mile Beach, NSW

Holidays and Mixed Use communities benefitting from strong demand

Our Holidays and Mixed Use portfolio has experienced strong demand as international borders remain closed and intrastate and interstate travel is buoyant. With further acquisitions over the year, we now have a network of 29 coastal parks from Torquay on the Victorian Surf Coast to Cairns in Tropical North Queensland. While COVID-19 restrictions impacted revenue over the year, demand rebounded strongly as restrictions eased, with occupancy and rate both up on prior year. The Group's total cabin and camp sites increased to 3,150 and revenue was up 38%.

Joint Venture

$5.0m

operating profit

Capital partnerships

We are beginning to see increased returns from our capital partnerships, as the development Joint Venture with Sun Communities and the funds management business (Eighth Gate Capital Management), delivered additional income in FY21. The Joint Venture's first development project in Queensland settled 30 homes over the year, with operating profit increasing to $5 million (from a loss of $0.2 million in FY20). Two additional projects are expected to commence in FY22. Ingenia provides only half of the required funding, while receiving fees for services and retaining the right to fully own the completed communities.

The funds management business delivered $2.9 million in fee income and distributions from our co-investment in the nine established communities owned by the Funds. We plan to expand this business through the launch of a new fund in the 2022 financial year, focussed on mixed use, yielding assets.

Progressing our sustainability program

I am very excited by the work we have done at all levels of the organisation this year as we moved forward in our sustainability journey. Despite challenges, key milestones were achieved. Maintaining a focus on the social benefits our business provides

CEO & Managing Director's Letter

saw our teams seek new 'COVID safe' ways to engage with and support our residents. Delivering meals to their homes, organising socially distanced events and staying in touch with our most vulnerable residents, many of them isolated from family, supported our goal to 'create community'.

We were pleased to announce our commitment to a carbon neutral operation by 2035 and will publish our first carbon emissions disclosures with our Sustainability Report this year. Supporting these endeavours are a range of projects across the Group, from the installation of solar in our existing communities to trialling more sustainable tourism cabins and including battery storage at new developments. We will build our first 'Green Home' under the Green Building Council of Australia's pilot this year and are targeting a 6 Green Star rating for our new development at Fullerton Cove. Both programs will provide us with important data to inform future initiatives as we work towards delivering healthier homes for our residents and more sustainable communities.

More detail on these and other initiatives is included later in this Report.

Looking to the future

It has been a challenging year which was characterised by extended lockdowns across our business. I would like to thank our team for all that has been achieved, as they remained focussed on our goals while continuing to respond to changing conditions.

While COVID-19 has disrupted our business and created challenges, it has also accelerated macro trends and consumer behaviours that support our longer term growth.

More Australians are migrating to the regions, and especially the coast, as they seek space and quality of life. Our communities are geared towards the rapidly growing number of downsizers and young retirees who are making this change, offering affordable, high quality homes and engaged community living.

Australians are travelling domestically – many of them experiencing our parks and destinations for the first time. Ingenia is uniquely poised to benefit from what we believe is a strong medium term outlook for holiday parks as our target markets (families and grey nomads) seek accessible breaks.

Importantly, we are also seeing opportunities for further expansion. We have $200 million of acquisitions contracted or deposited and an additional $250 million in assets under review.

Our balance sheet is in excellent shape – with $270 million in available debt and cash on hand at 30 June and our capital partnerships broaden our funding capacity as we continue to access growth through acquisitions and development.

The near term challenges of Government travel restrictions and potential risk around construction activity provide uncertainty, however we expect increases in vaccine supply and coverage to allow us to move towards recovery.

In light of current market uncertainties, guidance for FY22 has not been provided, however the underlying demand fundamentals for the business remain strong.

These are unprecedented times and I would like to acknowledge and thank our Board for their support and guidance as we have navigated the challenges of the past year. Finally, I would like to thank the 8,800 residents who make Ingenia home, the guests who choose to holiday in our parks, and our security holders, for their ongoing trust and support of Ingenia's business.

Simon Owen
Chief Executive Officer and Managing Director

Residential Communities

The Group's residential communities provide stable, rent based cash flows and form the core focus of the Group's growth strategy.

Offering land lease homes (where residents own the home and rent the land) and rental homes, Ingenia's residential communities provide community based living, in an engaged, secure environment.

The development of new lifestyle (land lease) communities represents an attractive way to build the Group's rental business through the creation of sustainable, purpose built communities.

Latitude One development case study

Ingenia's first Greenfield project, Latitude One, is now complete.

Set on 29.2 hectares in the leafy suburb of Anna Bay, the Group's first greenfield development combines the best of sea change and tree change with luxury homes and gold class facilities that are now complete for all residents to enjoy.

The Community has seen unprecedented sales success from day one, with the first release sold out in a matter of days and strong sales continuing through to completion.

Port Stephens' ideal coastal location has made it one of the best residential opportunities as Australians continue to drive up demand for regional homes.

The community has been nominated as a finalist in the 2021 Retirement Living Awards for Best Retirement Living Development, demonstrating the success of the greenfield strategy.

Residential Communities

$660k

FY21 average home sales price

First residents Janette and Kenneth Scott cutting the ribbon at the display village launch open day

This high-margin project has delivered a high-quality, premium community which is now valued on a capitalisation rate of 5.25% and is generating stable, attractive rents. The project achieved an IRR of more than 30%, well over the targeted 20%.

Over FY21 the average house sales price at the project increased to $660,000, a big rise from the initial $458,000 average in FY18. The final, boutique release saw 9 homes sell for $850,000 - over $900,000.

Today over 460 residents call Latitude One home and are enjoying the facilities and community lifestyle Latitude One provides. The centrepiece of Latitude One is a multimillion-dollar clubhouse and resort-style facilities including a cinema, library, sports bar, and bowling green. A wellness centre with a heated pool, gym, and consulting rooms for visiting medical practitioners, as well as a beauty

Latitude One development case study
continued

Internal view of a new home at Ingenia Lifestyle Latitude One, NSW

460+
residents call Latitude One home

salon, are also available for residents. A large community space with commercial kitchen, resort style pool, walking track around the community and putting green are also available for residents.

Latitude One has provided many insights which will inform future projects, including: a desire for larger homes with three bedrooms and a double garage, pet-friendly homes, sustainable features including solar, the inclusion of caravan/boat storage, lower maintenance gardening, premium finishes in kitchens and, a larger focus on wellness and social connectivity.

Residential Communities

Ingenia Lifestyle

Ingenia's Lifestyle portfolio comprises land lease and rental homes, providing both affordable and premium living with residents enjoying a range of facilities and activities.

The portfolio rapidly expanded over FY21 with the acquisition of new communities, a record number of new home settlements and the addition of new rental homes to existing communities.

Key data[1]	30 June 2021	30 June 2020
Permanent homes/sites	**3,681**	2,968
Holiday sites	**43**	55
Development sites[2]	**4,220**	3,015
Book value	**$591.0m**	$427.4m

1. Excludes Holidays and Mixed Use communities, Joint Venture and Fund assets.
2. Includes all potential sites (on balance sheet or through the Joint Venture with Sun Communities) – under option or secured.

Ingenia Lifestyle Development

Ingenia's development program supports further rental growth and the creation of modern, sustainable communities.

The development business achieved a record for new home settlements, with 380 homes settled in FY21 (including the Joint Venture) as sales accelerated once COVID-19 related restrictions eased. An increase in the average home sale price, combined with high settlement volumes, increased gross new home development profit to $67.4 million (up 14%).

Additional scale is generating efficiencies, with the EBIT margin for the development business growing to 32.2% (from 31.5% in FY20).

The Group's first greenfield project, Latitude One, at Anna Bay on the NSW Coast, settled 73 homes in FY21. Latitude One continued to achieve strong sales results and prices into its final stage, with select 'bespoke' homes selling at over $800,000.

Key data	30 June 2021	30 June 2020
New home settlements	**350**	318
Gross above ground new home development profit	**$67.4m**	$59.0m
Average new home price ($'000)[1]	**$439**	$430
Deposited/contracted (at 30 June)[2]	**317**	187

1. Inclusive of GST.
2. Includes deposits and contracts for Joint Venture projects.

The Group's next greenfield projects are progressing well, with Hervey Bay in Queensland settling 70 homes, and Plantations at Woolgoolga settling 73 homes as it moves to complete in FY22. New projects, including the expansion of Lara (174 homes) and a greenfield development at Ballarat (250 homes), both in Victoria, are underway and anticipate welcoming their first residents in FY22. Additional greenfield projects expected to commence in FY22 include two projects in the Group's Joint Venture with Sun Communities and an Ingenia owned development in Victoria.

Residential Communities

New Home Settlements

350

up 10% on pcp

Expansion at Nature's Edge (QLD), Sunnylake Shores (NSW), Chambers Pines and Bethania (both in QLD) will also make a contribution to settlements in FY22.

The Group's projects provide both affordable and premium community living, with average sales prices ranging from $276,000 at Chambers Pines to $660,000 at Latitude One.

Additional sites are continually being assessed and further opportunities were secured over FY21, providing expansion of the pipeline of potential developments to 4,220 sites.

The 317 deposits and contracts already in place at 30 June 2021, combined with the ability to leverage the Group's scale and generate fees through delivery of development projects for the Joint Venture will support development returns and the creation of new rental contracts in FY22.


Development of new homes at Ingenia Lifestyle Hervey Bay, QLD

AWARDS

The Group has 10 projects underway and 3 new greenfield developments expected to commence in FY22.

The development of new masterplanned communities and the expansion of existing communities represents a core part of the Group's strategy to build a leading lifestyle portfolio.

Ingenia Lifestyle Rental

The Lifestyle Rental portfolio provides residents with attractive community based living, predominantly through a land lease rental model, where residents own their home and rent the land.

The portfolio has expanded rapidly, increasing exposure to a growing market with stable cash flows.

With further acquisitions through FY21, the Lifestyle Rental portfolio currently has 3,681 homes and sites providing stable weekly rent.

Ingenia Lifestyle Rental provides exposure to a growing demand from Australia's ageing population for community living, with communiites located in popular outer urban and coastal locations, and remains the Group's core focus.

The portfolio grew over FY21, benefitting from new acquisitions, including Nature's Edge on the QLD Sunshine Coast and Sunnylake Shores in NSW. Both communities include existing homes and expansion potential. In addition, new homes were added across the Group's developments, with a further 350 new home settlements adding approximately $3.2 miillion in rent per annum and the addition of 79 rental homes improving returns across a number of existing communities.

Rental Revenue

$34.7m

up 40% on pcp

Residential Communities

Reflecting growth in the portfolio, revenue increased to $34.7 million in FY21 (up 40% on the prior year). While rent growth was impacted by low Consumer Price Index (CPI) growth and COVID-19 related restrictions, like for like rent grew 3.2% over the year.

EBIT of $16.5 million was up 43% on the prior year, contributing to significant margin expansion as the portfoilio continued to grow, leveraging the benefits of the established platform.

The core of this portfolio is rental revenue generated from residents who generally fund their rental payments via government pension and rental assistance. Through COVID-19, this revenue remained consistent with no loss of rent or increase in bad debts, demonstrating the attractiveness of this stable annuity style income stream.

Future growth will be generated as the portfolio benefits from 850 income producing sites added in FY21 and as new homes are added to existing and new communities via ongoing development.


Residents across our Ingenia Lifestyle communities enjoying clubhouse activities


A home at Ingenia Lifestyle Nature's Edge, QLD

Residential Communities

Ingenia Gardens

Ingenia Gardens Marsden, QLD

The Ingenia Gardens portfolio provides affordable seniors rental accommodation, delivering stable recurring cash flows underpinned by Government payments (pension and rent assistance).

The Ingenia Gardens portfolio continues to be attractive to residents, with its focus on ensuring residents enjoy living in a connected and engaged community. The portfolio maintained a record high occupancy of 96% with average weekly rents of $343.

Residents are attracted to the supported environment Ingenia Gardens offers residents, with reduced move-outs contributing to occupancy.

'Ingenia Care', a 'concierge' style service offered to residents has continued to grow, assisting residents to age in place and supporting their health and wellbeing. Average resident tenure for care clients in Ingenia Gardens communities has increased to 4.5 years, well above the 3.3 year portfolio average.

Key data	30 June 2021	30 June 2020
Properties	**26**	26
Total units	**1,377**	1,376
Occupancy	**95.8%**	94.4%
Book value	**$150.2m**	$139.9m

Ingenia Care now has 890 residents accessing the service, with approximately 450 living in Ingenia Gardens communities.

Through COVID-19 residents were supported with delivery of meals to their units, ongoing management of community access to limit risk, and modifications to the popular Activate program, which provides activities and supports community engagement and resident wellbeing.

The program was adjusted through COVID-19 restrictions to maintain resident health, engagement, and well-being while socially distancing.

Since year end a 60-unit established community in Melbourne has been secured. The $10 million acquisition is anticipated to settle in September 2021.

Ingenia Holidays and Mixed Use

Ingenia Holidays

The Holidays and Mixed Use portfolio provides diverse holiday experiences, with parks dotted along the east coast of Australia, from Cairns in tropical Far North Queensland to the seaside town of Torquay in Victoria.

Annual sites and land lease homes are offered at a number of 'mixed use' communities.

Increasing demand for domestic travel (both intra and interstate) supported strong performance in FY21, following the easing of COVID-19 related restrictions. Rental income was up 38% on prior year as new acquisitions contributed and operating conditions improved from September 2020.

Caravan and Holiday parks have grown in popularity while international borders have remained closed, with a desire to 'holiday at home' driving demand from traditional and new guests. Both occupancy (up 14%) and Revenue per Available Room night (up 36%) grew over the year.

Key data	30 June 2021	30 June 2020
Properties	**23**	19
Permanent sites (homes)	**1,073**	974
Annual sites	**1,055**	535
Tourism cabins	**937**	781
Tourism sites	**2,213**	1,562
Book value	**$490.1m**	$376.7m

While tourism cabins and sites benefitted from the demand for domestic travel, the portfolio also maintained a stable underlying revenue stream from the annual and land lease (home) sites across the Mixed Use parks.

Rental income increased to $67.5 million in FY21 and EBIT of $28.7 million was up 57% on the prior year, with the EBIT margin improving as the portfolio continued to grow, leveraging increased scale.

Four parks were acquired over the year, adding almost 1,400 income producing sites and expanding the portfolio to Victoria. A further six acquisitions settled post year end, extending the portfolio to 29 parks with 1.4 million 'room nights.'

With a focus on the domestic family and grey nomad market, Ingenia Holidays has benefitted from increasing demand for domestic travel

Ingenia Holidays and Mixed Use

The portfolio is benefitting from increased demand for domestic travel destinations (subject to restrictions) and increased scale as the core markets of families and 'grey nomads' continue to seek 'low risk' affordable domestic holiday experiences.

The portfolio includes a range of accommodation, from cabins and glamping tents to caravan and camp sites


Ingenia Holidays One Mile Beach NSW


Ingenia Holidays Phillip Island VIC


Ingenia Holidays Cairns Coconut QLD

AWARDS

Ingenia Holidays Cairns Coconut

QANTAS Australian Tourism Award - 2020

– Ingenia Holidays Cairns Coconut (Silver)

WOTIF Uniquely Aussie Awards - 2020

– #1 Best Holiday Park in QLD Ingenia Holidays Cairns Coconut

1. TripAdvisor's Travellers' Choice Best of the Best
2. CPAQ Team of the year 2021

North Queensland
1 Cairns Coconut
2 Townsville

Fraser Coast
3 Hervey Bay

Sunshine Coast & Brisbane
4 Rivershore
5 Noosa
6 Noosa North
7 Landsborough

North Coast NSW
8 Kingscliff
9 Byron Bay
10 White Albatross
11 South West Rocks
12 Bonny Hills
13 Soldiers Point
14 One Mile Beach
15 Middle Rock
16 Lake Macquarie

Hunter Region
17 Hunter Valley

Western Sydney
18 Sydney Hills
19 Avina
20 Nepean River

South Coast NSW
21 Shoalhaven Heads
22 Coastal Palms
23 Wairo Beach
24 Lake Conjola
25 Ulladulla
26 Merry Beach
27 Tomakin
28 Broulee
29 Moruya
30 Ocean Lake
31 Eden Beachfront

Victoria
32 Inverloch
33 Cape Paterson
34 Phillip Island
35 Torquay

* Includes Fund owned parks

Capital Partnerships

Joint Venture with Sun Communities

The Joint Venture with US based Sun Communities was established in November 2018, providing the Group with a capital partner in the greenfield development of lifestyle communities.

Key data	30 June 2021	30 June 2020
Greenfield properties	**3**	2
New home settlements	**30**	7
Investment carrying value	**$32.8m**	$15.9m

In addition to a 50% ownership in the Joint Venture, Ingenia, as manager, receives fees for services including origination, development and asset management. The Group retains the option to acquire communities from the Joint Venture on completion.

To date the Joint Venture has acquired three greenfield sites, and has one development (Freshwater at Burpengary, QLD) underway.

A 27 hectare site at Morisset, on the popular NSW Coast, was acquired in November 2020 with approval for a land lease community of 400 plus sites.

Further sites are under option and contract, subject to DA.

Growing settlements at Freshwater (with 30 homes settled in FY21) and the acquisition of the Morisset land during FY21, grew revenue from the Joint Venture over the year. The Joint Venture generated revenue of $11.4 million in FY21, resulting in an operating profit of $5.0 million. Ingenia derived $2.1 million of fee income for services provided to the Joint Venture in the period.

Further growth is expected in FY22 as the Freshwater development continues and new developments (Fullerton Cove (Newcastle) and Morisset on the NSW Coast) commence. A pipeline of additional projects has been secured and, subject to approvals, will contribute to longer term growth of the Joint Venture and expansion of the Group's rental base.

Joint Venture Revenue

$11.4m

New clubhouse at Ingenia Lifestyle Freshwater, QLD

Funds Management

The Funds Management business provides an opportunity to co-invest alongside Fund investors, providing an ownership interest in a broader portfolio, ability to leverage the Group's established platform and enhanced returns.

Key data	30 June 2021	30 June 2020
Total properties	**9**	10
Permanent sites	**804**	801
Annual sites	**521**	521
Holiday sites	**249**	264
Assets Under Management (AUM)	**$148.6m**	$140.0m

Ingenia acquired Eighth Gate Capital Management in August 2019, in conjunction with the acquisition of a stake in each of the six managed funds. The carrying value of Ingenia's investment in the Funds is currently $13.2 million.

The Funds are focussed on established communities which deliver stable returns, comprising established lifestyle communities in Melbourne, VIC and a range of mixed use and holiday parks in NSW and QLD. The existing Funds have a defined term. In addition to earning fees for services to the funds, Ingenia retains the right to acquire Fund assets on wind-up.

The five mixed use/holiday parks were rebranded to Ingenia Holidays over FY21 and have benefitted from the dedicated revenue management and portfolio wide brand initiatives provided by Ingenia Holidays and its dedicated team.

In FY21 Ingenia derived $2.9 million in income from the funds business, with fee income of $2.2 million and distributions of $0.7 million.

The launch of a new fund in FY22 will focus on yielding assets and the delivery of stable returns for its investors.

Sustainability

As one of the largest owners, operators and developers of quality residential communities and holiday parks, thousands of people every day are impacted by Ingenia's business.

We recognise the importance environment, social and governance (ESG) issues play in delivering sustainable value for the Group's stakeholders and are committed to continue to evolving our approach and reporting.

The Group's first sustainability report, which was published in July 2020, was an important step in Ingenia's sustainability journey. The report outlined a framework and objectives for the Group, including detail on the Group's progress, as well as current and planned initiatives.

Over FY21, we built on our commitment, further embedding our sustainability principles within the business. We made progress on existing initiatives; worked with key stakeholders and consultants to formalise our reporting and refined our commitments in key areas, including carbon emissions.

Key highlights included:

- The establishment of a $75 million finance facility from the Clean Energy Finance Corporation in February 2021 and clear targets – a 30% reduction in Scope 1 & 2 emissions over 5 years and a net zero operation by 2035
- Maintaining a high level of engagement with key stakeholders as the COVID-19 pandemic evolved – supporting staff to work from home and ensuring residents remained engaged through periods of prolonged lockdowns
- Recognition of the Group's diversity outcomes – Ingenia ranked No. 2 for women in executive leadership roles (CEW Senior Executive Census, 2020 and 2021) and maintained a high level of female representation across the business
- Continuation of solar program to reduce non-renewable energy consumption - installation of 1,600 kW of solar PV across 41 communities – an investment of $1.8 million to date
- Extending our partnership with Ronald McDonald House Charities Australia which entered its fourth year – resident and staff engagement was expanded via participation in Dance for Sick Kids, and the donation of newly renovated bathrooms to the Randwick House
- Participation in the Green Building Council of Australia (GBCA) Green Star for Homes Early Access Program
- Registering our first project for a Green Star Community rating – targeting 6 stars
- Publication of the inaugural Modern Slavery Statement and the introduction of a Supplier Code of Conduct
- Working with consultant, WSP, to refine emissions disclosures and undertake a Climate Risk Assessment across the Group's portfolio.

Sustainability

Ranked

#2

for women in executive leadership roles

Targeting

Net Zero Operation

by 2035

Over the next twelve months we plan to continue to build on these achievements, further refining our objectives to foster the creation of more resilient and sustainable communities through future development and reduce the environmental impact of the Group's operations.

Our focus in FY22 will include:

- First detailed carbon emissions disclosures
- Continuing our solar investment across existing communities and through new development to reduce non-renewable energy consumption as the portfolio continues to grow
- Expanding our reporting on water use and waste recycling
- Extending our Modern Slavery reporting as we progress initiatives
- Constructing the first 'green' home under the Green Building Council of Australia pilot program
- Extending Green Star Community ratings to additional communities and targeting carbon neutral outcomes for future developments to improve energy and cost efficiency and resident outcomes
- Installing battery storage at the Hervey Bay development project to reduce facility energy costs and emissions
- Further engagement with our suppliers and teams to extend our initiatives, build awareness and enhance our reporting.

Continuing

Partnership with Ronald McDonald House Charities Australia

(entering fourth year)

Recent 'Meals from the heart' at RMHC South Brisbane

A detailed overview of our performance will be contained in the Group's Sustainability Report, to be issued in October 2021.

Board of Directors

Jim Hazel
Non-Executive Chairman

I

Appointed: March 2012

Skills and experience

Mr Hazel has had an extensive corporate career in both the banking and retirement sectors.

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

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

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

Robert Morrison
Non-Executive
Deputy Chairman

I
R

Appointed: February 2013

Skills and experience

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

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

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

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

Mr Morrison holds a Bachelor of Town and Regional Planning (Hons) and a Master of Commerce.

Amanda Heyworth
Non-Executive Director

R

Appointed: April 2012

Skills and experience

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

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

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

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

Key

- I Investment Committee Member
- R Remuneration and Nomination Committee Member
- A Audit and Risk Committee Member
- Committee Chair

Board of Directors

I
A

Pippa Downes
Non-Executive Director

Appointed: December 2019

Skills and experience

Ms Downes is a professional company director who has held executive and non-executive roles across listed, not-for-profit and government enterprises.

Ms Downes brings to the Board significant experience in international banking and capital markets as well as broad industry knowledge across financial services, technology, infrastructure and property. Prior executive roles include Managing Director and Equity Partner at Goldman Sachs JB Were. Ms Downes currently serves on the boards of ALE Property Group, Zip Co Limited and Australian Technology Innovators. Ms Downes is a Commissioner of Sport Australia and a member of the Australian Super Investment Committee.

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

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

Gary Shiffman
Non-Executive Director

Appointed: December 2018

Skills and experience

Mr Shiffman has over 30 years' experience in executive and non-executive roles in financial and real estate public companies listed on the NYSE and NASDAQ.

Mr Shiffman is currently Chairman and Chief Executive Officer of Sun Communities, Inc. (NYSE: SUI).

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

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

John McLaren
Alternate Director
to Gary Shiffman

Appointed: February 2019

Skills and experience

Mr McLaren was appointed an Alternate Director by Gary Shiffman in February 2019. Mr McLaren has over 26 years of experience in executive and non-executive roles in financial and real estate public companies listed on the NYSE.

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

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

Key

- I Investment Committee Member
- R Remuneration and Nomination Committee Member
- A Audit and Risk Committee Member
- Committee Chair

Board of Directors

Gregory Hayes
Non-Executive Director

I A

Appointed: September 2020

Skills and experience

Mr Hayes is an experienced executive and company director, with more than 30 years' experience across a range of industries including property, infrastructure, energy, and logistics in both listed and private entities.

Mr Hayes' prior roles include Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer & Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and interim CEO of the Australian Gaslight Company (AGL), Chief Financial Officer Australia and New Zealand of Westfield Holdings, and Executive General Manager, Finance of Southcorp Limited.

Mr Hayes brings to the Board skills and experience in the areas of strategy, finance, mergers and acquisitions, and strategic risk management, in particular in listed companies with global operations.

He currently serves on the Boards of Home Consortium, Aurrum Holdings Pty Ltd, HomeCo Daily Needs REIT and High Resolves and was previously a Director of Incitec Pivot Limited, The Star Entertainment Group Ltd, Prezzee Pty Ltd and The Precision Group.

Mr Hayes holds a Master of Applied Finance, a Graduate Diploma in Accounting and a Bachelor of Arts. He completed an Advanced Management Programme (Harvard Business School, Massachusetts) and is a Member of the Institute of Chartered Accountants.

Sally Evans
Non-Executive Director

R A

Appointed: December 2020

Skills and experience

Ms Evans is an experienced executive and company director, with expertise in health, aged care and financial services developed through roles with listed and private companies in New Zealand, the United Kingdom, Hong Kong, and Australia.

Ms Evans' prior roles include Head of Retirement at AMP, Investment Director at AMP Capital and Director, Westpac Institutional Bank. Prior director roles include Opal Specialist Aged Care, Gateway Lifestyle and LifeCircle.

Ms Evans brings to the Board skills and experience in the areas of retirement and ageing, the delivery of digital solutions, customer experience, strategy, and risk.

She currently serves on the Boards of Healius Limited, Oceania Healthcare, AllianzRetire+ and Rest, is a member of the Aged Care Quality & Safety Commission Advisory Committee and was a member of the Australian Government's Aged Care Financing Authority from 2012 to 2015.

Ms Evans holds a MSc in Business Leadership from the Compass Group and a Bachelor of Applied Science from the University of Otago and is a Fellow of the Australian Institute of Company Directors and a Graduate of the Australian Institute of Superannuation Trustees.

Simon Owen
Managing Director and Chief Executive Officer

Appointed: November 2009

Skills and experience

Mr Owen initiated the strategy to focus on developing and acquiring a leading portfolio of lifestyle and holiday communities which has seen the Group's market capitalisation grow from $30 million to $2.0 billion.

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

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

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

Key

- I Investment Committee Member
- R Remuneration and Nomination Committee Member
- A Audit and Risk Committee Member
- Committee Chair

Financial Reports FY21

For the year ended 30 June 2021

Ingenia Communities Holdings Limited Annual Reports

For the year ended 30 June 2021

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Directors' Report

For the year ended 30 June 2021

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 2021 (the "current period") and the Independent Auditor's Report thereon. The Company's financial report comprises the consolidated financial report of the Company and its controlled entities, including Ingenia Communities Fund ("ICF" or the "Fund") and Ingenia Communities Management Trust ("ICMT") (collectively, the "Trusts").

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

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

Directors

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

Non-Executive Directors (NEDs)

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Pippa Downes	
Gary Shiffman	
John McLaren	(Alternate Director to Gary Shiffman)
Gregory Hayes	(appointed, effective 17 September 2020)
Sally Evans	(appointed, effective 1 December 2020)
Andrew McEvoy	(resigned, effective 30 September 2020)

Executive Director

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

Company Secretaries

Natalie Kwok (Chief Investment Officer and General Counsel (CIO and GC))

Nhu Nguyen

Qualifications, experience and special responsibilities

Please refer to pages 26 to 28.

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	1	1	14	12
Robert Morrison	14	14	–	–	8	8	14	14
Amanda Heyworth	14	14	4	4	8	8	–	–
Pippa Downes	14	14	7	7	–	–	14	13
Gary Shiffman	3	3	–	–	–	–	–	–
John McLaren (Alternate Director)	11	11	–	–	–	–	–	–
Gregory Hayes	11	11	4	4	–	–	12	11
Sally Evans	7	7	3	3	5	4	–	–
Andrew McEvoy	5	4	–	–	2	2	–	–
Simon Owen	14	13	–	–	–	–	–	–

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

Directors' Report

For the year ended 30 June 2021 | continued

Interests of Directors

Securities in the Group held by directors or their associates as at 30 June 2021 were:

	Issued stapled securities	Rights
Jim Hazel	418,541	–
Robert Morrison	224,837	–
Amanda Heyworth	178,641	–
Pippa Downes	32,148	–
Gary Shiffman(1)	33,208,510	–
John McLaren(1)	33,208,510	–
Gregory Hayes	–	–
Sally Evans	–	–
Simon Owen	1,404,658	1,024,759

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

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

Company Secretaries

Natalie Kwok – CIO and GC

Ms Kwok joined Ingenia in 2012 and is responsible for the Group's transactions and corporate legal functions and is joint Company Secretary. She has responsibility for Ingenia's acquisitions program, which has seen the Group successfully build a portfolio of lifestyle and holiday communities and a growing development pipeline.

Ms Kwok has over 20 years' experience in corporate and commercial dealings, having worked at PwC, Challenger Financial Services and a commercial law firm. She is the Group's representative on the Retirement Living Council and the Caravan & Camping Industry Association.

Ms Kwok holds a Bachelor of Law (Honours) and a Bachelor of Commerce and is both a Chartered Accountant and a Solicitor.

Nhu Nguyen

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

Operating and Financial Review

ICH overview

The Group is an active owner, manager and developer of a diversified portfolio of lifestyle, rental and holiday communities across Australia. The Group's real estate assets at 30 June 2021 were valued at $1.2 billion, comprising 45 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 26 rental communities (Ingenia Gardens). The Group manages a further 12 communities through its development JV and funds management platform. The Group was included in the S&P/ASX 200 in December 2019 and had a market capitalisation of approximately $2.0 billion at 30 June 2021.

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

Directors' Report

For the year ended 30 June 2021 | continued

Our Values

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

Strategy

The Group is positioning for scale and long-term sector leadership whilst delivering growth in net operating income, enhancing the operational performance of its investment properties and developing new communities.

Using a disciplined investment framework, the Group will: continue to grow its lifestyle, holiday and mixed use communities business in metropolitan and coastal locations; build out its existing development pipeline; expand development and revenue streams through the Joint Venture with Sun Communities, Inc (NYSE: SUI) and funds management platform.

The immediate business priorities of the Group are:

- Capitalise on opportunities to expand the development pipeline to deliver new rental contracts;
- Improve performance of existing communities and integrate new communities to drive growth in rental returns;
- Improve resident and guest experience and satisfaction;
- Focus on sales and marketing effectiveness to successfully launch new projects, grow settlements and rental base;
- Accelerate investment in new rental and tourism cabins;
- Expand the funds management platform and deliver compelling performance for investors;
- Execute the development joint venture business plan with Sun Communities;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Continue to respond to operating environment, maintain focus on employee, resident and guest health and safety;
- Continue to advance focus on sustainable home design and construction; and
- Build on the Group's sustainability program, enhancing disclosures as initiatives are progressed.

Directors' Report

For the year ended 30 June 2021 | continued

FY21 financial results

The year to 30 June 2021 delivered total revenue of $295.6 million, up 21% on the prior year. The Group settled 380[1] turnkey homes (30 Jun 2020: 325 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $99.3 million (30 Jun 2020: $72.5 million).

Statutory profit of $72.8 million was up 131% on the prior year. The statutory result reflects the combination of growth in underlying earnings and fair value movements on investment property arising from: improved capitalisation rates, offset by transaction costs on new acquisitions and; a reduction of fair value associated with the realisation of development profits on settlement of new homes.

Underlying profit from continuing operations was $77.2 million, which represents an increase of $18.1 million (31%) on the prior year. The underlying result was positively impacted by a significantly higher EBIT contribution from Lifestyle Development (up 16% on prior year) and strong demand for domestic tourism, with the Holidays segment EBIT contribution up 57% on the prior year. Ingenia Lifestyle Rental EBIT of $16.5 million, was up 43% with Ingenia Gardens EBIT of $10.9 million, up 7% from the prior year.

Operating cash flow for the period was $137.6 million, up 105% from the prior year, reflecting growth in lifestyle home profits, growth in recurring rental income, the impact of new operational communities acquired in the year and positive working capital movement.

The Group grew its investment in Lifestyle, Holidays and Mixed Use communities during the period, through both acquisition and progressing the Group's development pipeline which continued to grow the Group's recurring rental base.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the divestment of Ingenia Holidays Albury, Ingenia Holidays Sun Country and its last remaining DMF retirement village.

The Group's underlying earnings per security increased 7% from prior year.

Key metrics

- Income generating sites across the Group increased by 20% to 10,379 sites as at 30 June 2021
- Statutory profit of $72.8 million, up 131% on the prior year
- Underlying profit of $77.2 million, up 31% on the prior year
- Basic earnings per security (Statutory) of 22.3 cps, up 89% on the prior year (30 Jun 2020: 11.8 cps)
- Basic earnings per security (Underlying) of 23.6 cps, up 7% on the prior year (30 Jun 2020: 22.1 cps)
- Operating cash flows of $137.6 million, up 105% on the prior year
- Full year distribution of 10.5 cps, up 5% on the prior year.

Net asset value is $3.03 per security, up 4% compared with $2.90 at 30 June 2020.

Group results summary

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
EBIT	**94,351**	71,892
Share of joint venture profit	**840**	134
Net finance expense	**(4,961)**	(6,649)
Tax expense associated with underlying profit	**(12,996)**	(6,268)
Underlying profit(1)	**77,234**	59,109
Net gain/(loss) on change in fair value of:		
Investment properties	**11,015**	(28,292)
Acquisition costs	**(14,285)**	(5,515)
Financial liabilities	**(5,135)**	(2,195)
Investment and other financial instruments	**1,702**	32
Other	**(516)**	(1,567)
Tax benefit associated with items below underlying profit	**2,766**	9,880
Statutory profit	**72,781**	31,452

(1) Underlying Profit is a non-IFRS measure designed to present, in the opinion of the Directors, the results from the ongoing operating activities in a way that appropriately reflects underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives and investment properties). These items are required to be included in statutory profit in accordance with Australian Accounting Standards.

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

Directors' Report

For the year ended 30 June 2021 | continued

Segment performance and priorities

Residential

Ingenia Lifestyle Development

The earnings contribution from development has continued to grow with development now underway at 10 communities and new turnkey settlement volumes up 10% from the prior year driven by strong demand from downsizers and increased awareness of the lifestyle community offering. Ingenia delivered 350 new turnkey settlements in FY21 (30 Jun 2020: 318).

This result reflects increased awareness and interest in the market for connected community living, coastal and regional locations and Ingenia's quality sales and development platform. The successful launch of a new community at Hervey Bay in QLD and the strong demand for the Group's first greenfield projects (Latitude One and Plantations in NSW) contributed to the strong sales result. The Group currently has a strong development pipeline of 4,220 potential new home sites (30 Jun 2020: 3,015 sites).

The carrying value of the Ingenia Lifestyle Development investment property at 30 June 2021 is $174.0 million (30 Jun 2020: $131.3 million).

Performance

	30 Jun 2021	30 Jun 2020	Change %
New home settlements (#)	**350**	318	10%
Gross new home development profit ($m)	**67.4**	59.0	14%
Other home settlements (#)	**17**	11	55%
Gross refurbished home development profit ($m)	**0.3**	1.0	(70%)
EBIT contribution ($m)	**46.1**	39.9	16%
EBIT margin (%)	**32.2**	31.5	1%

Strategic priorities

The key strategic priorities for Ingenia Lifestyle Development include: completing the current development pipeline on time and managing labour and construction costs; continuing to build sales momentum; securing further development approvals for new homes within the current pipeline and on new properties under offer; securing land adjacent to existing Group communities and; delivering an outstanding move in experience for new residents.

Ingenia Lifestyle Rental

At 30 June 2021, Ingenia Lifestyle Rental is comprised of 22 communities that offer an affordable community lifestyle for active downsizers. Ingenia Lifestyle Rental EBIT grew 43% on FY20 to $16.5 million.

During FY21, the Group continued to expand its rental assets by delivering 350 new settlements from its development business and completing the acquisition of established communities (Taigum, Bevington Shores and Natures Edge). The Group also delivered 79 new rental cabins (Brisbane North, Durack and Eight Mile Plains).

Permanent rental income grew by 38% on the prior corresponding period, as a result of acquisitions completed, the settlement of new homes and investment in new rental cabins.

The carrying value of the Lifestyle Rental investment property at 30 June 2021 is $436.2 million (30 Jun 2020: $315.9 million).

Performance

	30 Jun 2021	30 Jun 2020	Change %
Permanent rental income ($m)	**31.2**	22.6	38%
Tourism rental income ($m)	**0.6**	0.4	50%
Other ($m)	**2.9**	1.7	71%
EBIT contribution ($m)	**16.5**	11.5	43%
Stabilised EBIT margin (%)	**48.0**	46.3	2%

Strategic priorities

The strategic priorities for Ingenia Lifestyle Rental are: growing rental returns; integrating recent acquisitions and completed development sites; leveraging scale efficiencies, and investing in new rental homes.

Directors' Report

For the year ended 30 June 2021 | continued

Ingenia Gardens

Ingenia Gardens comprises 26 rental communities located across the eastern seaboard and Western Australia. Collectively, these communities have 1,377 sites for rent. The portfolio performed ahead of prior year, with record high occupancy of 95.8% at 30 June 2021.

The carrying value of these assets at 30 June 2021 is $150.2 million (30 Jun 2020: $139.9 million).

Performance

	30 Jun 2021	30 Jun 2020	Change %
Rental communities (#)	**26**	26	–
Occupancy (%)	**95.8**	94.4	1%
Rental income ($m)	**23.1**	22.2	4%
Catering income ($m)	**2.6**	2.5	4%
EBIT contribution ($m)	**10.9**	10.2	7%
Stabilised EBIT margin (%)	**40.9**	40.7	NM

Strategic priorities

The strategic priorities of Ingenia Gardens are: maintaining high occupancy rates; increasing rental income; improving resident retention; increasing referrals and; maintaining the health, safety and engagement of residents.

Tourism

Ingenia Holidays and Mixed Use

At 30 June 2021, Ingenia Holidays is comprised of 23 holiday and mixed use communities that offer affordable holiday accommodation. Ingenia Holidays EBIT grew 57% on FY20 to $28.7m.

During FY21, the Group's Holidays and Mixed Use business saw a significant increase in demand with the easing of COVID-19 restrictions and closure of international borders.

The Group continued to expand its tourism assets, completing the acquisition of four holiday parks (Middle Rock, Inverloch, Townsville, and Merry Beach), and the installation of 24 new tourism cabins. The Group also divested two non-core regional holiday assets, Ingenia Holidays Albury and Ingenia Holidays Sun Country, to support the Group's capital recycling strategy.

Tourism rental income increased 52% driven by strong demand from holiday makers and the acquisition of new parks.

The carrying value of the Group's Holidays and Mixed Use investment property at 30 June 2021 is $470.9 million (30 Jun 2020: $356.9 million).

Performance

	30 Jun 2021	30 Jun 2020	Change %
Tourism rental income ($m)	**53.3**	35.1	52%
Permanent rental income ($m)	**9.6**	9.3	3%
Annuals rental income ($m)	**4.6**	4.5	2%
Other ($m)	**2.7**	3.1	(13%)
EBIT contribution ($m)	**28.7**	18.3	57%
Stabilised EBIT margin (%)	**38.8**	32.3	7%

Strategic priorities

The strategic priorities for Ingenia Holidays are: improving guest experience, growing tourism revenue; integrating recent acquisitions and investing in new tourism cabins.

Capital Partnerships

Development Joint Venture

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

The Joint Venture delivered 30 settlements from its first greenfield project located at Burpengary, QLD and is progressing the development planning on its Fullerton Cove, NSW and Morrisett, NSW developments, which are due to commence construction in FY22. The Joint Venture has other acquisition opportunities under exclusive due diligence or option which it is seeking the appropriate planning approvals for.

During FY21, fees generated by Ingenia from the Joint Venture relate to acquisition, asset development and sales management.

Directors' Report

For the year ended 30 June 2021 | continued

Performance

	30 Jun 2021	30 Jun 2020	Change %
Greenfield properties (#)	**3**	2	50%
Investment carrying value ($m)	**32.8**	15.9	106%
New home settlements (#)	**30**	7	NM
Fee income ($m)	**2.1**	0.6	NM
Joint venture revenue ($m)	**11.4**	2.6	NM
Joint venture operating profit/(loss) ($m)	**5.0**	(0.2)	NM
Share of profit from joint venture ($m)	**0.8**	0.1	NM

Strategic priorities

The strategic priorities for the Joint Venture are to continue to acquire greenfield sites in key metro and coastal markets and to develop a significant portfolio of new lifestyle communities. The Joint Venture leverages the expertise and local market knowledge of Ingenia to identify, acquire and develop sites. Once homes are sold, Ingenia will also provide operational services to the lifestyle communities. At completion of development, Ingenia has the right to acquire the communities at market value. Ingenia generates origination, development and management fees for these services plus a performance fee for above hurdle rate returns.

Funds Management

The Group's funds and asset management business manage six funds that invest in lifestyle and holiday communities situated in NSW, QLD and VIC. The Group receives fees for the management and development of the assets and management of the funds.

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

	30 Jun 2021	30 Jun 2020	Change %
Investment carrying value ($m)	**13.2**	13.9	(5%)
Fee income ($m)	**2.2**	1.8	22%
Distribution income ($m)	**0.7**	0.2	NM

Strategic priorities

The strategic priority of the funds management business is to leverage the Group's platform to provide additional growth by increasing assets under management and delivering performance to fund investors.

Food, Fuel & Beverage

The Group's investment in service station and food & beverage operations are adjoined to Ingenia Holidays communities. The offering supports the growth of the Holidays business, contributes to an enhanced guest experience and provides a service to the greater local community.

	30 Jun 2021	30 Jun 2020	Change %
Total revenue ($m)	**16.4**	12.7	29%
EBIT contribution ($m)	**1.3**	0.6	NM
Stabilised EBIT Margin (%)	**6.7**	4.6	2%

Capital management of the Group

In February 2021, the Group entered into a new seven-year $75.0 million debt facility with the Clean Energy Finance Corporation (CEFC), increasing the Group's combined facility limit to $525.0 million (30 June 2020: $450.0 million).

During the year the Group refinanced $350.0 million of debt facilities. As a result, the margin on these facilities was reduced and the tenor was extended, resulting in a weighted average term to maturity of 5.3 years at 30 June 2021. As at 30 June 2021, the debt facilities were drawn to $250.0 million.

The Group's Loan to Value Ratio ("LVR") was 22.2%, gearing was 17.5% and the Group was 50% hedged at 30 June 2021.

Directors' Report

For the year ended 30 June 2021 | continued

Financial position

The following table provides a summary of the Group's financial position as at 30 June 2021:

$'000	30 Jun 2021	30 Jun 2020	Change
Cash and cash equivalents	**18,797**	10,751	8,046
Inventories	**13,550**	36,201	(22,651)
Assets held for sale	**9,600**	32,623	(23,023)
Investment properties	**1,231,336**	943,958	287,378
Deferred tax asset	**6,958**	13,129	(6,171)
Other assets	**74,148**	56,192	17,956
Total assets	**1,354,389**	1,092,854	261,535
Borrowings	**274,335**	85,398	188,937
Liabilities held for sale	**-**	5,175	(5,175)
Other liabilities	**87,021**	59,260	27,761
Total liabilities	**361,356**	149,833	211,523
Net assets /equity	**993,033**	943,021	50,012

Assets held for sale represent the carrying value of the Group's investment in development land at Upper Coomera, which is expected to settle in September 2021.

Investment property book value increased by $287.4 million from 30 June 2020. This was primarily due to the acquisition of new communities and development land, investment in community development and changes in fair value.

Borrowings increased by $188.9 million due to the acquisition of new communities and investment in development.

Cash flow

$'000	30 Jun 2021	30 Jun 2020	Change
Operating cash flow	**137,646**	67,188	70,458
Investing cash flow	**(275,625)**	(187,113)	(88,512)
Financing cash flow	**146,025**	110,491	35,534
Net change in cash and cash equivalents	**8,046**	(9,434)	17,480

Operating cash flow for the Group was up 105% to $137.6 million, reflecting the contribution from new acquisitions in FY19 and FY20, the growth in recurring net rental income from lifestyle and rental communities, growth in settlements of new lifestyle homes and favourable working capital movements.

Distributions

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

- On 16 February 2021, the Directors declared an interim distribution of 5.0 cps, amounting to $16.3 million which was paid on 25 March 2021.
- On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

FY22 outlook

The Group is well positioned to meet the growing demand for affordable community living with increased market awareness and an increasing number of downsizers.

The Group's strong balance sheet and deal flow provides continuing capacity for growth and sector leadership. Ingenia expects to continue to benefit from the growth in domestic tourism as current restrictions continue to limit international travel.

The Group will continue to grow its lifestyle communities business and development pipeline, continue to assess acquisition opportunities within the seniors rental market as Ingenia Gardens continues to provide high-yield stable recurring cash flows.

The priority for Lifestyle Rental is to continue to enhance the performance of existing assets by delivering rental growth and investing in new rental homes.

Directors' Report

For the year ended 30 June 2021 | continued

The priority for Ingenia Holidays and Mixed Use is to enhance the customer experience and invest in new tourism cabins, refurbishment of existing cabins.

The Group will focus on increasing its assets under management through its capital partnerships.

Ingenia will continue to deliver on its environmental commitments towards an energy and carbon reduction program as the Group targets a 30% reduction in carbon emissions over the next five years and a carbon neutral operation by 2035.

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

Significant Changes in the State of Affairs

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

Events Subsequent to Reporting Date

Final FY21 distribution

On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

Acquisition of a portfolio of holiday parks

During the month of July 2021, the Group acquired a portfolio of five holiday parks, located across the east coast of Australia, from the Mexicala Caravan Park Group for a purchase price of $32.5 million.

Acquisition of Kings Point Retreat

On 11 August 2021, the Group completed the acquisition of Kings Point Retreat, located on the South Coast of NSW, for a purchase price of $15.8 million.

Operating restrictions due to COVID-19

Post 30 June 2021, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our business.

Likely Developments

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

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

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

Environmental Regulations

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

Group Indemnities

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

Indemnification of Auditor

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58.

Directors' Report

For the year ended 30 June 2021 | continued

Non-Audit Services

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

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

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

Rounding Amounts

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

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

Jim Hazel
Chairman
Adelaide, 18 August 2021

Directors' Report

For the year ended 30 June 2021 | continued

Message from the Remuneration and Nomination Committee

Dear Security holders,

The Board of ICH (Ingenia) is pleased to present the Remuneration Report for FY21. This report outlines performance and remuneration outcomes for the Group's Key Management Personnel (KMP). The Board is committed to clear and transparent communication of Ingenia's remuneration arrangements and ongoing review of the Group's remuneration philosophy and practices.

The Remuneration and Nomination Committee (RNC) undertakes regular reviews of the remuneration framework to ensure it incentivises delivery of the Group's strategy and aligns executive remuneration with performance outcomes and security holder returns. There was no material change to the basic structure of KMP remuneration in FY21, other than the addition of Fixed Remuneration Rights (FRRs) as a component of the CEO's Total Fixed Remuneration, as approved by investors at the Annual General Meeting in November 2020.

Remuneration outcomes for FY21

Management achieved strong financial and operating performance in a challenging year during which the business remained impacted by the COVID-19 pandemic (including Government mandated border closures, travel restrictions and lockdowns). The June 2020 equity raising strengthened the Group's balance sheet in a period of great uncertainty and we opened the financial year with a gearing level of only 5.7%. This capital raising had a dilutive impact on the Group's return on equity and earnings per security as the funds were progressively deployed over the year.

The Group is justifiably proud of its response to COVID-19, with an enormous effort at all levels of the organisation to keep our residents, guests and staff safe; responding quickly to changing health and travel restrictions; pivoting to new ways of building, selling and maintaining our properties; and the successful integration of properties acquired with the funds raised in June 2020.

Reflecting the unpredictable operating environment, Group-wide salary reviews were delayed, with executive KMP remuneration reviews implemented from 1 January 2021.

FY21 Short-Term Incentives were awarded to KMPs in the range of 82.5% to 90%. The Group recognised JobKeeper of $3.4 million after repaying part of its entitlement to reflect improved trading conditions. JobKeeper was removed from the results for the purpose of calculating Short-Term Incentive (STI) outcomes. In addition, the Board exercised its discretion to adjust the CEO and CFO STI award for the two months that JobKeeper was retained, reducing overall KMP STI awards from an average of 86.3% to an average of 76.9%. The resulting $117,000 adjustment will be redistributed to front line staff, further recognising their contribution to the safety and well-being of residents and guests during COVID-19.

The Board determined that the profit sustainability threshold had been met to allow FY20 deferred STIs to vest in full.

FY18 LTI awards vested at 70% in October 2020. FY19 LTI awards will be tested at 30 September 2021 and disclosed in the 2022 Remuneration Report.

Succession planning

During the year, two new directors were appointed, and one director retired, resulting in a well-balanced and experienced Board which is well placed to lead the Group. In addition, we had our first change in executive KMP in some years with the resignation of our long serving Chief Operating Officer, Nikki Fisher and the internal promotion of Natalie Kwok to the role of Chief Investment Officer and General Counsel. Succession planning and structure remains a key focus as the Group continues to grow.

Looking ahead

The RNC continues to review our remuneration framework and metrics to ensure that it remains fit for purpose. In doing so, we are mindful of feedback from investors, the impact of the COVID-19 pandemic, and the material increase in the scale and scope of the business and growing competition for talent with the entry of new competitors into the land lease sector. Particular areas of focus in the coming year will be:

- Reviewing our approach to benchmarking KMP salaries;
- The inclusion of ESG metrics in STI targets for all KMP and executives;
- The design of our LTI metrics; and
- Introducing a minimum security holding policy for KMP and Executives.

The Remuneration and Nomination Committee Charter was amended in FY21 to include broader people and culture initiatives. These areas will have greater emphasis in FY22 as the Committee's oversight of the Group's training programs, employee engagement and diversity and inclusion strategies become key priorities.

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 11 November 2021.

A Heyworth

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Adelaide, 18 August 2021

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited)

Introduction

The Board is pleased to present the Remuneration Report for the Group for the year ended 30 June 2021, which forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Corporations Act). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Corporations Act.

1. Remuneration Governance

1.1. Remuneration Policy

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

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

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

- market benchmarking based on the size and scope of the role;
- the Board's view of strategic priorities (balancing short-term and long-term performance);
- level of experience (developing or established in the role) and contribution to the business (flight risk, replaceability, succession planning);
- the desire to motivate, retain and reward staff for high performance; and
- expectations of stakeholders, including investors, staff and regulators.

The RNC considers the need to apply discretion at least annually and makes recommendations to the Board which retains full discretion over remuneration.

1.2. Link between remuneration and performance

The Board aims to ensure alignment 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 security holders and the achievement of strategic objectives.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

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

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

Other Employee Ownership Schemes

The Ingenia Valued Employees Share Take up Plan (INVEST Plan)	The purpose of the INVEST Plan is to recognise and reward the contribution of staff by granting employees an ownership interest in Ingenia, in the form of INA securities. Eligible employees include full time or part-time employees of the Group, with at least 12 months service as at the date of invitation. Any employee, other than an employee who participates in a Group long term incentive plan, may participate in the Plan. The INVEST Plan has been offered to eligible employees for four consecutive years.
Talent Rights Grant (TRG)	TRG Rights were granted for the first time in FY21 with the purpose of retaining and incentivising non-KMP employees who have been identified as having a key role in the successful achievement of the Group's strategy. In order to vest, the TRG Rights are subject to the Group's Rights Plan, employees remaining in service and their satisfactory performance.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

1.3. Rights Plan

The current Rights Plan was approved by security holders at the AGM held on 10 November 2020. 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 Fixed Remuneration Rights, Short-Term Incentive Rights and Long-Term Incentive Rights and Talent Rights to KMPs and other eligible employees.

Each vested Right is equal to 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. This entitlement only accrues on Rights that vest and is paid in the form of additional Rights at the time of vesting.

While the current Group Rights Plan allows for the issue of rights to NEDs, there have been no Rights granted to them. The eligibility for NEDs to participate is expected to be removed from the Rights Plan when it is next presented to investors for approval.

1.4. Mix of remuneration components

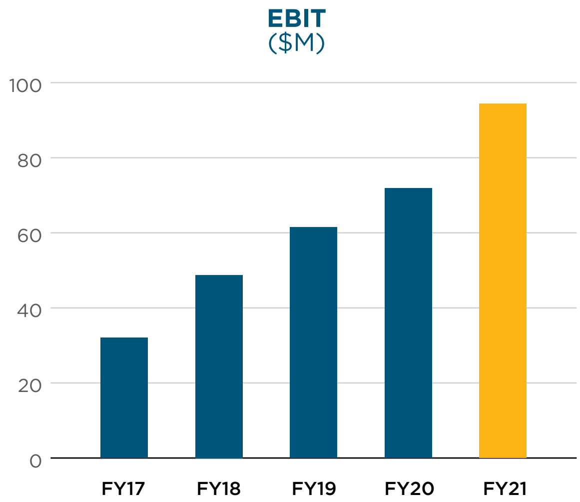
Executive remuneration packages include a mix of TFR, STIs and LTIs. The Group aims to reward executives with a mix of remuneration commensurate with their position and responsibilities and aligned with market practice.

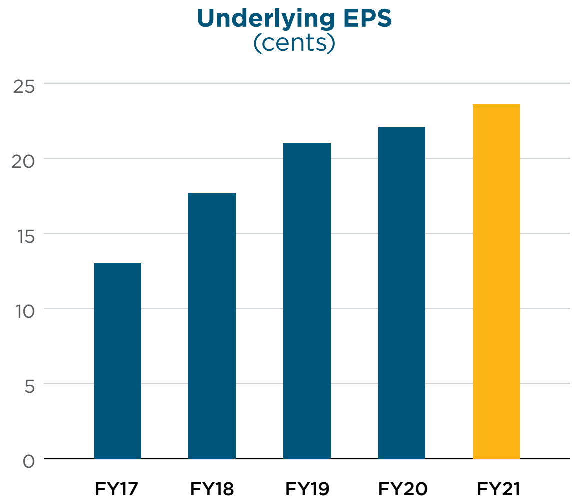
The Group's policy is to position remuneration of executive KMP by reference to a range of comparable industry peers and other Australian listed companies of similar size and complexity, whilst also considering the individual's competence, level of experience and the potential impact of incentives.

2. Remuneration Outcomes

2.1. Financial performance over the past five years

Despite challenges posed by the COVID-19 pandemic, the Group delivered stable returns, with EBIT, underlying EPS and NAV per security exceeding FY20. This continued a period of sustained growth over the past five years. The Group's income producing sites and security price also grew over the period.

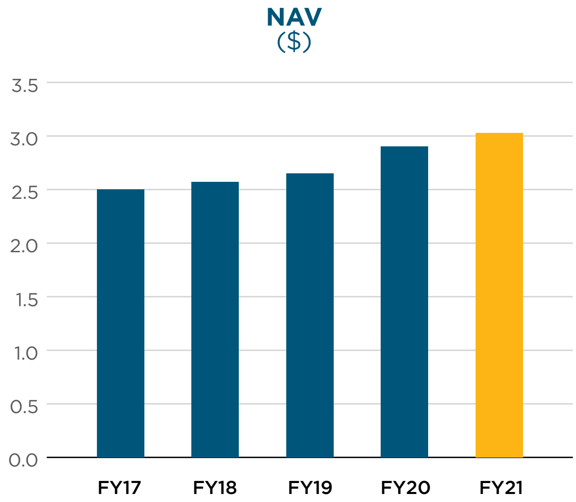


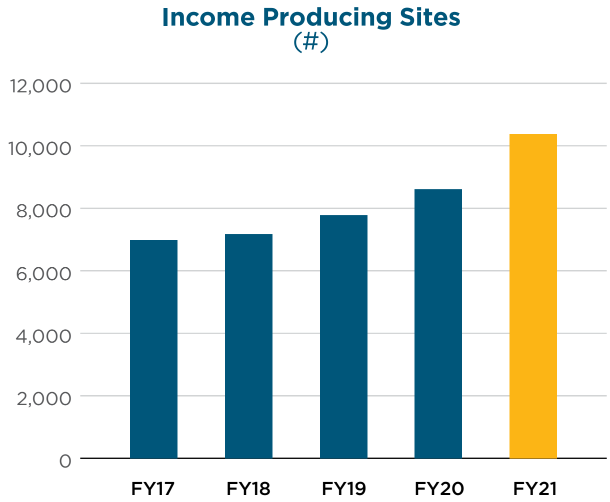


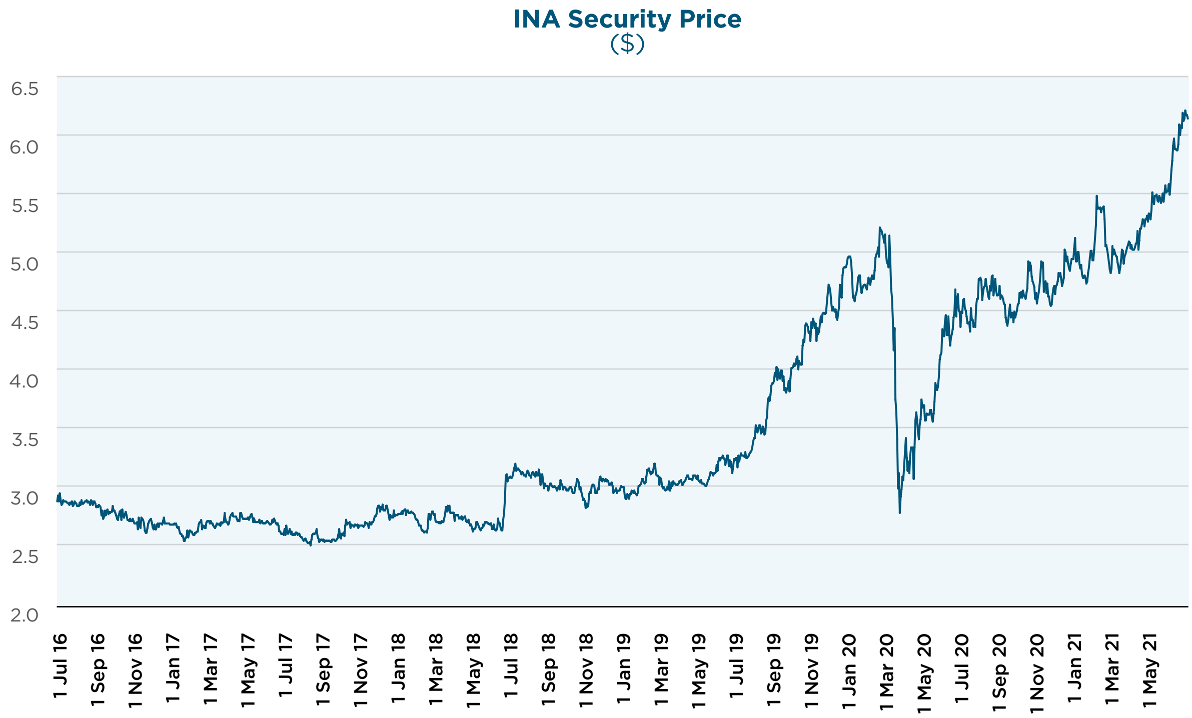
Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)







Source: IRESS

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

The table below sets out further information about the Group's earnings and movement in security holder wealth and the level of remuneration awarded to KMP for the five years to 30 June 2021:

	FY17	FY18	FY19	FY20	FY21
Operational metrics					
Income generating sites at 30 June (#)	6,999	7,170	7,775	8,614	**10,379**
Financial results					
Revenue ($'000)	149,884	189,476	228,708	244,209	**295,578**
EBIT ($'000)	32,093	48,759	61,490	71,892	**94,351**
Underlying profit ($'000)	23,521	36,771	47,221	59,109	**77,234**
Statutory profit ($'000)	26,408	34,243	29,313	31,452	**72,781**
Security based metrics					
Underlying (Basic) EPS(1) (cents)	13.0	17.7	21.0	22.1	**23.6**
Statutory (Basic) EPS(1) (cents)	14.6	16.5	13.0	11.8	**22.3**
Underlying ROE (%)	5.4	7.0	8.1	7.9	**8.0**
Statutory ROE (%)	6.1	6.5	5.0	4.2	**7.6**
Net asset value per security ($)	2.50	2.57	2.65	2.90	**3.03**
Security price at 30 June ($)	2.60	3.08	3.24	4.49	**6.14**
Distributions (cents)	10.20	10.75	11.20	10.0	**10.5**
Remuneration awards					
Average STI awarded to KMP (%)	67.3	90.8	80.0	66.3	**76.9(2)**
Vested LTI awarded to KMP in October (%)(3)	–	–	66.3	79.8	**70.0**

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

(2) Represents STI received after adjustment was made to CEO and CFO regarding JobKeeper as disclosed in section 2.4.

(3) The current LTI plan was established in FY16 with the first awards under the Plan vesting in FY19. No awards vested in FY17 and FY18 under the Performance Quantum Rights (PQR) plan which was in place prior to establishment of the current Plan.

2.2. Details of KMP

KMP for the year ended 30 June 2021 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 2021 have been determined by the Board as follows:

KMP	Position	Term
Non-Executive KMP		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gary Shiffman	Director	Full year
John McLaren	Alternate Director	Full year
Gregory Hayes	Director	Appointed, effective 17 September 2020
Sally Evans	Director	Appointed, effective 1 December 2020
Andrew McEvoy	Director	Resigned, effective 30 September 2020
Executive KMP		
Simon Owen	CEO & Managing Director	Full year
Scott Noble	Chief Financial Officer	Full year
Natalie Kwok	CIO & General Counsel	Appointed, effective 1 January 2021
Nicole Fisher	Chief Operating Officer	Resigned, effective 31 August 2021

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

As at 30 June 2021, the remuneration mix for Executive KMPs was:

Maximum Potential Total Remuneration	TFR	STI	LTI	Total
Simon Owen (CEO)	$735,000(1)	$575,000	$670,000	**$1,980,000**
Natalie Kwok (CIO & GC)	$440,000	$176,000	$160,000(2)	**$776,000**
Scott Noble (CFO)	$425,000	$250,750	$150,000	**$825,750**

(1) Inclusive of 7,778 FRR's that were granted in lieu of $35,000 cash.

(2) Excludes 44,446 TRG rights that were granted in FY21 prior to her appointment as KMP. Refer to section 2.6 for further detail.

2.3. Total fixed remuneration of Executive KMP

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

The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually. In reviewing fixed remuneration, the RNC reviews advice from Guerdon Associates on remuneration for comparable roles across a range of active Real Estate Investment Trusts (REITs), aged care and specialised services companies. Passive REITs which outsource property management are excluded from this benchmarking. The appropriate TFR for each individual takes into account their role, experience, tenure and responsibilities. RNC recommendations were approved by the Board.

For the 2021 financial year TFR increased modestly for the CEO and CFO. The increase in CEO remuneration was not paid in cash. It took the form of 7,778 Fixed Remuneration Rights (FRR's) which were issued following approval from investors at the 2020 AGM.

KMP	FY21 TFR	FY20 TFR	Movement
Simon Owen (CEO)	**$735,000(1)**	$700,000	5.0%
Natalie Kwok (CIO & GC)	**$440,000(2)**	N/A	NM
Scott Noble (CFO)	**$425,000**	$410,000	3.7%
Nicole Fisher (COO)	**$68,333(3)**	$410,000	NM

(1) Inclusive of 7,788 FRR's that were granted in lieu of $35,000 cash.

(2) Ms Kwok was deemed to be a KMP from 1 January 2021. The FY21 TFR disclosed in the above table is effective from her date of appointment as KMP.

(3) Ms Fisher was deemed to be a KMP for the period 1 July 2020 to 31 August 2020. The FY21 remuneration disclosed in the above table is for the 2 month period that she was KMP.

Data ranges for FY21 executive KMP TFR were provided by Guerdon Associates. The RNC determined the appropriate TFR of individual KMP with reference to these data ranges and the individual role, experience and responsibilities. Those recommendations were approved by the Board.

2.4. Short-Term Incentive Plan (STIP)

The STI award is subject to achieving 'threshold', 'target' and 'stretch' performance levels, with entitlements calculated on a pro-rata basis between these levels. These KPIs have been chosen as they aim to focus individuals on meeting the Group's business plan.

The weighting to each of the KPIs is as follows:

KMP	Financial	Operational, Systems & Process	Capital Management and Transactions	People, Culture, Health & Safety	Total
Simon Owen	40%	20%	20%	20%	**100%**
Natalie Kwok	30%	–	50%	20%	**100%**
Scott Noble	40%	35%	15%	10%	**100%**

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

FY21 STI outcomes – Executive KMP

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

KMP	Maximum STI (% of TFR)	STI Awarded as % of maximum STI	STI Awarded % (post-adjustment)	STI Awarded (post-adjustment)
Simon Owen (CEO)	78.2%	86.3%	71.9%	$413,281
Natalie Kwok (CIO & GC)	40.0%	90.0%	90.0%[(1)]	$158,400
Scott Noble (CFO)	59.0%	82.5%	68.8%	$172,391

(1) As Ms Kwok was not a KMP for the period that JobKeeper was received, no adjustment was made to her STI award.

FY21 Short-Term Incentives were awarded to KMPs in the range of 68.8% to 90.0%, post-adjustment.

The Group recognised JobKeeper of $3.4 million after repaying part of its entitlement to reflect improved trading conditions. JobKeeper was removed from the results for the purpose of calculating adjusted STI outcomes.

In addition, the Board exercised its discretion to adjust the CEO and CFO STI award for the two months that JobKeeper was retained, reducing overall KMP STI awards from an average of 86.3% to an average of 76.9%. The resulting $117,000 adjustment will be redistributed to front line staff to provide further recognition of their contribution to the safety and well-being of residents and guests during COVID-19.

Under the FY21 Rights Plan, 33% of the maximum STI for the CEO and 50% for the CFO and CIO & GC will be paid in cash, with the balance being a deferred equity element. The CEO's maximum potential FY21 STIP deferred equity component was approved by security holders at the AGM held on 10 November 2020.

The FY21 STI Equity Rights are subject to the following terms and conditions:

- A one-year deferral period and are eligible to vest on the date that is 12 months following the grant date, which is expected to be 1 October 2021;
- A profit sustainability and 'malus' provision during the deferral period;
- From the vesting date the executive may exercise their rights and have the relevant number of Ingenia securities issued in accordance with a prescribed formula; no amount is payable by the executive KMP for the issue or transfer of Ingenia securities to the executive KMP.

The KPIs specific to the executive are outlined above.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

The key considerations in assessing performance against the FY21 KPIs are:

KPI	Key considerations in achievement	Achievement	Commentary
Financial	EBIT to exceed threshold level. Underlying earnings per security to exceed threshold level. Deliver cost management outcomes.	Between stretch and target	EBIT 31% growth on FY20. Underlying EPS 7% growth on FY20. Sound cost management.
Operational, Systems & Process	Achievement of rental growth and operations and sales metrics that deliver on business strategy (established for each executive KMP specific to their area of responsibility). Drive process and system efficiencies resulting in improvements/innovations to further commercial prosperity.	Between stretch and target	Home settlements up 17% on prior year. Rental and tourism occupancy growth. Resident satisfaction. Same store rent growth. Resident finance launched. Green home accreditation progressed. Environmental initiatives implemented.
Capital Management and Transactions	Capital available on competitive pricing and flexible terms to fund high quality deal flow and development pipeline.	Stretch	Debt facilities secured, including CEFC loan. Funds management strategy progressed. $215.0 million assets acquired.
People, Culture, Health & Safety	Cultivate and contribute to a mutually supportive, aligned and highly effective executive team. Succession planning in place for key roles. Champion and demonstrate safe systems of work. Identify hazards and reinforce commitment to safe and efficient work practices.	Between stretch and target	New executives recruited with proven leadership and commercial capability in the property and tourism sector. Development and succession program in place with succession as a KPI for all senior management. Only one incident of COVID-19 in the Group's communities, residents, guests and staff. Lower average cost of claims compared to prior year. Safety management system in place driven by KMP.

Key: Stretch Between stretch and target

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

2.5. Long-Term Incentive Plan (LTIP)

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

Details of the FY20 LTIP Performance Conditions can be found in the 30 June 2020 Remuneration Report, available on the Group's website.

FY21 LTIP Rights will vest subject to the following Performance Conditions.

Relative TSR Performance Condition (50%)

The Relative TSR hurdle is growth in Ingenia's TSR relative to growth in the ASX 200 A-REIT index (Index), measured over a three-year period ending on 30 September 2023. Total TSR is the growth in the INA security price plus distributions, assuming distributions are reinvested.

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

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

ROE Performance Condition (50%)

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

ROE is defined as underlying profit divided by weighted average net assets (excluding the impact of asset revaluations on net assets between LTI issue date and the LTI vesting date). For FY21, the relevant metric is ROE achieved for FY23 on the following basis:

	ROE	% of LTIP Rights that vest
At or below Threshold	Less than 6%	Nil
Between Threshold and Maximum	Between 6% and 9%	10% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	Equal to or greater than 9%	100%

The FY21 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30-day trading period ending on 1 October 2020. The number of LTIP Rights granted in FY21 was calculated by dividing the LTIP award by the security value (as defined above).

FY21 LTIP Rights grants will be entitled to Rights to stapled securities plus additional stapled securities equal to distributions paid during the vesting period. The Board aims to have executive KMP incentivised to grow distributions to security holders. This entitlement only accrues on rights that vest and is paid in the form of additional rights at the time of vesting. Executives do not receive distributions (cash or accrued) on securities underlying any Rights that do not vest or remain unexercised.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

LTIPs Awarded in FY21

FY18 LTIP rights were tested on 1 October 2020 resulting in the combined vesting of 211,458 rights for Mr Owen, Ms Kwok and Mr Noble. This represented 55.5% of total FY18 LTIP rights on issue based on the full achievement of the TSR and EBIT CAGR conditions and nil achievement of the ROE condition, as shown below.

LTIP hurdles	Weighting	Threshold	Performance	LTIP % achieved
TSR (ASX-300 Industrials)	40.0%	Index +1%	Maximum achieved INA TSR of 90.5%	40.0%
ROE	30.0%	Equal to or greater than 9%	Threshold not met	–
3 year EBIT CAGR	30.0%	Greater than 10% CAGR	Maximum achieved EBIT CAGR of 30.0%	30.0%
	100.0%			**70.0%**

Unvested LTIP Rights held by KMP during the year were:

	Balance 1 July 2020	Granted	Vested	Lapsed	Balance 30 June 2021
Directors					
Simon Owen	533,134	163,729	(158,806)	(61,699)	**476,358**
Executives					
Natalie Kwok	57,873	37,093	(16,445)	(6,388)	**72,133**
Scott Noble	124,996	36,718	(36,207)	(14,067)	**111,440**
Total	**716,003**	**237,540**	**(211,458)**	**(82,154)**	**659,931**

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

Summary of LTIPs on issue to KMP

The following table sets out all LTIPs granted to-date and not vested at 30 June 2021.

KMP	Scheme year	Number of rights granted	Fair value of rights per award at award date	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
Simon Owen	FY21	148,889	$2.61	10-Nov-20(1)	$388,600	1-Oct-23	$291,329
	FY20	146,052	$1.61	12-Nov-19(2)	$234,945	1-Oct-22	$97,894
	FY19	181,417	$1.22	13-Oct-18(3)	$221,641	1-Oct-21	$18,470
Natalie Kwok	FY21	35,556	$2.61	1-Oct-20	$92,801	1-Oct-23	$69,572
	FY20	17,110	$1.61	1-Oct-19	$27,524	1-Oct-22	$11,468
	FY19	19,467	$1.22	1-Oct-18	$23,783	1-Oct-21	$1,982
Scott Noble	FY21	33,334	$2.61	1-Oct-20	$87,002	1-Oct-23	$65,224
	FY20	38,234	$1.61	1-Oct-19	$61,505	1-Oct-22	$25,627
	FY19	39,872	$1.22	1-Oct-18	$48,712	1-Oct-21	$4,059
Total		**659,931**			**$1,186,513**		**$585,625**

(1) Grant date following the 2020 AGM with price based on 30-day VWAP at 1 October 2020 to align with other executives.
(2) Grant date following the 2019 AGM with price based on 30-day VWAP at 1 October 2019 to align with other executives.
(3) Grant date following the 2018 AGM with price based on 30-day VWAP at 1 October 2018 to align with other executives.

In addition, Mr Owen holds 360,729 vested Rights and Ms Kwok holds 16,445 vested Rights that they have not exercised. Vested rights expire 15 years from the grant date of the LTI Rights and STI Rights.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

2.6. Talent Rights Grant

During FY21, TRG Rights were granted with the purpose of retaining and incentivising non-KMP employees who have been identified as having a key role in the successful achievement of the Group's strategy. In order to vest, the TRG Rights are subject to the Groups Rights Plan, employees remaining in service and their satisfactory performance.

Prior to her appointment as a KMP Ms Kwok was granted 44,446 TRG Rights, with 50% vesting on 31 July 2022 and the remaining 50% vesting on 31 July 2023.

2.7. Executive Remuneration for FY21

The following tables outline the remuneration provided to executive KMP for FY20 and FY21. Separate to the numbers outlined below, the Group accrues annual leave and long service leave in accordance with statutory requirements.

Reported Remuneration - Statutory presentation

		Short-Term			Post-employment	Share-based payments			Performance related	
FY21 Executive KMP	**Financial Year**	**Salary ($)**	**STI[1] Cash ($)**	**Total ($)**	**Super-annuation Benefits ($)**	**STI Deferred Rights[1] ($)**	**LTI & TRG[2] expense ($)**	**Total ($)**	**STI, LTI & TRG (%)**	**LTI + TRG (%)**
Simon Owen Chief Executive Officer	**2021**	**713,306**	**137,760**	**851,066**	**21,694**	**321,458**	**263,972**	**1,458,190**	**50**	**18**
	2020	663,328	–	663,328	21,003	296,843	203,242	1,184,416	42	17
Natalie Kwok[3] Chief Investment Officer & General Counsel	**2021**	**209,153**	**79,200**	**288,353**	**10,847**	**79,200**	**64,849**	**443,249**	**50**	**15**
	2020	–	–	–	–	–	–	–	–	–
Scott Noble Chief Financial Officer	**2021**	**403,306**	**86,195**	**489,501**	**21,694**	**79,087**	**61,692**	**651,974**	**35**	**9**
	2020	380,020	78,720	458,740	21,003	86,667	44,462	610,872	34	7
Nicole Fisher[4] Chief Operating Officer	**2021**	**62,405**	**–**	**62,405**	**5,928**	**46,080**	**39,710**	**154,123**	**56**	**26**
	2020	380,020	79,680	459,700	21,003	85,767	45,895	612,365	35	7
Total	**2021**	**1,388,170**	**303,155**	**1,691,325**	**60,163**	**525,825**	**430,223**	**2,707,536**	**47**	**16**
Total	2020	1,423,368	158,400	1,581,768	63,009	469,277	293,599	2,407,653	38	12

(1) Cash STIs were accrued in the year ended 30 June 2021. Deferred STI Rights are expensed evenly over the performance and deferral periods.

(2) LTI expense is inclusive of deferred LTIP and TRG expensed evenly over the performance and deferral periods.

(3) Ms Kwok was deemed to be a KMP from 1 January 2021. The FY21 salary, superannuation benefits and LTI & TRG expense disclosed in the above table is for the 6 month period to 30 June 2021. The STI cash and deferred rights expense disclosed in the above table is for the full twelve month period.

(4) Ms Fisher was deemed to be a KMP for the period 1 July 2020 to 31 August 2020. The FY21 remuneration disclosed in the above table is for the 2 month period that she was KMP. The above table does not include the 3 month ex-gratia payment that was granted to Ms Fisher, refer to section 4.1 for additional information.

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

Reported remuneration - Actual amounts received or realised

FY21 Executive KMP	Financial Year	TFR ($)	STI awarded and received as cash[3] ($)	Total cash payments in relation to the financial year ($)	Previous years' STI that vested[4] ($)	Previous years' LTI that vested[4] ($)	Total remuneration (received and/or realised) ($)	Awards which lapsed or were forfeited[5] ($)
Simon Owen Chief Executive Officer	**2021**	**735,000**	**137,760**	**872,760**	**386,366**	**714,627**	**1,973,753**	**277,646**
	2020	684,331	–	684,331	509,812	434,552	1,628,695	98,710
Natalie Kwok[1] Chief Investment Officer & General Counsel	**2021**	**230,847**	**79,200**	**310,047**	**-**	**-**	**310,047**	**-**
	2020	–	–	–	–	–	–	–
Scott Noble Chief Financial Officer	**2021**	**425,000**	**86,195**	**511,195**	**113,225**	**162,932**	**787,352**	**63,302**
	2020	401,023	78,720	479,743	145,361	–	625,104	–
Nicole Fisher[2] Chief Operating Officer	**2021**	**68,333**	**-**	**68,333**	**113,225**	**150,714**	**332,272**	**58,550**
	2020	401,023	79,680	480,703	145,361	83,994	710,058	19,079
Total	**2021**	**1,459,180**	**303,155**	**1,762,335**	**612,816**	**1,028,273**	**3,403,424**	**399,498**
Total	2020	1,486,377	158,400	1,644,777	800,534	518,546	2,963,857	117,789

(1) Ms Kwok was deemed to be a KMP from 1 January 2021. The FY21 salary, superannuation benefits and LTI & TRG expense disclosed in the above table is for the 6 month period to 30 June 2021. The STI cash and deferred rights expense disclosed in the above table is for the full twelve month period.

(2) Ms Fisher was deemed to be a KMP for the period 1 July 2020 to 31 August 2020. The FY21 remuneration disclosed in the above table is for the 2 month period that she was KMP. The above table does not include the 3 month ex-gratia payment that was granted to Ms Fisher, refer to section 4.1 for additional information

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

(4) This represents the value of all prior years' deferred STI, LTI and TRG Rights that vested during FY21 based on the 30 day VWAP up to the 1 October 2020 vesting date of $4.50 (1 October 2019: $3.92).

(5) The value shown represents the value of any prior year equity awards that lapsed or were forfeited during the financial year. The FY21 values are based on the 30 day VWAP up to the 1 October 2020 vesting date of $4.50 (1 October 2019: $3.92).

3. Non-executive Directors' Remuneration

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

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

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

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

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

3.1. Non-Executive Directors' Fees

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

	1 Dec 2020	1 Dec 2019
Chairman	$206,000	$196,500
Non-Executive Director	$104,000	$101,500
Deputy Chairman	$21,000	$20,500
Committee Chair	$15,750	$15,350
Committee Member	$2,650	$2,600

3.2. Non-Executive Directors' Remuneration

The maximum aggregate fee pool available to NEDs is $1,000,000 as stipulated in the Constitution that was adopted prior to the Group's internalisation in 2012. Total remuneration paid to Directors in FY21 was $760,835, well below the total remuneration available to Directors.

The following table outlines the remuneration provided to NEDs for FY21 and FY20, inclusive of superannuation, and their compliance with the policy outlined above in relation to self-funding a security holding in excess of one year's gross Director fees.

NEDs – Directors' fees	FY21 ($)	FY20 ($)	Compliance with security holding policy
Jim Hazel	**202,804**	188,509	Yes
Robert Morrison	**141,963**	133,848	Yes
Amanda Heyworth	**119,625**	125,398	Yes
Pippa Downes	**121,171**	58,887	Yes
Gregory Hayes	**85,489**	–	Appointed, 17 Sep 2020[1]
Sally Evans	**63,758**	–	Appointed, 1 Dec 2020[1]
Gary Shiffman[2]	**–**	–	Yes[3]
John McLaren (Alternate)[2]	**–**	–	Yes[3]
Former Non-Executive Directors			
Andrew McEvoy	**26,025**	101,238	N/A
Valerie Lyons	**–**	43,333	N/A
Total	**760,835**	651,213	

(1) Mr Hayes and Ms Evans have three years from appointment date to satisfy the minimum holding requirement for NEDs.

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

(3) Mr Shiffman and Mr McLaren are considered to be in compliance with the NEDs security holding policy given they are a related party of Sun INA Equity LLC, a substantial security holder of the Group.

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

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

4. Other Remuneration Information

4.1. Remuneration governance

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

The RNC comprises the following, independent NEDs:

- Amanda Heyworth (Chair);
- Robert Morrison;
- Sally Evans (appointed, effective, 2 December 2020); and
- Andrew McEvoy (resigned, effective 30 September 2020).

The RNC provides oversight for KMP and other executives, ensuring remuneration is 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.

Other responsibilities of the RNC include: oversee the management of culture; review and monitor the succession plan for the Executive team; review and oversee implementation of the Group's diversity and inclusion strategy and; monitor and oversee talent development and employee engagement initiatives.

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.

Use of discretion

Discretion adjustments are only made in exceptional circumstances which would have a material impact on reward and incentive outcomes. Such adjustments seek to align executive outcomes with company performance and investor experience, taking into account fairness for all stakeholders (investors, customers, employees, regulators and the community), and any breaches of reporting, audit, risk, compliance or regulatory obligations.

During FY21, the Board exercised its discretion to reduce the STI payment to the CEO and CFO and to grant Ms Fisher, in addition to her contractual obligations, an ex-gratia payment of $0.1 million representing 3 months of her TFR and the retention of her FY19 and FY20 LTIP Rights, and FY20 STIP deferred component, which will vest pursuant to the Plan Rules.

4.2. External remuneration advisers

Guerdon Associates, initially engaged in March 2014, provided independent remuneration advice during FY21 in respect of KMP. Guerdon Associates have been commissioned by, engaged with, and addressed reports directly to the Chair of the RNC.

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

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

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

4.3. Ingenia Communities Group equity held by key management personnel

The table below shows securities held indirectly or beneficially by each KMP, including their related parties (excluding unvested equity holdings where applicable – refer to section 2.5 and Note 32). This table highlights the direct exposure that each Director and executive KMP has to the Ingenia Communities security price.

	Balance 1 July 2020	Acquisitions	Disposals	Balance 30 June 2021
Non-Executive KMP				
Jim Hazel	**418,541**	–	–	**418,541**
Robert Morrison	**202,837**	22,000	–	**224,837**
Amanda Heyworth	**178,641**	–	–	**178,641**
Pippa Downes	**32,148**	–	–	**32,148**
Gregory Hayes	**-**	–	–	**-**
Sally Evans	**-**	–	–	**-**
Gary Shiffman(1)	**32,572,582**	635,928	–	**33,208,510**
John McLaren(1)	**32,572,582**	635,928	–	**33,208,510**
Executive KMP				
Simon Owen(2)	**1,445,658**	–	(41,000)	**1,404,658**
Natalie Kwok	**20,342**	411	–	**20,753**
Scott Noble(3)	**35,195**	69,173	(71,368)	**33,000**

(1) The securities held by Mr Shiffman and Mr McLaren are beneficially owned by Sun Communities and represent the same securities.
(2) Mr Owen disposed of securities in FY21 to meet personal tax obligations.
(3) A portion of securities acquired by Mr Noble result from the exercise of FY18 LTIP and FY19 STIP Rights which vested in FY21.

Mr McEvoy's opening security holding at 1 July 2020 was 39,916 and at the date of his resignation (30 September 2020) was 40,171 reflecting acquisitions of 255 in the period up until his resignation. Ms Fisher's opening security holding at 1 July 2020 was 245,065 and was unchanged in the period up until the date she ceased to be a KMP, 31 August 2020.

4.4. Executive KMP Employment Contracts and Termination Arrangements

Contract terms

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

Other contract terms are noted below:

	CEO & MD	CIO & GC	CFO
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation, FRR and other non-cash benefits.		
Variable remuneration(1)	– Eligible for STI of up to 78.2% for any one year of the fixed annual remuneration, of which 66.6% is in the form of deferred equity. – Eligible for LTI of up to 91.2% for any one year of fixed annual remuneration.	– Eligible for STI of up to 40.0% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. – Eligible for LTI of up to 36.4% for any one year of fixed annual remuneration.	– Eligible for STI of up to 59.0% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity. – Eligible for LTI of up to 35.3% for any one year of fixed annual remuneration.
Non-compete period		12 months	
Non-solicitation period		12 months	

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

Directors' Report

For the year ended 30 June 2021 | continued

Remuneration Report (Audited) (continued)

Treatment of Rights

Subject to Board discretion (including on cessation of employment), fraud or dishonesty, reorganisations and divestment, change of control and Board powers, a Right granted under the Rights Plan will not vest unless the conditions advised to the Participant have been satisfied. The Board may, in its discretion, determine that a Right vests prior to the date specified by the Board.

Subject to the Board's overriding discretion, an unvested Right granted to a Participant will lapse upon the earliest to occur of:

- the date specified by the Board;
- an event relating to title of the rights, cessation of employment (if determined by the Board in its discretion), fraud or dishonesty, reorganisations and divestments or change of control;
- failure to meet the conditions by the end of the Period; or
- the fifteenth anniversary of the date the Right was granted.

Where a Participant holding unvested Rights ceases to be an employee of the Group, the Participant may continue to hold those unvested Rights unless or until the Board exercises its discretion to determine that some or all of those Rights:

- lapse;
- are forfeited;
- vest (immediately or subject to conditions);
- are only exercisable for a specified period, and will otherwise lapse; or
- are no longer subject to some of the restrictions (including Vesting Conditions) that previously applied.

Signed in accordance with resolution of the Directors.

Amanda Heyworth
Chair – Remuneration and Nomination Committee
Adelaide, 18 August 2021

Auditor's Independence Declaration

For the year ended 30 June 2021

Building a better working world

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 the financial report of Ingenia Communities Holdings Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Yvonne Barnikel
Partner
18 August 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Lifestyle homes sales		**143,100**	126,840
Residential rental income		**64,103**	54,155
Tourism rental income		**53,828**	35,508
Annuals rental income		**4,646**	4,462
Other revenue	5	**29,901**	23,244
Revenue		**295,578**	244,209
Cost of lifestyle homes sold		**(75,321)**	(66,994)
Employee expenses		**(58,251)**	(49,929)
Property expenses		**(31,975)**	(27,425)
Administrative expenses		**(10,968)**	(8,014)
Operational, marketing and selling expenses		**(12,372)**	(10,432)
Service station expenses		**(8,477)**	(6,279)
Depreciation and amortisation expense	12,13,14	**(3,863)**	(3,244)
Operating profit before interest and tax		**94,351**	71,892
Net finance expense	6	**(4,961)**	(6,649)
Operating profit before tax		**89,390**	65,243
Share of joint venture profit	15	**840**	134
Net (loss)/gain on change in fair value of:			
Investment properties	11(b)	**(3,270)**	(33,807)
Financial liabilities		**(5,135)**	(2,195)
Investments and other financial instruments		**1,702**	32
Other		**(516)**	(1,567)
Profit before income tax		**83,011**	27,840
Income tax (expense)/benefit	7	**(10,230)**	3,612
Net profit for the year		**72,781**	31,452
Total comprehensive income for the year net of income tax		**72,781**	31,452

	Note	30 Jun 2021 Cents	30 Jun 2020 Cents
Distributions per security paid[1]		**9.4**	11.4
Earnings/(loss) per security:			
Basic earnings/(loss)			
Per security	4(a)	**22.3**	11.8
Per security attributable to parent	4(b),33	**1.0**	(1.0)
Diluted earnings/(loss) per security			
Per security	4(a)	**22.1**	11.7
Per security attributable to parent	4(b),33	**1.0**	(1.0)

(1) Distributions relate to the amount paid during the financial year. A final FY21 distribution of 5.5 cps was declared on 18 August 2021 (payment due on 23 September 2021) resulting in a total FY21 distribution of 10.5 cps.

Notes to the Consolidated Financial Statements are included on pages 63 to 103.

Consolidated Balance Sheet

As at 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets			
Cash and cash equivalents		**18,797**	10,751
Trade and other receivables	8	**6,334**	8,794
Inventories	9	**13,550**	36,201
Assets held for sale	10(a)	**9,600**	32,623
Total current assets		**48,281**	88,369
Non-current assets			
Trade and other receivables	8	**1,731**	1,892
Investment properties	11	**1,231,336**	943,958
Investment in a joint venture	15	**32,767**	15,926
Other financial assets	16	**13,924**	13,862
Plant and equipment	12	**6,867**	5,158
Intangibles	13	**8,486**	8,339
Right-of-use assets	14	**4,039**	2,221
Deferred tax asset	18	**6,958**	13,129
Total non-current assets		**1,306,108**	1,004,485
Total assets		**1,354,389**	1,092,854
Current liabilities			
Trade and other payables	19	**56,353**	41,488
Borrowings	20	**2,442**	1,849
Employee liabilities		**3,218**	2,481
Other financial liabilities	21	**4,045**	3,577
Provision for income tax		**3,825**	1,486
Liabilities held for sale	10(b)	**–**	5,175
Total current liabilities		**69,883**	56,056
Non-current liabilities			
Borrowings	20	**271,893**	83,549
Other financial liabilities	21	**13,092**	9,588
Employee liabilities		**806**	640
Other payables	19	**5,682**	–
Total non-current liabilities		**291,473**	93,777
Total liabilities		**361,356**	149,833
Net assets		**993,033**	943,021
Equity			
Issued securities	22(a)	**1,229,730**	1,218,908
Reserves	23	**(4,867)**	(1,933)
Accumulated losses	24	**(231,830)**	(273,954)
Total equity		**993,033**	943,021
Net asset value per security ($)		**$3.03**	$2.90

Notes to the Consolidated Financial Statements are included on pages 63 to 103.

Consolidated Cash Flow Statement

For the year ended 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Cash flows from operating activities			
Rental and other property income		**159,498**	116,115
Property and other expenses		**(120,879)**	(102,656)
Government subsidy		**4,819**	2,906
Proceeds from sale of lifestyle homes		**156,116**	140,372
Purchase of lifestyle homes		**(55,425)**	(80,887)
Proceeds from sale of service station inventory		**10,761**	8,082
Purchase of service station inventory		**(9,368)**	(6,966)
Net movement in resident loans		**(137)**	(465)
Interest received		**15**	85
Borrowing costs paid		**(6,034)**	(9,398)
Income tax paid		**(1,720)**	–
	35	**137,646**	67,188
Cash flows from investing activities			
Payments for acquisition of investment properties		**(209,869)**	(85,600)
Additions to investment properties		**(63,669)**	(77,390)
Purchase and additions of plant and equipment		**(3,473)**	(2,088)
Purchase and additions of intangible asset		**(1,221)**	(656)
Proceeds from sale of investment properties		**16,502**	2,591
Payments for acquisition of financial assets		**-**	(13,847)
Net payments for acquisition of subsidiaries	17	**-**	(5,923)
Investment in joint venture		**(16,000)**	(4,200)
Other		**2,105**	–
		(275,625)	(187,113)
Cash flows from financing activities			
Proceeds from issue of stapled securities		**10,879**	328,337
Payments for security issue costs		**(57)**	(9,846)
Distributions to security holders		**(30,657)**	(28,877)
Proceeds from borrowings		**249,500**	201,000
Repayment of borrowings		**(72,500)**	(369,000)
Payments for debt issue costs		**(1,938)**	(698)
Payments for derivatives and financial instruments		**(343)**	(2,496)
Payment for securities under security plan		**(5,000)**	(4,980)
Other		**(3,859)**	(2,949)
		146,025	110,491
Net increase/(decrease) in cash and cash equivalents		**8,046**	(9,434)
Cash and cash equivalents at the beginning of the year		**10,751**	20,185
Cash and cash equivalents at the end of the year		**18,797**	10,751

Notes to the Consolidated Financial Statements are included on pages 63 to 103.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to security holders					
		Ingenia Communities Holdings Limited					
	Note	**Issued Capital $'000**	**Reserves $'000**	**Retained Earnings $'000**	**Total $'000**	**ICF & ICMT $'000**	**Total Equity $'000**
Carrying value 1 Jul 2020		**36,187**	**(1,933)**	**38,353**	**72,607**	**870,414**	**943,021**
Net profit		–	–	36,070	36,070	36,711	72,781
Total comprehensive income for the year		**–**	**–**	**36,070**	**36,070**	**36,711**	**72,781**
Transactions with security holders in their capacity as security holders:							
Issue of securities	22(a)	953	–	–	953	9,869	10,822
Share based payment transactions	23	–	2,066	–	2,066	–	2,066
Payment of distributions to security holders	24	–	–	–	–	(30,657)	(30,657)
Payments to employee share trust	23	–	(5,000)	–	(5,000)	–	(5,000)
Carrying value 30 Jun 2021		**37,140**	**(4,867)**	**74,423**	**106,696**	**886,337**	**993,033**
Carrying value 1 Jul 2019		12,985	1,933	20,194	35,112	590,635	625,747
Net profit		–	–	18,085	18,085	13,367	31,452
Total comprehensive income for the year		–	–	18,085	18,085	13,367	31,452
Transactions with security holders in their capacity as security holders:							
Issue of securities	22(a)	23,202	–	–	23,202	295,289	318,491
Share based payment transactions	23	–	884	74	958	–	958
Payment of distributions to security holders	24	–	–	–	–	(28,877)	(28,877)
Payments to employee share trust	23	–	(4,750)	–	(4,750)	–	(4,750)
Carrying value 30 Jun 2020		36,187	(1,933)	38,353	72,607	870,414	943,021

Notes to the Consolidated Financial Statements are included on pages 63 to 103.

Notes to the Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies

(a) The Group

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

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

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

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

The financial report as at and for the year ended 30 June 2021 was authorised for issue by the Directors on 18 August 2021.

(b) Basis of preparation

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

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

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

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

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

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

(c) Adoption of new and revised accounting standards

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.

The Group assessed the impact of the recently published IFRIC agenda decision on Accounting for cloud computing costs. Based on analysis performed, the impact of the adoption of the IFRIC agenda decision is immaterial.

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under AASB 102 *Inventories*. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, the exact impact of the IFRIC agenda decision on the Group cannot be reliably estimated at the date of this report, however based on preliminary analysis performed, the Group expects an immaterial impact from the adoption of the IFRIC agenda decision. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

(d) Principles of consolidation

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(e) Business combinations and goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed.

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

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

(f) Assets held for sale

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

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

The liabilities of an asset classified as held for sale are presented separately from other liabilities on the face of the balance sheet. Details of assets and liabilities held for sale are given at Note 10.

(g) Dividends and distributions

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

(h) Foreign currency

Functional and presentation currencies

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

Translation of foreign currency transactions

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

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

(i) Leases

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Borrowings (Note 20).

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

(j) Plant and equipment

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

(k) Financial assets and liabilities

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

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

(l) Impairment of non-financial assets

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

(m) Cash and cash equivalents

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

(n) Trade and other receivables

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

(o) Inventories

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

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

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

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

(p) Derivative and financial instruments

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

(q) Investment property

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

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

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

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

(r) Intangible assets

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

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

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

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

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

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed, as incurred. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds, and the carrying value of the asset. They are recognised in profit or loss when the asset is derecognised.

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

(s) Trade and other payables

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

(t) Provisions, including employee benefits

General

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

Wages, salaries, annual leave and sick leave

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

Long service leave

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(u) Resident loans

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

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

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

(v) Borrowings

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

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

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

(w) Issued equity

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

(x) Revenue

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

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

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

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

(y) Share-based payment transactions

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

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

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

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

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

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

(z) Income tax

Current income tax

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

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

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

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

Deferred income tax

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

Tax consolidation

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

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

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

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

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

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

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

(bb) Investment in a joint venture

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

(cc) Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

(dd) Earnings per share ("EPS")

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

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

(ee) Pending accounting standards

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

(ff) Current versus non-current classification

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

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

A liability is current when it is:

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

At 30 June 2021, the Group recorded a net current asset deficiency of $21,602,000. This deficiency is due to a decrease in inventory and increase in advanced deposits compared to prior year. The decline in inventory is driven by strong lifestyle home sales in the second half of FY21. The Group has committed to capital expenditure on investment properties and inventories at reporting date of $74,145,936, will be funded from operating cashflows and access to $252,900,000 of available undrawn bank facilities. 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.

(gg) Government grants

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

2. Accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumptions

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

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

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

The carrying value of these assets reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation assumption for properties to be developed reflect sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates. The valuation assumptions for deferred management fee villages reflect average length of stay, unit market values, estimates of capital expenditure, contract terms with residents, discount rates and projected property growth rates. Refer to Note 11 for the impact of COVID-19 on valuation assumptions.

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

ii. Valuation of inventories

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

iii. 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 rely on counterparty valuations for derivative values. The counterparty valuations are usually based on mid-market rates, and calculates using the main variables of the forward market curve, time and volatility.

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

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

3. Segment information

(a) Description of segments

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information (continued)

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 are included in Corporate & Other.

(b) 2021

	Residential						
	Lifestyle		Gardens	Tourism	Other		
	Lifestyle Development $'000	**Lifestyle Rental $'000**	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Fuel, Food & Beverage $'000**	**Corporate & Other $'000**	**Total $'000**
Segment revenue							
Lifestyle home sales	143,100	–	–	–	–	–	**143,100**
Residential rental income	–	31,245	23,106	9,568	–	184	**64,103**
Tourism rental income	–	564	–	53,264	–	–	**53,828**
Annual rental income	–	–	–	4,646	–	–	**4,646**
Other revenue	–	2,870	2,731	2,732	16,356	5,212	**29,901**
Total revenue	**143,100**	**34,679**	**25,837**	**70,210**	**16,356**	**5,396**	**295,578**
Segment underlying profit							
External segment revenue	143,100	34,679	25,837	70,210	16,356	5,396	**295,578**
Cost of lifestyle homes sold	(75,321)	–	–	–	–	–	**(75,321)**
Employee expenses	(13,571)	(8,482)	(6,038)	(20,118)	(3,270)	(6,772)	**(58,251)**
Property expenses	(1,002)	(7,488)	(6,727)	(15,138)	(810)	(810)	**(31,975)**
Administrative expenses	(1,415)	(1,837)	(988)	(3,000)	(66)	(3,662)	**(10,968)**
Operational, marketing and selling expenses	(4,885)	(59)	(994)	(2,702)	(2,422)	(1,310)	**(12,372)**
Service station expenses	–	–	–	(25)	(8,452)	–	**(8,477)**
Depreciation and amortisation expense	(850)	(361)	(167)	(574)	(56)	(1,855)	**(3,863)**
Earnings before interest and tax	**46,056**	**16,452**	**10,923**	**28,653**	**1,280**	**(9,013)**	**94,351**
Share of profit of a joint venture							**840**
Net finance expense							**(4,961)**
Income tax expense							**(12,996)**
Total underlying profit							**77,234**
Net (loss)/gain on change in fair value of:							
Investment properties							**(3,270)**
Financial liabilities							**(5,135)**
Investments and other financial instruments							**1,702**
Other							**(516)**
Income tax benefit							**2,766**
Profit after tax							**72,781**
Segment assets							
Segment assets	188,473	443,041	153,781	468,696	364	90,434	**1,344,789**
Assets held for sale	–	9,600	–	–	–	–	**9,600**
Total assets	**188,473**	**452,641**	**153,781**	**468,696**	**364**	**90,434**	**1,354,389**

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information (continued)

(c) 2020

	Residential			Tourism	Other		
	Lifestyle		Gardens				
	Lifestyle Development $'000	**Lifestyle Rental $'000**	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Fuel, Food & Beverage $'000**	**Corporate &Others $'000**	**Total $'000**
Segment revenue							
Lifestyle home sales	126,840	–	–	–	–	–	**126,840**
Residential rental income	–	22,558	22,194	9,271	–	132	**54,155**
Tourism rental income	–	396	–	35,112	–	–	**35,508**
Annual rental income	–	–	–	4,462	–	–	**4,462**
Other revenue	–	1,776	2,845	3,135	12,690	2,798	**23,244**
Total revenue	**126,840**	**24,730**	**25,039**	**51,980**	**12,690**	**2,930**	**244,209**
Segment underlying profit							
External segment revenue	126,840	24,730	25,039	51,980	12,690	2,930	**244,209**
Cost of lifestyle homes sold	(66,994)	–	–	–	–	–	**(66,994)**
Employee expenses	(12,578)	(6,245)	(5,996)	(16,062)	(2,918)	(6,130)	**(49,929)**
Property expenses	(1,005)	(5,625)	(6,740)	(12,543)	(659)	(853)	**(27,425)**
Administrative expenses	(1,293)	(1,108)	(965)	(2,099)	(67)	(2,482)	**(8,014)**
Operational, marketing and selling expenses	(4,186)	(38)	(902)	(2,544)	(2,126)	(636)	**(10,432)**
Service station expenses	–	–	–	–	(6,279)	–	**(6,279)**
Depreciation and amortisation expense	(880)	(210)	(233)	(389)	(52)	(1,480)	**(3,244)**
Earnings before interest and tax	**39,904**	**11,504**	**10,203**	**18,343**	**589**	**(8,651)**	**71,892**
Share of profit of a joint venture							**134**
Net finance expense							**(6,649)**
Income tax expense							**(6,268)**
Total underlying profit							**59,109**
Net (loss)/gain on change in fair value of:							
Investment properties							**(33,807)**
Financial liabilities							**(2,195)**
Investments and other financial instruments							**32**
Other							**(1,567)**
Income tax benefit							**9,880**
Profit after tax							**31,452**
Segment assets							
Segment assets	167,980	272,372	142,703	407,618	316	69,242	**1,060,231**
Assets held for sale	–	10,500	–	13,448	–	8,675	**32,623**
Total assets	**167,980**	**282,872**	**142,703**	**421,066**	**316**	**77,917**	**1,092,854**

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

4. Earnings per security

	30 Jun 2021	30 Jun 2020
(a) Per security		
Profit attributable to security holders ($'000)	**72,781**	31,452
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**326,725**	267,272
Dilutive securities (thousands):		
Long-term incentives	**1,749**	1,542
Short-term incentives	**249**	264
Talent Rights Grant	**145**	–
Fixed Remuneration Rights	**4**	–
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**328,872**	269,078
Basic earnings per security (cents)	**22.3**	11.8
Dilutive earnings per security (cents)	**22.1**	11.7
(b) Per security attributable to parent		
Profit/(loss) attributable to security holders ($'000)	**3,266**	(2,722)
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	**326,725**	267,272
Dilutive securities (thousands):		
Long-term incentives	**1,749**	1,542
Short-term incentives	**249**	264
Talent Rights Grant	**145**	–
Fixed Remuneration Rights	**4**	–
Weighted average number of issued and dilutive potential securities outstanding (thousands)	**328,872**	269,078
Basic earnings per security (cents)	**1.0**	(1.0)
Dilutive earnings per security (cents)	**1.0**	(1.0)

5. Other revenue

	30 Jun 2021 $'000	30 Jun 2020 $'000
Other revenue		
Ancillary guest and resident income	**7,936**	7,337
Service station sales	**9,758**	7,299
Food and beverage sales	**6,599**	5,394
Fee income	**4,280**	2,435
Other	**1,328**	779
Total other revenue	**29,901**	23,244

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

6. Net finance expense

	30 Jun 2021 $'000	30 Jun 2020 $'000
Interest income	**(12)**	(85)
Debt facility interest expense	**4,308**	6,167
Lease interest expense[1]	**665**	567
Net finance expense	**4,961**	6,649

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

Interest costs of $1,774,846 have been capitalised into investment properties associated with development assets (30 Jun 2020: $3,136,000).

7. Income tax expense

	30 Jun 2021 $'000	30 Jun 2020 $'000
(a) Income tax (expense)/benefit		
Current tax expense	**(2,940)**	(898)
(Decrease)/increase in deferred tax asset	**(7,290)**	4,510
Income tax (expense)/benefit	**(10,230)**	3,612
(b) Reconciliation between tax expense and pre-tax profit		
Profit before income tax	**83,011**	27,840
Less amounts not subject to Australian income tax	**(27,574)**	(20,380)
	55,437	7,460
Income tax expense at the Australian tax rate of 30% (30 Jun 2020: 30%)	**(16,631)**	(2,238)
Tax effect of amounts which impact tax expense:		
Prior period income tax return true-ups	**-**	1,314
Recognition of previously unrecognised tax losses	**-**	-
Other	**6,401**	4,536
Income tax (expense)/benefit	**(10,230)**	3,612

(c) Tax consolidation

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

8. Trade and other receivables

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current		
Trade receivables	**1,103**	1,775
Prepayments	**3,457**	3,036
Deposits	**1,055**	260
Other receivables	**719**	3,723
Total current trade and other receivables	**6,334**	8,794
Non-current		
Other receivables	**1,731**	1,892

9. Inventories

	30 Jun 2021 $'000	30 Jun 2020 $'000
Lifestyle homes:		
Completed	**5,624**	27,150
Display homes	**1,210**	2,514
Under construction	**6,359**	6,222
Fuel, food and beverage supplies	**357**	315
Total inventories	**13,550**	36,201

The lifestyle home balance includes:

- 23 new completed homes (30 Jun 2020: 132)
- 3 refurbished/renovated/annuals completed homes (30 Jun 2020: 12)
- 12 display homes (30 Jun 2020: 20)
- Lifestyle homes under construction includes 110 partially completed homes at different stages of development (30 Jun 2020: 52). It also includes demolition, site preparation costs and buybacks on future development sites.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

10. Assets and liabilities held for sale

(a) Summary of carrying value - Assets

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
Investment properties held for sale:		
Upper Coomera, Upper Coomera, QLD	**9,600**	10,500
Gladstone, South Gladstone, QLD	**-**	8,675
Albury, Lavington, NSW	**-**	4,475
Sun Country, Mulwala, NSW	**-**	8,973
Total assets held for sale	**9,600**	32,623

A loss on change in fair value of investment properties of $2,011,000 (30 June 2020: $1,498,000) was recognised on assets held for sale.

(b) Summary of carrying value – Liabilities

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
Net resident loans – Gladstone	**-**	5,175
Total liabilities held for sale	**-**	5,175

11. Investment properties

(a) Summary of carrying value

	30 Jun 2021 $'000	30 Jun 2020 $'000
Completed properties	**1,057,295**	812,667
Properties under development	**174,041**	131,291
Total carrying value	**1,231,336**	943,958

(b) Movements in carrying value

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Carrying value at the beginning of the year		**943,958**	846,835
Acquisitions		**218,196**	84,227
Expenditure capitalised		**70,441**	69,153
Net loss on change in fair value(1)		**(1,259)**	(32,309)
Transfer to assets held for sale	10(a)	**-**	(23,948)
Carrying value at the end of the year		**1,231,336**	943,958

(1) Net of loss on change in fair value of acquisition costs $14,285,000 (30 Jun 2020: $5,515,000).

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

(c) Reconciliation of fair value

	Ingenia Gardens $'000	Rental $'000	Holidays & Mixed use $'000	Total $'000
Carrying value at the beginning of the year	**139,870**	**427,395**	**376,693**	**943,958**
Acquisitions	–	126,407	91,789	218,196
Expenditure capitalised	2,177	46,969	21,295	70,441
Net gain/(loss) on change in fair value[(1)]	8,173	(9,722)	290	(1,259)
Carrying value at the end of the year	**150,220**	**591,049**	**490,067**	**1,231,336**

(1) Net of loss on change in fair value of acquisition costs $14,285,000 (30 Jun 2020: $5,515,000).

(d) Individual property carrying value

Completed properties	Carrying value 30 Jun 2021 $'000	Carrying value 30 Jun 2020 $'000
Ingenia Gardens:		
Brooklyn, Brookfield, VIC	**5,990**	5,420
Carey Park, Bunbury, WA	**5,250**	5,200
Horsham, Horsham, VIC	**4,700**	5,180
Jefferis, Bundaberg North, QLD	**4,800**	4,350
Oxley, Port Macquarie, NSW	**5,860**	5,380
Townsend, St Albans Park, VIC	**5,350**	5,170
Yakamia, Yakamia, WA	**4,700**	4,660
Goulburn, Goulburn, NSW	**5,590**	5,400
Coburns, Brookfield, VIC	**5,730**	5,190
Hertford, Sebastopol, VIC	**4,700**	4,290
Seascape, Erskine, WA	**5,150**	4,850
Seville Grove, Seville Grove, WA	**3,980**	3,770
St Albans Park, St Albans Park, VIC	**6,300**	5,930
Taloumbi, Coffs Harbour, NSW	**6,860**	6,480
Wheelers, Dubbo, NSW	**6,260**	6,230
Taree, Taree, NSW	**5,830**	4,920
Grovedale, Grovedale, VIC	**5,700**	5,580
Marsden, Marsden, QLD	**12,310**	11,670
Swan View, Swan View, WA	**9,170**	8,700
Dubbo, Dubbo, NSW	**6,560**	6,350
Ocean Grove, Mandurah, WA	**4,410**	3,920
Peel River, Tamworth, NSW	**5,620**	4,790
Sovereign, Ballarat, VIC	**4,850**	4,040
Wagga, Wagga Wagga, NSW	**5,150**	3,960
Bathurst, Bathurst, NSW	**4,810**	4,300
Warrnambool, Warrnambool, VIC	**4,590**	4,140
	150,220	139,870

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

Completed properties	Carrying value 30 Jun 2021 $'000	Carrying value 30 Jun 2020 $'000
Ingenia Lifestyle Rental:		
The Grange, Morisset, NSW	**26,308**	22,534
Ettalong Beach, Ettalong Beach, NSW[1]	**6,388**	6,953
Stoney Creek, Marsden Park, NSW	**25,000**	22,319
Chambers Pines, Chambers Flat, QLD	**44,492**	35,135
Bethania, Bethania, QLD	**21,647**	14,621
Lara, Lara, VIC	**33,150**	28,883
Latitude One, Port Stephens, NSW[2]	**34,741**	21,744
Blueys Beach, Blueys Beach, NSW	**1,148**	1,148
Durack, Durack, QLD	**38,500**	27,709
Eight Mile Plains, Eight Mile Plains, QLD	**29,102**	27,063
Plantations, Woolgoolga, NSW	**16,829**	10,381
Hervey Bay (Lifestyle), Hervey Bay, QLD	**9,264**	1,124
Brisbane North, Aspley, QLD	**27,077**	30,000
Bevington Shores, Halekulani, NSW	**26,216**	25,000
Taigum, Taigum, QLD	**16,841**	17,250
Lake Munmorah, Lake Munmorah, NSW	**30,294**	24,000
Sunnylake Shores, Halekulani, NSW	**10,923**	–
Redlands, Thornlands, QLD	**6,550**	–
Natures Edge, Buderim, QLD	**31,707**	–
	436,177	315,864

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

Completed properties	Carrying value 30 Jun 2021 $'000	Carrying value 30 Jun 2020 $'000
Ingenia Holidays and Mixed Use:		
Nepean River, Emu Plains, NSW	**12,714**	13,263
Kingscliff, Kingscliff, NSW	**16,250**	15,349
One Mile Beach, One Mile, NSW(1)	**27,449**	20,260
Hunter Valley, Cessnock, NSW	**9,200**	8,525
White Albatross, Nambucca Heads, NSW	**26,901**	26,575
Noosa, Tewantin, QLD	**22,240**	18,832
Lake Macquarie (Holidays), Mannering Park, NSW	**9,810**	9,114
Sydney Hills, Dural, NSW	**15,600**	15,848
Conjola Lakeside, Lake Conjola, NSW	**43,287**	39,534
Soldiers Point, Port Stephens, NSW	**17,750**	16,331
South West Rocks, South West Rocks NSW(1)	**23,650**	12,673
Broulee, Broulee, NSW(1)	**6,492**	6,510
Ocean Lake, Ocean Lake, NSW	**9,900**	9,783
Avina Van Village, Vineyard, NSW	**20,800**	22,485
Hervey Bay (Holidays), Hervey Bay, QLD	**9,800**	9,652
Cairns Coconut, Woree, QLD	**58,890**	55,920
Bonny Hills, Bonny Hills, NSW	**15,250**	13,900
Rivershore, Diddillibah, QLD	**23,027**	24,300
Byron Bay, Byron Bay, NSW(1)	**18,897**	18,079
Middle Rock, One Mile, NSW	**17,264**	–
Inverloch, Inverloch, VIC(1)	**34,855**	–
Townsville, Deeragun, QLD	**7,600**	–
Merry Beach, Kioloa, NSW(1)	**23,272**	–
	470,898	356,933
Total completed properties	**1,057,295**	812,667

(1) Includes a land component that is leased from the Crown, local municipalities or private lessors and are recognised as investment property with an associated ground lease. The value of the capitalised lease carried within investment property is $23,044,000 (30 June 2020: $11,515,000).

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

The figures shown above are the fair values of the operating rental streams associated with each property and exclude any valuation attributed to the development component of the investment property. The values attributed to development properties are separately disclosed in the note below.

	Carrying value	
Properties under development	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Ingenia Lifestyle Rental, Holidays and Mixed Use:		
Stoney Creek, Marsden Park, NSW	**1,736**	2,029
Chambers Pines, Chambers Flat, QLD	**17,187**	16,600
Bethania, Bethania, QLD	**15,267**	16,140
Conjola Lakeside, Lake Conjola, NSW	**-**	3,992
Lara, Lara, VIC	**10,336**	7,060
Avina Van Village, Vineyard, NSW	**13,100**	13,020
Latitude One, Port Stephens, NSW(1)	**4,274**	23,062
Blueys Beach, Blueys Beach, NSW	**6,452**	6,452
Cairns Coconut, Woree, QLD	**1,700**	-
Durack, Durack, QLD	**-**	2,066
Eight Mile Plains, QLD	**1,768**	2,096
Plantations, Woolgoolga, NSW	**5,281**	24,068
Hervey Bay (Lifestyle), Hervey Bay, QLD	**13,242**	11,956
Rivershore, Diddillibah, QLD	**1,850**	2,750
Brisbane North, Aspley, QLD	**6,688**	-
Sunnylake Shores, Halekulani, NSW	**5,806**	-
Parkside, Lucas, VIC	**15,019**	-
Redlands, Thornlands, QLD	**1,700**	-
Middle Rock, One Mile, NSW	**2,518**	-
Beveridge, Beveridge, VIC	**17,100**	-
Natures Edge, Buderim, QLD	**24,535**	-
Bargara, Innes Park, QLD	**8,482**	-
Properties to be developed	**174,041**	131,291
Total investment properties	**1,231,336**	943,958

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

Investment properties are carried at fair value in accordance with the Group's accounting policy (Note 1 (q)). 18 Lifestyles and Holiday villages and 10 Ingenia Garden villages were externally valued through April to June 2021.

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average) 30 Jun 2021	Range (weighted average) 30 Jun 2020	Relationship of unobservable input to fair value
Ingenia Gardens	Capitalisation method	Stabilised occupancy	82% – 98% (93.3%)	78% – 97% (92.0%)	As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value).
		Capitalisation rate	8.9% – 9.6% (9.3%)	9.4% – 10.3% (9.7%)	Capitalisation has an inverse relationship to valuation.
Ingenia Lifestyle and Rental, Holidays and Mixed Use	Capitalisation method (for existing rental streams)	Short-term occupancy	20% – 80% for powered and camp sites; 30% – 80% for tourism and short term rental	20% – 80% for powered and camp sites; 30% – 80% for tourism and short term rental	The higher the occupancy, the greater the value.
		Residential occupancy	100%	100%	
		Operating profit margin	35% – 75% dependent upon short-term and residential accommodation mix	30% – 80% dependent upon short-term and residential accommodation mix	A COVID-19 net profit shortfall adjustment was incorporated for some assets in Jun 20. Based on the resilient performance of assets to date, in Jun 21 majority of the shortfall adjustments have now been removed in line with external valuation methodology.
		Capitalisation rate	5.00% – 12.75%	5.90% – 12.25%	Capitalisation has an inverse relationship to valuation.
	Discounted cash flow (for investment properties under development)	Discount rate	8.5% – 17.5%	8.0% – 16.5%	Discount rate has an inverse relationship to valuation.
Gladstone DMF Village	Discounted cash flow	Current market value per unit	N/A	$125,000 - $185,000	Market value and growth in property value have a direct correlation to valuation, while length of stay and discount rate have an inverse relationship to valuation.
		Long-term property growth rate		2.0%	
		Average length of stay – future residents		7.2 years	Average length of stay has an inverse relationship with valuations. The longer the length of stay, later the company is able to recognise the deferred management fee accrued.
		Discount rate		11.5%	

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

Capitalisation method

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

Discounted cash flow method

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

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

COVID-19 Valuation impact

In response to the uncertainty surrounding the COVID-19 pandemic, a COVID-19 net profit shortfall adjustment was previously incorporated for some holiday assets in line with external valuation methodology in June 2020. The majority of these adjustments have been reversed in FY21 based on external valuation advice reflecting strong transaction multiples across the holiday sector, and above budget performance at holiday assets from pent-up demand. External valuers are of the opinion that COVID-19 has limited impact on the Ingenia Gardens, and Ingenia Lifestyle and Rentals portfolios.

In assessing the fair value of investment properties, the Group has considered the following:

Segment	COVID-19 Considerations
Ingenia Gardens	– Limited increase in operational costs. – Recent occupancy rates are at historical highs, indicating strong segment resilience. – Strong debtor collection with no increase in defaults.
Ingenia Lifestyle and Rental	– Limited increase in operational costs. – Strong debtor collection with no increase in defaults. – Continued market transactions in comparable lifestyle assets supporting capitalisation rates.
Ingenia Holidays and Mixed Use	– Limited increase in operational costs. – Strong forward bookings for majority of assets. – Impact of travel restrictions on revenue are relatively short term with most cancellations rebooked later. – Continued market transactions in holiday assets supporting capitalisation rates and approach to normalising of net operating income.
Lifestyle Development	– Short term slowdown in the residential housing market and the impact on settlements. – Limited impact on development progress.

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Investment properties (continued)

(f) Sensitivity analysis

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

Investment Properties $'000	Fair value at 30 June 2021	Capitalisation rate impact -0.5%	Capitalisation rate impact +0.5%
Ingenia Gardens	**150,220**	8,610	(7,760)
Ingenia Lifestyle Rental	**591,049**	43,709	(36,719)
Ingenia Holidays & Mixed Use	**490,067**	28,343	(24,976)
	1,231,336	80,662	(69,445)

Investment Properties $'000	Fair value at 30 June 2021	Discount rate -0.5%	Discount rate +0.5%
Ingenia Gardens	**150,220**	–	–
Ingenia Lifestyle Rental	**591,049**	1,385	(1,359)
Ingenia Holidays & Mixed Use	**490,067**	–	–
	1,231,336	1,385	(1,359)

12. Plant and equipment

	30 Jun 2021 $'000	30 Jun 2020 $'000
(a) Summary of carrying value		
Plant and equipment	**10,376**	7,412
Less: accumulated depreciation	**(3,509)**	(2,254)
Total plant and equipment	**6,867**	5,158
(b) Movements in carrying value		
Carrying value at the beginning of the year	**5,158**	5,018
Additions	**3,749**	1,904
Disposals	**(470)**	(283)
Depreciation expense	**(1,570)**	(1,481)
Carrying value at the end of the year	**6,867**	5,158

13. Intangibles

	30 Jun 2021 $'000	30 Jun 2020 $'000
(a) Summary of carrying value		
Software & development	**5,109**	4,338
Less: accumulated amortisation	**(2,731)**	(2,107)
Goodwill	**6,108**	6,108
Total Intangibles	**8,486**	8,339
(b) Movements in carrying value		
Carrying value at the beginning of the year	**8,339**	1,996
Additions	**830**	6,884
Disposals	**(28)**	(10)
Amortisation expense	**(655)**	(531)
Carrying value at the end of the year	**8,486**	8,339

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

14. Right-of-use assets

	30 Jun 2021 $'000	30 Jun 2020 $'000
(a) Summary of carrying value		
Plant and equipment	**1,305**	1,035
Buildings	**5,579**	2,418
Less: accumulated amortisation	**(2,845)**	(1,232)
Total right-of-use asset	**4,039**	2,221
(b) Movements in carrying value		
Carrying value at the beginning of the year	**2,221**	–
Recognised on adoption of AASB 16	**–**	3,453
Additions	**3,464**	–
Disposals	**(8)**	–
Depreciation expense	**(1,638)**	(1,232)
Carrying value at the end of the year	**4,039**	2,221

15. Investment in a joint venture

The Group holds a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. The valuation methodology of the Joint Venture's assets and liabilities are consistent with that of the Group.

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

Balance Sheet	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets	**14,781**	11,126
Non-current assets[(1)]	**61,696**	22,880
Current liabilities	**(10,943)**	(2,154)
Equity	**65,534**	31,852
Group's share in equity – 50%	**32,767**	15,926
Group's carrying value in investment	**32,767**	15,926

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

Statement of Comprehensive Income	30 Jun 2021 $'000	30 Jun 2020 $'000
Revenue	**11,386**	2,592
Cost of sales	**(4,620)**	(1,106)
Operating costs	**(1,659)**	(1,600)
Depreciation	**(83)**	(43)
Operating profit before interest and tax	**5,024**	(157)
Net finance (expense)/income	**(236)**	33
Impairment	**(894)**	–
Net (loss)/gain on change in fair value of investment property	**(1,819)**	242
Income tax expense/(benefit)	**(395)**	149
Net profit for the year	**1,680**	267
Total comprehensive income for the year net of income tax	**1,680**	267
Group's share of profit for the year	**840**	134

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

16. Other financial assets

	30 Jun 2021 $'000	30 Jun 2020 $'000
Unlisted property funds	**13,225**	13,862
Derivatives	**699**	–
Total non-current	**13,924**	13,862

Refer to Note 2 for valuation assumptions on the Group's investment in unlisted property funds.

17. Business combinations

Acquisition of Eighth Gate Capital Management Pty Limited

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

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

	Fair value recognised on acquisition $'000
Assets	
Cash	199
Trade and other receivables	1,000
Total Assets	**1,199**
Liabilities	
Trade and other payables	1,134
Total Liabilities	**1,134**
Total identifiable net assets at fair value	**65**
Goodwill arising on acquisition	6,108
Purchase consideration paid and accrued on acquisition	**6,173**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	199
Cash paid	(6,122)
Net cash flow on acquisition	**(5,923)**

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
Carrying value at the beginning of the period	**6,108**	–
Acquisition of subsidiary	**–**	6,108
Impairment losses recognised during the reporting period	**–**	–
Carrying value at the end of the period	**6,108**	6,108

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

17. Business combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed.

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

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

Discounted cash flow method

This method involves the projection of a series of cash flows of the funds management business. To this projected cash flow series, a pre-tax market-derived discount rate of 17% (30 Jun 2020: 19%) and a terminal growth rate of 2% (30 Jun 2020: 2%) was applied to establish the present value of the income streams associated with the CGU. The discounted cash flow was then tested against appropriate business EBIT multiples and a sensitivity analysis was conducted.

18. Deferred tax assets and liabilities

	30 Jun 2021 $'000	30 Jun 2020 $'000
Deferred tax assets		
Tax losses	**22,842**	19,124
Other	**-**	1,984
Deferred tax liabilities		
DMF receivable	**(45)**	(460)
Investment properties	**(14,732)**	(7,519)
Other	**(1,107)**	-
Net deferred tax assets	**6,958**	13,129
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	**5,552**	5,552

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

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

19. Trade and other payables

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current		
Trade payables and accruals	**42,592**	31,204
Deposits	**12,780**	9,215
Other	**981**	1,069
Total current	**56,353**	41,488
Non-current		
Other	**5,682**	-
Total non-current	**5,682**	-

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

20. Borrowings

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current		
Lease liabilities – Right-of-use assets	**1,406**	1,072
Lease liabilities – Ground leases	**1,036**	777
Total current	**2,442**	1,849
Non-current		
Bank debt	**250,000**	73,000
Prepaid borrowing costs	**(2,835)**	(1,400)
Lease liabilities – Right-of-use assets	**2,720**	1,209
Lease liabilities – Ground leases	**22,008**	10,740
Total non-current	**271,893**	83,549

(a) Bank debt

During the year, the Group refinanced $350.0 million of debt facilities. As a result, the margin on these facilities was reduced and the tenor was extended. In February 2021, the Group entered into a new seven-year $75.0 million debt facility with the Clean Energy Finance Corporation (CEFC), increasing the Group's available debt to $525.0 million as at 30 Jun 2021 (30 Jun 2020: $450.0 million).

As part of the CEFC facility, the Group committed to a number of sustainability targets, including:

- Ingenia to achieve 30% reduction in Scope 1 and Scope 2 emissions within 5 years.
- Complete 10 homes under the Green Building Council Australia future home standard green star homes pilot program. Build a further 20 homes under the standard within 2 years of the green star homes rating tool being finalised and published for use.

As at 30 Jun 2021, the facilities have been drawn to $250.0 million (30 Jun 2020: $73.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $1,174.7 million (30 Jun 2020: $909.0 million).

The facility maturity dates are:

- 31 December 2025 ($174.6 million);
- 30 September 2026 ($175.4 million);
- 21 February 2027 ($100.0 million); and
- 5 February 2028 ($75.0 million)

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2021 were $22.2 million (30 Jun 2020: $14.3 million).

21. Other financial liabilities

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current		
Financial liabilities	**4,045**	3,577
Total current	**4,045**	3,577
Non-current		
Financial liabilities	**13,092**	9,588
Total non-current	**13,092**	9,588

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

22. Issued securities

	30 Jun 2021 $'000	30 Jun 2020 $'000
(a) Carrying values		
Balance at beginning of the year	**1,218,908**	900,417
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	**10,879**	19,273
Institutional Placement, Rights Issue and Share Purchase Plan	**-**	309,064
Equity raising costs	**(57)**	(9,846)
Balance at end of the year	**1,229,730**	1,218,908
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**37,140**	36,187
Ingenia Communities Fund	**1,102,443**	1,093,696
Ingenia Communities Management Trust	**90,147**	89,025
	1,229,730	1,218,908

	30 Jun 2021 '000	30 Jun 2020 '000
(b) Number of issued securities		
Balance at beginning of the year	**325,553**	236,375
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	**2,324**	4,237
Institutional Placement, Rights Issue and Share Purchase Plan	**-**	84,941
Balance at end of the year	**327,877**	325,553

(c) Term of securities

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

23. Reserves

	30 Jun 2021 $'000	30 Jun 2020 $'000
Share-based payment reserve		
Balance at the beginning of year	**(1,933)**	1,933
Payments to employee share trust	**(5,000)**	(4,750)
Lapsed rights	**-**	(74)
Share-based payment expense	**2,066**	958
Balance at the end of year	**(4,867)**	(1,933)

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

24. Accumulated losses

	30 Jun 2021 $'000	30 Jun 2020 $'000
Balance at beginning of the year	**(273,954)**	(276,603)
Net profit for the year	**72,781**	31,452
Distributions	**(30,657)**	(28,877)
Lapsed rights	**-**	74
Balance at end of the year	**(231,830)**	(273,954)
The closing balance is attributable to the security holders of:		
Ingenia Communities Holding Limited	**74,423**	38,353
Ingenia Communities Fund	**(319,751)**	(316,668)
Ingenia Communities Management Trust	**13,498**	4,361
	(231,830)	(273,954)

25. Commitments

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $74,145,936 (30 Jun 2020: $28,407,358).

On 28 May 2021, Ingenia entered into a subscription agreement with Land Lease Home Loans (LLHL), a loan originator specifically focused on providing secured home loans to residents or prospective residents of land lease communities. Subject to several conditions precedent, Ingenia will subscribe for a 33.33% stake in the business.

In addition to this, and subject to the same conditions precedent, Ingenia has committed to invest up to $3.0 million to a special purpose vehicle (SPV) which will fund the loans to borrowers who will reside in an Ingenia Lifestyle community. The SPV will benefit from an equitable assignment of the loans made by LLLHL. LLHL will take a first loss risk on the loans up to 5%. As at 30 June 2021, the conditions precedent have not been satisfied and the investment has not completed.

26. Contingent liabilities

The Group has the following contingent liabilities:

- Bank guarantees totalling $22.2 million provided for under the $525.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

27. Share based payment transactions

The Group's current Rights Plan provides for the issuance of rights to eligible employees, which upon a determination by the Board that the performance conditions attached to the rights have been met, result in the issue of stapled securities in the Group for each right. The Rights Plan was approved at the 10 November 2020 Annual General Meeting and contains the following:

(a) Short-Term Incentive Plan (STIP)

STIP performance rights are awarded to eligible employees whose achievements, behaviour, and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. STIP rights are subject to a one year vesting deferral period from the issue date and allow for certain lapsing conditions within the deferral period, should certain conditions occur. Under the FY21 Rights Plan, 33.3% of the maximum STI for the CEO and 50.0% for the CFO will be paid in cash, with the balance being a deferred equity element.

The deferred expense for conditional STIP rights recognised for the period is $535,013 (30 Jun 2020: $527,017) 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 2021.

(b) Long-Term Incentive Plan (LTIP)

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

The FY21 LTIP Rights are subject to the following LTIP Performance Conditions:

- 50% based on Total Shareholder Return (TSR); and
- 50% based on Return on Equity (ROE).

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

27. Share based payment transactions (continued)

TSR is benchmarked against the ASX 200 A-REIT Index, whilst ROE is benchmarked against internal targets. The number of LTIP rights that will vest depends on the TSR and ROE achieved.

The fair value of LTIPs is recognised as an employee benefit expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period. The total LTIP expense recognised for the financial year was $668,737 (30 Jun 20: $560,820).

(c) Talent Rights Grant (TRG)

During FY21, TRG Rights were granted with the purpose of retaining and incentivising non-KMP employees who have been identified as having a key role in the successful achievement of the Group's strategy.

In order to vest, the TRG Rights are subject to the Group's Rights Plan, employees remaining in service and their satisfactory performance.

The fair value is expensed on a straight-line basis over the vesting period; 50% vesting in FY23 and the remaining 50% vesting in FY24. The total TRG expense recognised for the financial year was $413,537 (30 Jun 20: nil).

(d) Fixed Remuneration Rights (FRR)

Fixed Remuneration of executive KMP is reviewed annually, with any adjustments subject to Board approval. When an adjustment to Fixed Remuneration is approved by the Board, the delivery of all or part of any increase in Fixed Remuneration may, at the Board's discretion, be in the form of an annual grant of Rights to INA Securities. The Board considers that delivery in Rights, instead of cash, further aligns the interests of the executive with security holders.

For FY21, Mr Owen's TFR increased by $35,000 in the form of 7,778 FRR's as approved by security holders at the 10 November 2020 AGM. This was fully expensed in FY21.

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

(i) 30/06/2021	STIP Thousands	LTIP Thousands	TRG Thousands	FRR Thousands
Outstanding at beginning of year	**169**	**1,660**	**–**	**–**
Lapsed during the year	**–**	**(164)**	**–**	**–**
Granted during the year	**130**	**429**	**275**	**8**
Exercised during the year	**(25)**	**(155)**	**–**	**–**
Outstanding at end of year	**274**	**1,770**	**275**	**8**
Weighted average remaining life of outstanding rights (years)	**0.3**	**1.3**	**1.6**	**–**

(ii) 30/06/2020	STIP Thousands	LTIP Thousands	TRG Thousands	FRR Thousands
Outstanding at beginning of year	297	1,329	–	–
Lapsed during the year	–	(50)	–	–
Granted during the year	139	473	–	–
Exercised during the year	(267)	(92)	–	–
Outstanding at end of year	169	1,660	–	–
Weighted average remaining life of outstanding rights (years)	0.3	1.3	–	–

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For the year ended 30 June 2021 | continued

27. Share based payment transactions (continued)

The fair value of LTIPs and TRG's granted during the year was estimated using Monte Carlo and Binomial simulation models. Assumptions made in determining the fair value, and the results are:

STIPs

Grant Date	**01 Oct 2020**
Security price at grant date	$4.65
30 day Volume Weighted Average Price (VWAP) at start of performance period	$4.50
Expected remaining life at grant date (years)	1
Risk-free interest rate at grant date	0.17%
Share price volatility	25.00%
STIP fair value	$4.41

LTIPs

Grant Date	**01 Oct 2020**
Security price at grant date	$4.65
30 day Volume Weighted Average Price (VWAP) at start of performance period	$4.50
Expected remaining life at grant date	3
Risk-free interest rate at grant date	0.19%
Distribution yield	2.00%
LTIP fair value	$2.61

TRGs

Grant Date	**01 Oct 2020**
Security price at grant date	$4.65
30 day Volume Weighted Average Price (VWAP) at start of performance period	$4.50
Expected remaining life at grant date	2.5
Risk-free interest rate at grant date	0.17%
Share price volatility	25%
TRG fair value	$4.30

28. Capital management

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

28. Capital management (continued)

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant under the Group's $525.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, ground leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2021, the LVR of 22.2% (30 June 2020: 8.4%).

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities. At 30 June 2021, the Total Interest Cover Ratio was 16.59x (30 Jun 2020: 8.35x) and the Core Interest Cover Ratio was 12.86x (30 Jun 2020: 6.15x).

29. Financial instruments

(a) Introduction

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

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

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

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

(b) Interest rate risk

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

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investment, Derivatives, and Borrowing policy. At 30 June 2021, approximately 30% of the Group's borrowings are at a fixed rate with interest rate caps in place to provide further rate protection, bringing the total hedging to 50% of drawn debt (30 Jun 2020: nil).

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Financial instruments (continued)

(c) Interest rate risk exposure

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

		Fixed interest maturing in:			
30 Jun 2021 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**18,797**	**–**	**–**	**–**	**18,797**
Financial liabilities					
Bank debt	**175,000**	**–**	**–**	**75,000**	**250,000**
Lease Liabilities – Right-of-use-asset	**–**	**1,406**	**2,720**	**–**	**4,126**
Lease Liabilities – Ground leases	**–**	**1,036**	**3,983**	**15,101**	**20,120**
Interest rate swaps: Group pays fixed rate when above cap rate	**(50,000)**	**–**	**50,000**	**–**	**–**

30 Jun 2020 $'000					
Financial assets					
Cash at bank	10,751	–	–	–	10,751
Financial liabilities					
Bank debt	73,000	–	–	–	73,000
Lease Liabilities – Right-of-use-asset	–	1,072	1,209	–	2,281
Lease liabilities – Ground leases	–	777	2,944	6,661	10,382

The Group has entered into ground leases in relation to certain Lifestyle, Holidays and Mixed Use investment properties. The leases are long-term in nature and range between 8 years to perpetuity.

Perpetual leases are recognised as investment property and non-current liability at a value of $2.9 million based on a capitalisation rate applicable at the time of acquisition of applied to the current lease payment. As 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.

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

(d) Interest rate sensitivity analysis

The impact of an increase or decrease in average interest rates of 1% (100 bps) at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the interest rate risk exposures in existence at balance sheet date.

	Effect on profit after tax higher/(lower)	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**
Increase in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**(1,750)**	(730)
Interest rate cap (AUD denominated)	**295**	–
Decrease in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	**1,750**	730
Interest rate cap (AUD denominated)	**–**	–

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Financial instruments (continued)

(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 not the Australian dollar. It excludes assets and liabilities of entities, including equity accounted investments, whose functional currency is not the Australian dollar.

	Net foreign currency assets	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**
Net foreign currency exposure:		
United States dollars	**1,013**	1,014
New Zealand dollars	**260**	264

The impact of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is considered to be limited based on the foreign exchange risk exposures in existence at balance sheet date.

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

(g) 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.

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Financial instruments (continued)

(h) 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, loan maturities within the next year and an allowance for unforeseen events such as tenant default.

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 ensures resilience against breaking its covenants on its primary debt facilities by assessing the following sensitivities:

- 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.

30 Jun 2021	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	**56,353**	**5,682**	**–**	**62,035**
Borrowings(1)	**5,681**	**190,153**	**140,745**	**336,579**
Right-of-use asset leases	**1,406**	**2,932**	**–**	**4,338**
Ground leases (excluding perpetual leases)	**1,059**	**4,493**	**28,422**	**33,974**
Ground leases (perpetual leases)(2)	**260**	**1,041**	**–**	**1,301**
	64,759	**204,301**	**169,167**	**438,227**
30 Jun 2020				
Trade and other payables	41,488	–	–	41,488
Borrowings(1)	2,182	77,546	–	79,728
Right-of-use asset leases	1,072	1,289	–	2,361
Ground leases (excluding perpetual leases)	802	3,374	12,086	16,262
Ground leases (perpetual leases)(2)	121	483	–	604
	45,665	82,692	12,086	140,443

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

(2) For the purpose of the table above, lease payments are included for five years for perpetual leases.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Financial instruments (continued)

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

30 Jun 2021	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Liabilities				
Other financial liabilities	**4,045**	**13,092**	**–**	**17,137**
	4,045	**13,092**	**–**	**17,137**

30 Jun 2020				
Liabilities				
Other financial liabilities	3,741	9,424	–	13,165
	3,741	9,424	–	13,165

(i) Other Financial Instrument Risk

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

	Effect on profit after tax higher/(lower)	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**
Increase in market prices of investment properties of 10%	**(43)**	(149)
Decrease in market prices of investment properties of 10%	**43**	149

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.

(j) Fair Value

The Group uses the following fair value measurement hierarchy:

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Financial instruments (continued)

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

Financial assets/ financial liabilities	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Residents' loans	Loans measured as the ingoing resident's contribution plus the resident's share of capital appreciation to reporting date, less DMF accrued to reporting date.	Estimated current market value of residential property. Estimated length of stay of residents based on life tables.	The higher the appreciation, the higher the value of resident loans. The longer the length of stay, the lower the value of resident loans.
Derivative interest rate cap	Net present value of future cash flows discounted at market rates adjusted for the Group's credit risk.	N/A	N/A
Unlisted property funds	Capitalisation method for existing rental streams. Refer to Note 11.	N/A	N/A
Other financial liabilities	Discounted cash flow	N/A	N/A

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

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

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

30. Fair value measurement

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

(a) Assets measured at fair value

		Fair value measurement using:			
30 Jun 2021	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Investment properties	30-Jun-21 Note 11	**-**	**-**	**1,231,336**	**1,231,336**
Assets held for sale - investment property	30-Jun-21 Note 10(a)	**-**	**-**	**9,600**	**9,600**
Other financial assets	30-Jun-21 Note 16	**-**	**699**	**13,225**	**13,924**
30 Jun 2020					
Investment properties	30-Jun-20 Note 11	-	-	943,958	943,958
Assets held for sale - investment property	30-Jun-20 Note 10(a)	-	-	32,623	32,623
Other financial assets	30-Jun-20 Note 16	-	-	13,862	13,862

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

30. Fair value measurement (continued)

(b) Liabilities measured at fair value

		Fair value measurement using:			
30 Jun 2021	**Date of valuation**	**Quoted prices in active markets (Level 1) $'000**	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Resident loans	30-Jun-21	**–**	**–**	**308**	**308**
Liabilities held for sale	30-Jun-21 Note 10(b)	**–**	**–**	**–**	**–**
Other financial liabilities	30-Jun-21 Note 21	**–**	**–**	**17,137**	**17,137**
30 Jun 2020					
Resident loans	30-Jun-20	–	–	308	308
Liabilities held for sale	30-Jun-20 Note 10(b)	–	–	5,175	5,175
Other financial liabilities	30-Jun-20 Note 21	–	–	13,165	13,165

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

31. Auditor's remuneration

	30 Jun 2021 $	**30 Jun 2020 $**
Fees for auditing the statutory financial report	**523,394**	497,500
Fees for assurance services that are required by legislation:		
AFSL	**41,050**	38,500
Fees for other services:		
Technical advice	**21,500**	–
System review	**–**	–
Total fees to Ernst & Young	**585,944**	536,000

32. Related parties

(a) Key management personnel

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

	30 Jun 2021 $	**30 Jun 2020 $**
Directors fees	**760,835**	651,213
Salaries and other short-term benefits	**1,388,169**	1,423,368
Short-term incentives (payable in cash)	**303,156**	158,400
Superannuation benefits	**60,163**	63,009
Share-based payments	**956,048**	762,875
	3,468,371	3,058,866

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

32. Related parties (continued)

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

			Number outstanding	
Issue date	**Right Type**	**Vesting date**	**30 Jun 2021**	**30 Jun 2020**
FY16[1]	LTIP	FY19	**91,068**	91,068
FY17[1]	LTIP	FY20	**110,855**	128,819
FY17[1]	STIP	FY19	**2,437**	2,437
FY18[1]	LTIP	FY21	**243,726**	493,568
FY18[1]	STIP	FY20	**34,300**	34,300
FY19	LTIP	FY22	**488,548**	496,917
FY19[1]	STIP	FY21	**111,020**	132,436
FY20	LTIP	FY23	**442,547**	450,234
FY20	STIP	FY22	**126,609**	–
FY21	FRR	FY22	**7,778**	–
FY21	LTIP	FY24	**383,537**	–
FY21	TRG	FY23	**137,671**	–
FY21	TRG	FY24	**137,671**	–
			2,317,767	1,829,779

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

(b) Fees income

During the year, the Group generated fee income from the joint venture with Sun Communities and the management of funds.

	30 Jun 2021 $	**30 Jun 2020 $**
Fee income from associate	**2,072,703**	602,691
Fee income from funds management	**2,204,485**	1,831,639
	4,277,188	2,434,330

33. Company financial information

Summary financial information about the Company is:

	30 Jun 2021 $'000	**30 Jun 2020 $'000**
Current assets	**9,811**	10,853
Total assets	**28,569**	26,121
Current liabilities	**2,398**	1,235
Total liabilities	**2,396**	1,233
Net assets	**26,173**	24,888
Security holders' equity:		
Issued securities	**37,140**	36,187
Reserves	**(4,867)**	(1,933)
Accumulated losses	**(6,100)**	(9,366)
Total security holders' equity	**26,173**	24,888
Profit/(loss) from continuing operations	**3,266**	(2,722)
Net profit/(loss) attributable to security holders	**3,266**	(2,722)
Total comprehensive income/(loss)	**3,266**	(2,722)

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

33. Company financial information (continued)

Closed Group disclosures

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

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

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

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets	**31,950**	38,301
Total assets	**55,505**	51,818
Current liabilities	**6,138**	5,798
Total liabilities	**10,066**	10,345
Net assets	**45,439**	41,473
Security holders' equity:		
Issued securities	**37,140**	36,187
Reserves	**(4,867)**	(1,933)
Retained earning	**13,166**	7,219
Total security holders' equity	**45,439**	41,473
Revenue	**57,016**	52,376
Operating expenses	**(49,655)**	(51,997)
Profit from continuing operations	**7,361**	379
Total comprehensive income	**7,361**	379

34. Subsidiaries

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

		Ownership interest	
	Country of residence	30 Jun 2021 %	30 Jun 2020 %
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Garden Villages Pty Ltd	Australia	**100**	100
INA Kiwi Communities Pty Ltd	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Management Pty Ltd	Australia	**100**	100
INA Settlers Co Pty Ltd	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

34. Subsidiaries (continued)

	Country of residence	Ownership interest 30 Jun 2021 %	Ownership interest 30 Jun 2020 %
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
Settlers Property Trust	Australia	**100**	–
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Ridge Estate Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No.1	Australia	**100**	100
INA Subsidiary Trust No.3	Australia	**100**	100
INA Operations Pty Ltd	Australia	**100**	100
INA Operations Trust No.1	Australia	**100**	100
INA Operations Trust No.2	Australia	**100**	100
INA Operations Trust No.3	Australia	**100**	100
INA Operations Trust No.4	Australia	**100**	100
INA Operations Trust No.6	Australia	**100**	100
INA Operations Trust No.7	Australia	**100**	100
INA Operations Trust No.8	Australia	**100**	100
INA Operations Trust No.9	Australia	**100**	100
INA Operations Trust No.10	Australia	**100**	–
INA Operations Trust No.11	Australia	**100**	–
INA DMF Management Pty Ltd	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Latitude One Development Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA Operations No.3 Pty Limited	Australia	**100**	100
IGC NZ Student Holdings Ltd	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No 1	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No 2	New Zealand	**100**	100
INA Community Living LLC	USA	**100**	100
INA Community Living Subsidiary Trust No. 2	Australia	**100**	100
INA Development Pty Limited	Australia	**100**	100
INA Development Management Pty Limited	Australia	**100**	100
INA Plantations Development Pty Limited	Australia	**100**	100
INA Hervey Bay Development Pty Limited	Australia	**100**	100
INA Natures Edge Development Pty Limited	Australia	**100**	100
INA Bargara Development Pty Limited	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

34. Subsidiaries (continued)

	Country of residence	Ownership interest 30 Jun 2021 %	30 Jun 2020 %
INA Beveridge Development Pty Limited	Australia	**100**	100
INA Ballarat Development Pty Limited	Australia	**100**	100
INA Development No.3 Pty Limited	Australia	**100**	100
INA Lara Development Pty Limited	Australia	**100**	100
INA Lifestyle Operations Pty Limited	Australia	**100**	100
INA Lifestyle Landowner Pty Limited	Australia	**100**	100
INA Subsidiary Trust No.4	Australia	**100**	100
INA Subsidiary Trust No.5	Australia	**100**	100
INA Subsidiary Trust No.6	Australia	**100**	100
INA Subsidiary Trust No.7	Australia	**100**	–
INA Subsidiary Trust No.8	Australia	**100**	–
INA Lifestyle Landowner Trust	Australia	**100**	100
INA Lifestyle Operations Trust	Australia	**100**	100
INA Operations Management Trust	Australia	**100**	100
Emmetlow Pty Ltd	Australia	**100**	100
Park Trust	Australia	**100**	100
Eighth Gate Capital Management Pty Ltd	Australia	**100**	100
Eighth Gate Pty Ltd	Australia	**100**	100
Eighth Gate Capital Management No.3	Australia	**100**	100
Eighth Gate Capital Management No.4	Australia	**100**	100
Eighth Gate Capital Management No.5	Australia	**100**	100
Eighth Gate Capital Management No.6	Australia	**100**	100
Eighth Gate Capital Management No.7	Australia	**100**	100
Eighth Gate Capital Management No.8	Australia	**100**	100
Allswell Communities Pty Ltd	Australia	**100**	100

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

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current assets	**1,321**	2,287	**35,206**	63,980
Non-current assets	**1,032,113**	849,161	**892,225**	719,005
Total Assets	**1,033,434**	851,448	**927,431**	782,985
Current liabilities	**1,895**	2,820	**60,351**	47,792
Non-current liabilities	**248,847**	71,600	**764,135**	642,507
Total Liabilities	**250,742**	74,420	**824,486**	690,299
Net Assets/Equity	**782,692**	777,028	**102,945**	92,686
Revenue	**33,061**	24,688	**201,676**	169,518
Expenses	**(5,487)**	(4,308)	**(192,539)**	(176,531)
Profit/(loss) after tax	**27,574**	20,380	**9,137**	(7,013)
Total comprehensive income/(loss)	**27,574**	20,380	**9,137**	(7,013)

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

35. Notes to cashflow statement

Reconciliation of profit to net cash flow from operating activities:

	30 Jun 2021 $'000	30 Jun 2020 $'000
Net profit for the year	**72,781**	31,452
Adjustments for:		
Share of joint venture (income)	**(840)**	(134)
Net loss/(gain) on change in fair value of:		
Investment properties	**3,270**	33,807
Financial liabilities	**5,135**	2,195
Investments and other financial instruments	**(1,702)**	(32)
Income tax expense/(benefit)	**10,230**	(3,612)
Net loss on disposal of investment properties	**516**	1,567
Operating profit before tax	**89,390**	65,243
Depreciation and amortisation	**3,863**	3,244
Share-based payments expense	**2,066**	958
GST recoverable on investing activities	**5,604**	7,315
Finance costs	**(1,058)**	(2,664)
Operating cash flow before changes in working capital	**99,865**	74,096
Changes in working capital:		
Decrease/(increase) in receivables	**1,928**	(610)
Decrease/(increase) in inventory	**22,651**	(214)
Decrease/(increase) in other payables and provisions	**13,202**	(6,084)
Net cash provided by operating activities	**137,646**	67,188

36. Subsequent events

Final FY21 distribution

On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

Acquisition of a portfolio of holiday parks

During the month of July 2021, the Group acquired a portfolio of five holiday parks, located across the east coast of Australia, from the Mexicala Caravan Park Group for a purchase price of $32.5 million.

Acquisition of Kings Point Retreat

On 11 August 2021, the Group completed the acquisition of Kings Point Retreat, located on the South Coast of NSW, for a purchase price of $15.8 million.

Operating restrictions due to COVID-19

Post 30 June 2021, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our business.

Directors' Declaration

For the year ended 30 June 2021

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 2021 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the year ended on that date; and

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

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

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

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

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

On-behalf of the Board

Jim Hazel
Chairman
Adelaide, 18 August 2021

Independent Auditor's Report

For the year ended 30 June 2021

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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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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

1. Valuation of Investment Property

Why significant	How our audit addressed the key audit matter
Approximately 91% of the Group's total assets comprise investment properties (both those disclosed as investment properties and equity accounted investments). These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date. This is considered a key audit matter as valuations contain several assumptions which are based on direct market comparisons or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The Group has three categories of investment properties as disclosed in Note 11 to the financial report. Three of these categories are considered material and involve significant judgement. - The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key judgements include capitalisation rates, a market and contractual rent and forecast occupancy levels. - The Lifestyle 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 Tourism portfolio consists of 'Holidays and Mixed Use' investment properties earning revenue from short-term residential and tourism rentals.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: - We reviewed the controls in place relevant to the valuation process; - We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis; - We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; - We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer; - On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance;

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

Specific assumptions and judgements of the impact of COVID-19 are contained within Note 11 to the financial report. These include impact on property sale settlements, revenue and operational costs.

As at 30 June 2021 valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it continues. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021.

- On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;
- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 11 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 36.

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

- 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, actions taken to eliminate threats or safeguards applied.

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 57 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
Sydney
18 August 2021

Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports

For the year ended 30 June 2021

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Directors' Report

For the year ended 30 June 2021

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

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

The Directors' Report is a combined Directors' Report that covers the Trusts for the year ended 30 June 2021 (the "current period").

Directors

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

Non-Executive Directors (NEDs)

Jim Hazel	(Chairman)
Robert Morrison	(Deputy Chairman)
Amanda Heyworth	
Pippa Downes	
Gary Shiffman	
John McLaren	(Alternate Director to Gary Shiffman)
Gregory Hayes	(appointed, effective 17 September 2020)
Sally Evans	(appointed, effective 1 December 2020)
Andrew McEvoy	(resigned, effective 30 September 2020)

Executive Director

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

Company Secretaries

Natalie Kwok	(Chief Investment Officer and General Counsel (CIO and GC))
Nhu Nguyen	

Operating and Financial Review

ICF and ICMT overview

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

The Group is an active owner, manager and developer of a diversified portfolio of lifestyle, rental and holiday communities across Australia. The Group's real estate assets at 30 June 2021 were valued at $1.2 billion, comprising 45 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 26 rental communities (Ingenia Gardens). The Group manages a further 12 communities through its development JV and funds management platform. The Group was included in the S&P/ASX 200 in December 2019 and had a market capitalisation of approximately $2.0 billion at 30 June 2021.

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

Our Values

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

Directors' Report

For the year ended 30 June 2021 | continued

Strategy

The Group is positioning for scale and long-term sector leadership whilst delivering growth in net operating income, enhancing the operational performance of its investment properties and developing new communities.

Using a disciplined investment framework, the Group will: continue to grow its lifestyle, holiday and mixed use communities business in metropolitan and coastal locations; build out its existing development pipeline; expand development and revenue streams through the Joint Venture with Sun Communities, Inc (NYSE: SUI) and funds management platform.

The immediate business priorities of the Group are:

- Capitalise on opportunities to expand the development pipeline to deliver new rental contracts;
- Improve performance of existing communities and integrate new communities to drive growth in rental returns;
- Improve resident and guest experience and satisfaction;
- Focus on sales and marketing effectiveness to successfully launch new projects, grow settlements and rental base;
- Accelerate investment in new rental and tourism cabins;
- Expand the funds management platform and deliver compelling performance for investors;
- Execute the development joint venture business plan with Sun Communities;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Continue to respond to operating environment, maintain focus on employee, resident and guest health and safety;
- Continue to advance focus on sustainable home design and construction; and
- Build on the Group's sustainability program, enhancing disclosures as initiatives are progressed.

FY21 financial results

The year to 30 June 2021 delivered total revenue of $295.6 million, up 21% on the prior year. The Group settled 380[1] turnkey homes (30 Jun 2020: 325 homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to $99.3 million (30 Jun 2020: $72.5 million).

Statutory profit of $72.8 million was up 131% on the prior year. The statutory result reflects the combination of growth in underlying earnings and fair value movements on investment property arising from: improved capitalisation rates, offset by transaction costs on new acquisitions and; a reduction of fair value associated with the realisation of development profits on settlement of new homes.

Underlying profit from continuing operations was $77.2 million, which represents an increase of $18.1 million (31%) on the prior year. The underlying result was positively impacted by a significantly higher EBIT contribution from Lifestyle Development (up 16% on prior year) and strong demand for domestic tourism, with the Holidays segment EBIT contribution up 57% on the prior year. Ingenia Lifestyle Rental EBIT of $16.5 million, was up 43% with Ingenia Gardens EBIT of $10.9 million, up 7% from the prior year.

Operating cash flow for the period was $137.6 million, up 105% from the prior year, reflecting growth in lifestyle home profits, growth in recurring rental income, the impact of new operational communities acquired in the year and positive working capital movement. The Group grew its investment in Lifestyle, Holidays and Mixed Use communities during the period, through both acquisition and progressing the Group's development pipeline which continued to grow the Group's recurring rental base.

The Group continued to divest non-core assets to support the Group's capital recycling strategy, with the divestment of Ingenia Holidays Albury, Ingenia Holidays Sun Country and its last remaining DMF retirement village.

The Group's underlying earnings per security increased 7% from prior year.

Key metrics

- Net profit for the year for ICF $27.6 million (30 Jun 2020: $20.4 million profit)
- Net profit for the year for ICMT of $9.1 million (30 Jun 2020: $7.0 million loss)
- Full year distributions of 10.5 cents per unit by ICF, nil from ICMT.

Segment performance and priorities

Capital Partnerships

Development Joint Venture

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

The Joint Venture delivered 30 settlements from its first greenfield project located at Burpengary, QLD and is progressing the development planning on its Fullerton Cove, NSW and Morrisett, NSW developments, which are due to commence construction in FY22. The Joint Venture has other acquisition opportunities under exclusive due diligence or option which it is seeking the appropriate planning approvals for.

During FY21, fees generated by Ingenia from the Joint Venture relate to acquisition, asset development and sales management.

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

Directors' Report

For the year ended 30 June 2021 | continued

Performance

	30 Jun 2021	30 Jun 2020	Change %
Greenfield properties (#)	**3**	2	50%
Investment carrying value ($m)	**32.8**	15.9	106%
New home settlements (#)	**30**	7	NM
Fee income ($m)	**2.1**	0.6	NM
Joint venture revenue ($m)	**11.4**	2.6	NM
Joint venture operating profit/(loss) ($m)	**5.0**	(0.2)	NM
Share of profit from joint venture ($m)	**0.8**	0.1	NM

Strategic priorities

The strategic priorities for the Joint Venture are to continue to acquire greenfield sites in key metro and coastal markets and to develop a significant portfolio of new lifestyle communities. The Joint Venture leverages the expertise and local market knowledge of Ingenia to identify, acquire and develop sites. Once homes are sold, Ingenia will also provide operational services to the lifestyle communities. At completion of development, Ingenia has the right to acquire the communities at market value. Ingenia generates origination, development and management fees for these services plus a performance fee for above hurdle rate returns.

Funds Management

The Group's funds and asset management business manage six funds that invest in lifestyle and holiday communities situated in NSW, QLD and VIC. The Group receives fees for the management and development of the assets and management of the funds.

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

	30 Jun 2021	30 Jun 2020	Change %
Investment carrying value ($m)	**13.2**	13.9	(5%)
Fee income ($m)	**2.2**	1.8	22%
Distribution income ($m)	**0.7**	0.2	NM

Strategic priorities

The strategic priority of the funds management business is to leverage the Group's platform to provide additional growth by increasing assets under management and delivering performance to fund investors.

Capital management

In February 2021, the Group entered into a new seven-year $75.0 million debt facility with the Clean Energy Finance Corporation (CEFC), increasing the Group's combined facility limit to $525.0 million (30 June 2020: $450.0 million).

During the year the Group refinanced $350.0 million of debt facilities. As a result, the margin on these facilities was reduced and the tenor was extended, resulting in a weighted average term to maturity of 5.3 years at 30 June 2021. As at 30 June 2021, the debt facilities were drawn to $250.0 million.

The Group's Loan to Value Ratio ("LVR") was 22.2%, gearing was 17.5% and the Group was 50% hedged at 30 June 2021.

Distributions

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

- On 16 February 2021, the Directors declared an interim distribution of 5.0 cps, amounting to $16.3 million which was paid on 25 March 2021.
- On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

FY22 outlook

The Group is well positioned to meet the growing demand for affordable community living with increased market awareness and an increasing number of downsizers.

The Group's strong balance sheet and deal flow provides continuing capacity for growth and sector leadership. Ingenia expects to continue to benefit from the growth in domestic tourism as current restrictions continue to limit international travel.

Directors' Report

For the year ended 30 June 2021 | continued

The Group will continue to grow its lifestyle communities business and development pipeline, continue to assess acquisition opportunities within the seniors rental market as Ingenia Gardens continues to provide high-yield stable recurring cash flows.

The priority for Lifestyle Rental is to continue to enhance the performance of existing assets by delivering rental growth and investing in new rental homes.

The priority for Ingenia Holidays and Mixed Use is to enhance the customer experience and invest in new tourism cabins, refurbishment of existing cabins.

The Group will focus on increasing its assets under management through its capital partnerships.

Ingenia will continue to deliver on its environmental commitments towards an energy and carbon reduction program as the Group targets a 30% reduction in carbon emissions over the next five years and a carbon neutral operation by 2035.

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

Significant Changes in the State of Affairs

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

Events Subsequent to Reporting Date

Final FY21 distribution

On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

Acquisition of a portfolio of holiday parks

During the month of July 2021, the Group acquired a portfolio of five holiday parks, located across the east coast of Australia, from the Mexicala Caravan Park Group for a purchase price of $32.5 million.

Acquisition of Kings Point Retreat

On 11 August 2021, the Group completed the acquisition of Kings Point Retreat, located on the South Coast of NSW, for a purchase price of $15.8 million.

Operating restrictions due to COVID-19

Post 30 June 2021, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our business.

Likely Developments

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

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

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

Environmental Regulation

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

Group Indemnities

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

Indemnification of Auditors

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

Directors' Report

For the year ended 30 June 2021 | continued

Interests of Directors of the Responsible Entity

Securities of the Group held by directors of the Responsible Entity or associates of the directors as at 30 June 2021 were:

	Issued stapled securities	Rights
Jim Hazel	418,541	–
Robert Morrison	224,837	–
Amanda Heyworth	178,641	–
Pippa Downes	32,148	–
Gary Shiffman(1)	33,208,510	–
John McLaren(1)	33,208,510	–
Gregory Hayes	–	–
Sally Evans	–	–
Simon Owen	1,404,658	1,024,759

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

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

Other Information

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 117.

Non-Audit Services

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

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

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

Rounding of Amounts

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

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

Jim Hazel
Chairman
Adelaide, 18 August 2021

Auditor's Independence Declaration

For the year ended 30 June 2021

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

Building a better working world

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

As lead auditor for the audit of the financial reports of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
18 August 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

		ICF		ICMT	
	Note	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Lifestyle home sales		**-**	–	**43,414**	47,467
Residential rental income		**-**	–	**64,103**	54,155
Tourism rental income		**-**	–	**53,828**	35,508
Annuals rental income		**-**	–	**4,646**	4,462
Other revenue		**13,819**	10,644	**35,685**	27,926
Revenue		**13,819**	10,664	**201,676**	169,518
Cost of lifestyle homes sold		**-**	–	**(26,226)**	(27,495)
Employee expenses		**-**	–	**(50,394)**	(43,044)
Property expenses		**(825)**	(514)	**(33,059)**	(27,788)
Administrative expenses		**(856)**	(690)	**(7,642)**	(5,651)
Operational, marketing and selling expenses		**-**	–	**(11,754)**	(9,735)
Service station expenses		**-**	–	**(8,477)**	(6,279)
Responsible entity fee and expenses		**(4,622)**	(4,166)	**(4,053)**	(3,646)
Depreciation and amortisation expense	10, 11, 12	**(2)**	(26)	**(15,463)**	(12,435)
Operating profit before interest and tax		**7,514**	5,268	**44,608**	33,445
Net finance income/(expense)		**19,244**	14,024	**(23,249)**	(18,894)
Operating profit before tax		**26,758**	19,292	**21,359**	14,551
Share of joint venture loss	13	**(1,186)**	(42)	**(72)**	(26)
Net gain/(loss) on change in fair value of:					
Investment properties	9(b)	**1,767**	1,865	**(5,037)**	(24,507)
Financial liabilities		**-**	–	**(5,024)**	(417)
Investments and other financial instruments		**235**	38	**1,459**	(6)
Other		**-**	(773)	**(516)**	(794)
Profit/(loss) before tax		**27,574**	20,380	**12,169**	(11,199)
Income tax (expense)/benefit	5	**-**	–	**(3,032)**	4,186
Net profit/(loss) for the year		**27,574**	20,380	**9,137**	(7,013)
Total comprehensive income/(loss) for the year net of income tax		**27,574**	20,380	**9,137**	(7,013)
Profit/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**27,574**	20,380	**-**	–
Ingenia Communities Management Trust		**-**	–	**9,137**	(7,013)
		27,574	20,380	**9,137**	(7,013)
Total comprehensive income/(loss) attributable to unit holders of:					
Ingenia Communities Fund		**27,574**	20,380	**-**	–
Ingenia Communities Management Trust		**-**	–	**9,137**	(7,013)
		27,574	20,380	**9,137**	(7,013)

Earnings per unit:		Cents	Cents	Cents	Cents
Basic earnings per unit	4	**8.4**	7.6	**2.8**	(2.6)
Diluted earnings per unit	4	**8.4**	7.6	**2.8**	(2.6)

Notes to the Consolidated Financial Statements are included on pages 123 to 158.

Consolidated Balance Sheet

As at 30 June 2021

		ICF		ICMT	
	Note	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Current assets					
Cash and cash equivalents		**1,104**	1,687	**16,485**	8,065
Trade and other receivables	6	**217**	600	**2,835**	5,746
Inventories	7	**-**	-	**6,286**	17,546
Assets held for sale	8(a)	**-**	-	**9,600**	32,623
Total current assets		**1,321**	2,287	**35,206**	63,980
Non-current assets					
Trade and other receivables	6	**1,315**	5,493	**-**	-
Receivable from related party	27(e)	**641,217**	614,299	**-**	-
Investment properties	9	**362,105**	217,404	**798,468**	669,818
Other financial assets	14	**699**	-	**13,203**	13,847
Investment in a joint venture	13	**26,774**	11,960	**-**	-
Plant and equipment	10	**3**	5	**5,123**	4,323
Intangibles	11	**-**	-	**2,258**	1,772
Right-of-use-assets	12	**-**	-	**65,211**	18,251
Deferred tax asset	15	**-**	-	**7,962**	10,994
Total non-current assets		**1,032,113**	849,161	**892,225**	719,005
Total assets		**1,033,434**	851,448	**927,431**	782,985
Current liabilities					
Trade and other payables	16	**1,895**	2,820	**40,415**	27,722
Borrowings	17	**-**	-	**16,603**	12,414
Employee liabilities		**-**	-	**3,218**	2,481
Other financial liabilities	18	**-**	-	**115**	183
Liabilities held for sale	8(b)	**-**	-	**-**	5,175
Total current liabilities		**1,895**	2,820	**60,351**	47,975
Non-current liabilities					
Payable to related party	27(e)	**-**	-	**673,926**	611,236
Borrowings	17	**247,165**	71,600	**72,311**	22,015
Other financial liabilities	18	**-**	-	**13,092**	8,433
Employee liabilities		**-**	-	**806**	640
Other payables	16	**1,682**	-	**4,000**	-
Total non-current liabilities		**248,847**	71,600	**764,135**	642,324
Total liabilities		**250,742**	74,420	**824,486**	690,299
Net assets		**782,692**	777,028	**102,945**	92,686

Consolidated Balance Sheet

As at 30 June 2021 | continued

		ICF		ICMT	
	Note	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Equity					
Issued units	19(a)	**1,102,443**	1,093,696	**90,147**	89,025
(Accumulated losses)/Retained earnings	20	**(319,751)**	(316,668)	**13,498**	4,361
Unit holders interest		**782,692**	777,028	**103,645**	93,386
Non-controlling interest		**–**	–	**(700)**	(700)
Total equity		**782,692**	777,028	**102,945**	92,686
Attributable to unit holders of:					
Ingenia Communities Fund		**782,692**	777,028	**(700)**	(700)
Ingenia Communities Management Trust		**–**	–	**103,645**	93,386
		782,692	777,028	**102,945**	92,686

Notes to the Consolidated Financial Statements are included on pages 123 to 158.

Consolidated Cash Flow Statement

For the year ended 30 June 2021

		ICF		ICMT	
	Note	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Cash flows from operating activities					
Rental and other property income		**-**	-	**156,064**	114,879
Property and other expenses		**(2,266)**	(128)	**(100,960)**	(89,114)
Government subsidy		**-**	-	**4,819**	2,906
Proceeds from sale of lifestyle homes		**-**	-	**47,368**	52,274
Purchase of lifestyle homes		**-**	-	**(19,610)**	(32,843)
Proceeds from sale of service station inventory		**-**	-	**10,761**	8,082
Purchase of service station inventory		**-**	-	**(9,368)**	(6,966)
Net movement in resident loans		**-**	-	**(137)**	(465)
Interest received		**3**	44	**12**	38
Borrowing costs paid		**(5,861)**	(9,271)	**(40)**	(16)
	30	**(8,124)**	(9,355)	**88,909**	48,775
Cash flows from investing activities					
Payments for investment properties		**(131,217)**	(26,296)	**(78,652)**	(59,304)
Additions to investment properties		**(19,476)**	(4,517)	**(23,944)**	(43,728)
Purchase and additions of plant and equipment		**-**	-	**(2,330)**	(1,600)
Purchase and additions of intangible assets		**-**	-	**(1,221)**	(492)
Proceeds from sale of investment properties		**-**	-	**16,502**	2,591
Payments for acquisition of financial assets		**-**	-	**-**	(13,847)
Investment in joint venture		**(16,000)**	(750)	**-**	-
Other		**-**	-	**2,105**	-
		(166,693)	(31,563)	**(87,540)**	(116,380)
Cash flows from financing activities					
Proceeds from issue of stapled securities		**8,793**	270,012	**1,133**	34,414
Payments for security issue costs		**(46)**	(8,108)	**(11)**	(1,029)
Distributions to unit holders		**(30,657)**	(28,877)	**-**	-
Proceeds/(Repayment of) from related party borrowings		**21,425**	(25,857)	**8,106**	29,079
Proceeds from borrowings		**249,500**	201,000	**-**	-
Repayment of borrowings		**(72,500)**	(369,000)	**-**	-
Payments for debt issue costs		**(1,938)**	(698)	**-**	-
Payment for derivatives and financial instruments		**(343)**	(2,496)	**-**	-
Other		**-**	-	**(2,177)**	(272)
		174,234	35,976	**7,051**	62,192
Net (decrease)/increase in cash and cash equivalents		**(583)**	(4,942)	**8,420**	(5,413)
Cash and cash equivalents at the beginning of the year		**1,687**	6,629	**8,065**	13,478
Cash and cash equivalents at the end of the year		**1,104**	1,687	**16,485**	8,065

Notes to the Consolidated Financial Statements are included on pages 123 to 158.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to security holders				
		ICF				
		Issued Capital	Retained Earnings	Total	Non-controlling interest	Total Equity
	Note	$'000	$'000	$'000	$'000	$'000
Carrying value 1 Jul 2020		**1,093,696**	**(316,668)**	**777,028**	**-**	**777,028**
Net profit		**-**	**27,574**	**27,574**	**-**	**27,574**
Total comprehensive income		**-**	**27,574**	**27,574**	**-**	**27,574**
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	**8,747**	**-**	**8,747**	**-**	**8,747**
Payment of distributions to security holders	20	**-**	**(30,657)**	**(30,657)**	**-**	**(30,657)**
Carrying value 30 Jun 2021		**1,102,443**	**(319,751)**	**782,692**	**-**	**782,692**
Carrying value 1 Jul 2019		831,792	(308,171)	523,621	–	523,621
Net profit		–	20,380	20,380	–	20,380
Total comprehensive income		–	20,380	20,380	–	20,380
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	261,904	–	261,904	–	261,904
Payment of distributions to security holders	20	–	(28,877)	(28,877)	–	(28,877)
Carrying value 30 Jun 2020		1,093,696	(316,668)	777,028	–	777,028

		Attributable to security holders				
		ICMT				
		Issued Capital	Retained Earnings	Total	Non-controlling interest	Total Equity
	Note	$'000	$'000	$'000	$'000	$'000
Carrying value 1 Jul 2020		**89,025**	**4,361**	**93,386**	**(700)**	**92,686**
Net profit		**-**	**9,137**	**9,137**	**-**	**9,137**
Total comprehensive income		**-**	**9,137**	**9,137**	**-**	**9,137**
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	**1,122**	**-**	**1,122**	**-**	**1,122**
Other		**-**	**-**	**-**	**-**	**-**
Carrying value 30 Jun 2021		**90,147**	**13,498**	**103,645**	**(700)**	**102,945**
Carrying value 1 Jul 2019		55,640	11,374	67,014	(700)	66,314
Net loss		–	(7,013)	(7,013)	–	(7,013)
Total comprehensive income		–	(7,013)	(7,013)	–	(7,013)
Transactions with security holders in their capacity as security holders:						
Issue of securities	19(a)	33,385	–	33,385	–	33,385
Other		–	–	–	–	–
Carrying value 30 Jun 2020		89,025	4,361	93,386	(700)	92,686

Notes to the Consolidated Financial Statements are included on pages 123 to 158.

Notes to the Financial Statements

For the year ended 30 June 2021

1. Summary of significant accounting policies

(a) The Trusts

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

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

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

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

The financial report as at and for the year ended 30 June 2021 was authorised for issue by the Directors on 18 August 2021.

(b) Basis of preparation

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

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

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

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

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

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

(c) Adoption of new and revised accounting standards

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.

The Group assessed the impact of the recently published IFRIC agenda decision on Accounting for cloud computing costs. Based on analysis performed, the impact of the adoption of the IFRIC agenda decision is immaterial.

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under AASB 102 *Inventories*. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, the exact impact of the IFRIC agenda decision on the Group cannot be reliably estimated at the date of this report, however based on preliminary analysis performed, the Group expects an immaterial impact from the adoption of the IFRIC agenda decision. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

(d) Principles of consolidation

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(e) Business combinations and goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed.

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

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

(f) Assets held for sale

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

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

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

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

(g) Dividends and distributions

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

(h) Foreign currency

Functional and presentation currencies

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

Translation foreign currency transactions

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

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

(i) Leases

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

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

Right-of-use assets

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

Lease liabilities

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

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

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

In calculating the present value of lease payments, the Trusts uses the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Trusts' lease liabilities are included in Borrowings (Note 17). Leases for investment property which apply the fair value model are classified as investment property per AASB 140 *Investment Properties*.

(j) Plant and equipment

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

(k) Financial assets and liabilities

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

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

(l) Impairment of non-financial assets

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

(m) Cash and cash equivalents

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

(n) Trade and other receivables

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(o) Inventories

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

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

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

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

(p) Derivative and financial instruments

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

(q) Investment property

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

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

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

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

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

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

(r) Intangible assets

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

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

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

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

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

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

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

(s) Trade and other payables

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(t) Provisions, including for employee benefits

General

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

Wages, salaries, annual leave and sick leave

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

Long service leave

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

(u) Resident loans

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

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

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

(v) Borrowings

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

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

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

(w) Issued equity

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

(x) Revenue

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

(y) Income tax

Current income tax

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

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

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

Deferred income tax

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

Tax consolidation

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

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

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

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

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

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

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

(aa) Investment in a joint venture

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(bb) Fair value measurement

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

1. Summary of significant accounting policies (continued)

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

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

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

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

(cc) Earnings per share ("EPS")

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

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

(dd) Pending accounting standards

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

(ee) Current versus non-current classification

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

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

A liability is current when:

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

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

At 30 June 2021, the ICF recorded a net current asset deficiency of $574,000. ICF has access to $252,900,000 of available undrawn bank facilities. Accordingly, there are reasonable grounds to believe that ICF will be able to pay its debts as and when they become due and payable; and the financial report of the ICF has been prepared on a going concern basis.

At 30 June 2021, ICMT recorded a net current asset deficiency of $25,145,000. This deficiency is due to a decrease in inventory and an increase in advanced deposits held compared to prior year. The decline in inventory is driven by strong lifestyle home sales in the second half of FY21. ICMT current liabilities and commitments will be funded through forecast operating cashflows and available undrawn debt facilities of the Group. 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 the ICMT has been prepared on a going concern basis.

(ff) Government grants

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

2. Accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumptions

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

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

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

These carrying value reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. The valuation assumption for properties to be developed reflect sales prices for new homes, sales rates, new rental tariffs, estimates of capital expenditure, discount rates and projected property growth rates. The valuation assumptions for deferred management fee villages reflect average length of stay, unit market values, estimates of capital expenditure, contract terms with residents, discount rates and projected property growth rates. Refer to Note 9 for the impact of COVID-19 on valuation assumptions.

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

ii. Valuation of inventories

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

iii. Fair value of derivatives

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information

(a) Description of segments

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

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

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

(b) ICF – 2021

	Residential				
	Lifestyle	Gardens	Tourism	Other	
	Lifestyle Rental $'000	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Corporate & Other $'000**	**Total $'000**
Segment revenue					
Rental income	2,937	10,702	180	–	**13,819**
Total revenue	**2,937**	**10,702**	**180**	**–**	**13,819**
Segment underlying profit					
Rental income	2,937	10,702	180	–	**13,819**
Property expenses	–	–	–	(825)	**(825)**
Administrative expenses	–	–	–	(856)	**(856)**
Depreciation and amortisation expense	(2)	–	–	–	**(2)**
Earnings before interest and tax	**2,935**	**10,702**	**180**	**(1,681)**	**12,136**
Share of loss of a joint venture					**(1,186)**
Net finance income					**19,244**
Total underlying profit					**30,194**
Net gain/(loss) on change in fair value of:					
Investment properties					**1,767**
Investments and other financial instruments					**235**
Other					**–**
Responsible entity fees					**(4,622)**
Profit after tax					**27,574**
Segment assets	204,292	173,643	(206,411)	861,910	**1,033,434**
Total assets	**204,292**	**173,643**	**(206,411)**	**861,910**	**1,033,434**

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information (continued)

(c) ICF – 2020

	Residential				
	Lifestyle	Gardens	Tourism	Other	
	Lifestyle Rental $'000	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Corporate & Other $'000**	**Total $'000**
Segment revenue					
Rental income	1,675	8,989	–	–	**10,664**
Total revenue	**1,675**	**8,989**	**–**	**–**	**10,664**
Segment underlying profit					
Rental income	1,675	8,989	–	–	**10,664**
Property expenses	–	–	–	(514)	**(514)**
Administrative expenses	–	–	–	(690)	**(690)**
Depreciation and amortisation expense	(2)	–	–	(24)	**(26)**
Earnings before interest and tax	**1,673**	**8,989**	**–**	**(1,228)**	**9,434**
Share of loss of a joint venture					**(42)**
Net finance income					**14,024**
Total underlying profit					**23,416**
Net gain/(loss) on change in fair value of:					
Investment properties					**1,865**
Investments and other financial instruments					**38**
Other					**(773)**
Responsible entity fees					**(4,166)**
Profit after tax					**20,380**
Segment assets	58,829	161,665	–	630,954	**851,448**
Total assets	**58,829**	**161,665**	**–**	**630,954**	**851,448**

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information (continued)

(d) ICMT – 2021

	Residential						
	Lifestyle		Gardens	Tourism	Other		
	Lifestyle Development $'000	**Lifestyle Rental $'000**	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Fuel, Food & Beverage Services $'000**	**Corporate & Other $'000**	**Total $'000**
Segment revenue							
Lifestyle home sales	43,414	–	–	–	–	–	**43,414**
Residential rental income	–	31,245	23,106	9,568	–	185	**64,104**
Tourism rental income	–	564	–	53,264	–	–	**53,828**
Annuals rental income	–	–	–	4,646	–	–	**4,646**
Other revenue	–	2,870	2,731	2,732	16,356	10,995	**35,684**
Total revenue	**43,414**	**34,679**	**25,837**	**70,210**	**16,356**	**11,180**	**201,676**
Segment underlying profit							
External segment revenue	43,414	34,679	25,837	70,210	16,356	11,180	**201,676**
Cost of lifestyle homes sold	(26,226)	–	–	–	–	–	**(26,226)**
Employee expenses	(12,390)	(8,482)	(6,038)	(20,118)	(3,270)	(96)	**(50,394)**
Property expenses	(803)	(7,488)	(6,727)	(15,138)	(810)	(2,093)	**(33,059)**
Administrative expenses	(1,404)	(1,837)	(988)	(3,000)	(66)	(347)	**(7,642)**
Operational, marketing and selling expenses	(4,347)	(59)	(994)	(2,702)	(2,422)	(1,230)	**(11,754)**
Service station expenses	–	–	–	(25)	(8,452)	–	**(8,477)**
Depreciation and amortisation expense	(689)	(361)	(167)	(574)	(56)	(13,616)	**(15,463)**
Earnings before interest and tax	**(2,445)**	**16,452**	**10,923**	**28,653**	**1,280**	**(6,202)**	48,661
Share of loss of a joint venture							**(72)**
Net finance expense							**(23,249)**
Income tax expense							**(5,768)**
Total underlying profit							19,572
Net (loss)/gain on change in fair value of:							
Investment properties							**(5,037)**
Financial liabilities							**(5,024)**
Investments and other financial instruments							**1,459**
Other							**(516)**
Income tax benefit							**2,736**
Responsible entity fees							**(4,053)**
Profit after tax							9,137
Segment assets							
Segment assets	34,148	314,055	3,562	461,105	339	104,622	**917,831**
Assets held for sale	–	9,600	–	–	–	–	**9,600**
Total assets	**34,148**	**323,655**	**3,562**	**461,105**	**339**	**104,622**	927,431

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

3. Segment information (continued)

(e) ICMT – 2020

	Residential			Tourism	Other		
	Lifestyle		Gardens				
	Lifestyle Development $'000	**Lifestyle Rental $'000**	**Ingenia Gardens $'000**	**Holidays & Mixed Use $'000**	**Fuel, Food & Beverage Services $'000**	**Corporate & Other $'000**	**Total $'000**
Segment revenue							
Lifestyle home sales	47,467	–	–	–	–	–	**47,467**
Residential rental income	–	22,558	22,194	9,271	–	132	**54,155**
Tourism rental income	–	396	–	35,112	–	–	**35,508**
Annuals rental income	–	–	–	4,462	–	–	**4,462**
Other revenue	–	1,776	2,845	3,135	12,690	7,480	**27,926**
Total revenue	**47,467**	**24,730**	**25,039**	**51,980**	**12,690**	**7,612**	**169,518**
Segment underlying profit							
External segment revenue	47,467	24,730	25,039	51,980	12,690	7,612	**169,518**
Cost of lifestyle homes sold	(27,495)	–	–	–	–	–	**(27,495)**
Employee expenses	(11,704)	(6,245)	(5,996)	(16,062)	(2,918)	(119)	**(43,044)**
Property expenses	(900)	(5,625)	(6,739)	(12,543)	(659)	(1,322)	**(27,788)**
Administrative expenses	(1,278)	(1,108)	(966)	(2,099)	(67)	(133)	**(5,651)**
Operational, marketing and selling expenses	(3,579)	(38)	(902)	(2,545)	(2,126)	(545)	**(9,735)**
Service station expenses	–	–	–	–	(6,279)	–	**(6,279)**
Depreciation and amortisation expense	(721)	(210)	(233)	(389)	(52)	(10,830)	**(12,435)**
Earnings before interest and tax	**1,790**	**11,504**	**10,203**	**18,342**	**589**	**(5,337)**	**37,091**
Share of loss of a joint venture							**(26)**
Net finance expense							**(18,894)**
Income tax expense							**(5,344)**
Total underlying profit							**12,827**
Net (loss)/gain on change in fair value of:							
Investment properties							**(24,507)**
Financial liabilities							**(417)**
Investments and other financial instruments							**(6)**
Other							**(794)**
Income tax benefit							**9,530**
Responsible entity fees							**(3,646)**
Loss after tax							**(7,013)**
Segment assets							
Segment assets	92,473	216,657	3,313	392,041	339	45,539	**750,362**
Assets held for sale	–	10,500	–	13,448	–	8,675	**32,623**
Total assets	**92,473**	**227,157**	**3,313**	**405,489**	**339**	**54,214**	**782,985**

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

4. Earnings per unit

	ICF		ICMT	
	30 Jun 2021	**30 Jun 2020**	**30 Jun 2021**	**30 Jun 2020**
Profit/(loss) attributable to security holders ($'000)	**27,574**	20,380	**9,137**	(7,013)
Weighted average number of securities outstanding (thousands)				
Issued securities (thousands)	**326,725**	267,272	**326,725**	267,272
Dilutive securities (thousands)				
Long-term incentives	**1,749**	1,542	**1,749**	1,542
Short-term incentives	**249**	264	**249**	264
Talent Rights Grant	**145**	–	**145**	–
Fixed Remuneration Rights	**4**	–	**4**	–
Weighted average number of issued and dilutive potential units outstanding (thousands)	**328,872**	269,078	**328,872**	269,078
Basic earnings per unit (cents)	**8.4**	7.6	**2.8**	(2.6)
Dilutive earnings per unit (cents)	**8.4**	7.6	**2.8**	(2.6)

5. Income tax expense

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
(a) Income tax (expense)/benefit				
Current tax (expense)/benefit	**-**	–	**(1,373)**	1,301
(Decrease)/increase in deferred tax asset	**-**	–	**(1,659)**	2,885
Income tax (expense)/benefit	**-**	–	**(3,032)**	4,186
(b) Reconciliation between tax expense and pre-tax net profit				
Profit/(loss) before income tax	**27,574**	20,380	**12,169**	(11,199)
Less amounts not subject to Australian income tax	**(27,574)**	(20,380)	**-**	–
	-	–	**12,169**	(11,199)
Income tax at the Australian tax rate of 30% (30 June 2020: 30%)	**-**	–	**(3,651)**	3,360
Tax effect of amounts which impact tax expense:				
Prior period income tax return true-ups	**-**	–	**-**	1,314
Other	**-**	–	**619**	(488)
Income tax (expense)/benefit	**-**	–	**(3,032)**	4,186

(c) Tax consolidation

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

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

6. Trade and other receivables

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Current				
Trade receivables	**11**	10	**347**	494
Prepayments	**–**	–	**980**	1,449
Deposits	**–**	–	**1,055**	260
Other receivables	**206**	232	**453**	3,543
Finance lease receivable from stapled entity	**–**	358	**–**	–
Total current trade and other receivables	**217**	600	**2,835**	5,746
Non-current				
Finance lease receivable from stapled entity	**–**	4,051	**–**	–
Other receivables	**1,315**	1,442	**–**	–
Total non-current and other receivables	**1,315**	5,493	**–**	–

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

ICF had previously leased a property to ICMT which had been classified as a ground lease. The property was sold during FY21.

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Minimum lease payments receivable:				
Not later than one year	**–**	358	**–**	–
Later than one year and not later than five years	**–**	1,500	**–**	–
Later than five years	**–**	31,651	**–**	–
	–	33,509	**–**	–
Unearned finance income	**–**	(29,100)	**–**	–
Net present value of minimum lease payments	**–**	4,409	**–**	–
Net present value of minimum lease payments receivable:				
Not later than one year	**–**	358	**–**	–
Later than one year and not later than five years	**–**	1,165	**–**	–
Later than five years	**–**	2,886	**–**	–
	–	4,409	**–**	–
Finance income recognised and included in interest income in the statement of comprehensive income	**–**	358	**–**	–

Information about the related ground lease payable by ICMT is given in Note 27.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

7. Inventories

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Lifestyle homes				
Completed	**-**	–	**2,117**	12,056
Display homes	**-**	–	**1,162**	2,232
Under construction	**-**	–	**2,650**	2,943
Fuel, food and beverage	**-**	–	**357**	315
Total inventories	**-**	–	**6,286**	17,546

The lifestyle home balance includes:

- 14 new completed homes (30 Jun 2020: 64)
- 3 refurbished/renovated/annuals completed homes (30 Jun 2020: 12)
- 10 display homes (30 Jun 2020: 12)
- Lifestyle homes under construction includes 63 partially completed homes at different stages of development (30 Jun 2020: 29). It also includes demolition, site preparation costs and buybacks on future development sites.

8. Assets and liabilities held for sale

(a) Summary of carrying value - Assets

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

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Investment properties held for sale:				
Upper Coomera, Upper Coomera, QLD	**-**	–	**9,600**	10,500
Gladstone, South Gladstone, QLD	**-**	–	**-**	8,675
Albury, Lavington, NSW	**-**	–	**-**	4,475
Sun Country, Mulwala, NSW	**-**	–	**-**	8,973
Total assets held for sale	**-**	–	**9,600**	32,623

A loss on change in fair value of investment properties of $2,011,000 (30 June 2020: $1,498,000) was recognised on assets held for sale.

(b) Summary of carrying value – Liabilities

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

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Net resident loans – Gladstone	–	–	–	5,175
Total liabilities held for sale	**-**	–	**-**	5,175

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

9. Investment properties

(a) Summary of carrying value

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Completed properties	**286,409**	217,404	**770,696**	595,080
Properties under development	**75,696**	–	**27,772**	74,738
Total carrying value	**362,105**	217,404	**798,468**	669,818

(b) Movements in carrying value

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Carrying value at beginning of the year	**217,404**	184,217	**669,818**	623,542
Acquisitions	**135,104**	18,697	**83,092**	65,530
Expenditure capitalised	**7,830**	12,625	**48,584**	29,201
Net gain/(loss) on change in fair value(1)	**1,767**	1,865	**(3,026)**	(24,507)
Transfer to assets held for sale	**–**	–	**–**	(23,948)
Carrying value at the end of the year	**362,105**	217,404	**798,468**	669,818

(1) Net of loss on change in fair value of acquisition costs: ICF $8,624,000 (30 Jun 2020: $1,572,000) and ICMT: $5,661,000 (30 Jun 2020: $3,943,000).

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

Capitalisation method

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

Discounted cash flow method

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

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

COVID-19 Valuation impact

In response to the uncertainty surrounding the COVID-19 pandemic, a COVID-19 net profit shortfall adjustment was previously incorporated for some holiday assets in line with external valuation methodology in June 2020. The majority of these adjustments have been reversed in FY21 based on external valuation advice reflecting strong transaction multiples across the holiday sector, and above budget performance at holiday assets from pent-up demand. External valuers are of the opinion that COVID-19 has limited impact on the Ingenia Gardens, and Ingenia Lifestyle and Rentals portfolios.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

9. Investment properties (continued)

In assessing the fair value of the investment properties, the Trusts have considered the following:

Segment	COVID-19 Considerations
Ingenia Gardens	– Limited increase in operational costs. – Recent occupancy rates are at historical highs, indicating strong segment resilience. – Strong debtor collection with no increase in defaults.
Ingenia Lifestyle and Rental	– Limited increase in operational costs. – Strong debtor collection with no increase in defaults. – Continued market transactions in comparable lifestyle assets supporting capitalisation rates.
Ingenia Holidays and Mixed Use	– Limited increase in operational costs. – Strong forward bookings for majority of assets. – Impact of travel restrictions on revenue are relatively short term with most cancellations rebooked later. – Continued market transactions in holiday assets supporting capitalisation rates and approach to normalising of net operating income.
Lifestyle Development	– Short term slowdown in the residential housing market and the impact on settlements. – Limited impact on development progress.

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

10. Plant and equipment

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
(a) Summary of carrying value				
Plant and equipment	**10**	10	**8,044**	6,276
Less: accumulated depreciation	**(7)**	(5)	**(2,921)**	(1,953)
Total plant and equipment	**3**	5	**5,123**	4,323
(b) Movements in carrying value				
Carrying value at beginning of the year	**5**	31	**4,323**	4,081
Additions	**–**	–	**2,447**	1,500
Disposals	**–**	–	**(423)**	(282)
Depreciation expense	**(2)**	(26)	**(1,224)**	(976)
Carrying value at end of the year	**3**	5	**5,123**	4,323

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

11. Intangibles

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
(a) Summary of carrying value				
Software and development	**-**	–	**4,917**	3,838
Less: accumulated amortisation	**-**	–	**(2,659)**	(2,066)
Total intangibles	**-**	–	**2,258**	1,772
(b) Movements in carrying value				
Carrying value at beginning of the year	**-**	–	**1,772**	1,717
Additions	**-**	–	**1,137**	568
Disposals	**-**	–	**(28)**	(10)
Amortisation expense	**-**	–	**(623)**	(503)
Carrying value at end of the year	**-**	–	**2,258**	1,772

12. Right-of-use assets

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
(a) Summary of carrying amounts				
Plant and equipment	**-**	–	**1,177**	1,035
Land and buildings	**-**	–	**88,573**	28,172
Less: accumulated depreciation	**-**	–	**(24,539)**	(10,956)
Carrying amount at end of the year	**-**	–	**65,211**	18,251
(b) Movements in carrying amount				
Carrying value at beginning of the year	**-**	–	**18,251**	–
Recognised on adoption of AASB 16		–	**-**	29,207
Additions	**-**	–	**60,576**	–
Disposals	**-**	–	**-**	–
Depreciation expense	**-**	–	**(13,616)**	(10,956)
Carrying amount at end of the year	**-**	–	**65,211**	18,251

ICF has leased investment properties to ICMT, which it have been classified as operating leases. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2021 are as follows:

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Within one year	**16,557**	11,651	**-**	–
Later than one year but not later than five years	**39,447**	4,188	**-**	–
Later than five years	**14,177**	3,938	**-**	–
Carrying amount at end of the year	**70,181**	19,777	**-**	–

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

13. Investment in a joint venture

Together, ICF and ICMT hold a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Trusts' interest in the Joint Venture is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Trusts investment in the joint venture entities:

Balance Sheet	ICF 30 Jun 2021 $'000	ICF 30 Jun 2020 $'000	ICMT 30 Jun 2021 $'000	ICMT 30 Jun 2020 $'000
Current assets	**809**	4,564	**18**	6
Non-current assets[(1)]	**52,780**	19,451	**266**	177
Current liabilities	**(41)**	(95)	**(284)**	(183)
Equity	**53,548**	23,920	**–**	–
Trusts' share in equity – 50%	**26,774**	11,960	**–**	–
Group's carrying value in investment	**26,774**	11,960	**–**	–

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

Statement of Comprehensive Income	ICF 30 Jun 2021 $'000	ICF 30 Jun 2020 $'000	ICMT 30 Jun 2021 $'000	ICMT 30 Jun 2020 $'000
Revenue	**169**	–	**362**	8
Expenses	**(226)**	(353)	**(519)**	(75)
Depreciation	**–**	–	**(16)**	(8)
Loss before tax	**(57)**	(353)	**(173)**	(75)
Interest income	**10**	27		
Impairment	**(505)**	–	**–**	–
Net (loss)/gain on change in fair value of investment property	**(1,819)**	242	**–**	–
Loss before income tax	**(2,371)**	(84)	**(173)**	(75)
Income tax benefit	**–**	–	**30**	23
Total comprehensive loss for the year	**(2,371)**	(84)	**(143)**	(52)
Group's share of loss for the year	**(1,186)**	(42)	**(72)**	(26)

14. Other financial assets

	ICF 30 Jun 2021 $'000	ICF 30 Jun 2020 $'000	ICMT 30 Jun 2021 $'000	ICMT 30 Jun 2020 $'000
Unlisted property funds	**–**	–	**13,203**	13,847
Derivatives	**699**	–	**–**	–
Total non-current	**699**	–	**13,203**	13,847

Refer to Note 2 for valuation assumptions on ICMT's investment in unlisted property funds.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

15. Deferred tax assets and liabilities

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Deferred tax assets				
Tax losses	**-**	–	**22,739**	18,973
Deferred tax liabilities				
DMF receivable	**-**	–	**(45)**	(460)
Investment properties	**-**	–	**(14,732)**	(7,519)
Net deferred tax assets	**-**	–	**7,962**	10,994
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	**-**	–	**5,552**	5,552

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

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

16. Trade and other payables

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current				
Trade payables and accruals	**1,895**	2,820	**27,133**	18,675
Deposits	**-**	–	**12,301**	7,978
Other unearned income	**-**	–	**981**	1,069
	1,895	2,820	**40,415**	27,722
Non-current				
Other	**1,682**	–	**4,000**	–

17. Borrowings

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Current				
Lease liabilities – Right-of-use assets	**-**	–	**15,567**	11,278
Lease liabilities – Ground leases	**-**	–	**1,036**	1,136
	-	–	**16,603**	12,414
Non-current				
Bank debt	**250,000**	73,000	**-**	–
Prepaid borrowing costs	**(2,835)**	(1,400)	**-**	–
Lease liabilities – Right-of-use assets	**-**	–	**50,303**	7,227
Lease liabilities – Ground leases	**-**	–	**22,008**	14,788
	247,165	71,600	**72,311**	22,015

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

17. Borrowings (continued)

(a) Bank debt

During the year, the Group refinanced $350.0 million of debt facilities. As a result, the margin on these facilities was reduced and the tenor was extended. In February 2021, the Group entered into a new seven-year $75.0 million debt facility with the Clean Energy Finance Corporation (CEFC), increasing the Group's available debt to $525.0 million as at 30 Jun 2021 (30 Jun 2020: $450.0 million).

As part of the CEFC facility, the Group committed to a number of sustainability targets, including:

- Ingenia to achieve 30% reduction in Scope 1 and Scope 2 emissions within 5 years.
- Complete 10 homes under the Green Building Council Australia future home standard green star homes pilot program. Build a further 20 homes under the standard within 2 years of the green star homes rating tool being finalised and published for use.

As at 30 Jun 2021, the facilities have been drawn to $250.0 million (30 Jun 2020: $73.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $1,174.7 million (30 Jun 2020: $909.0 million).

The facility maturity dates are:

- 31 December 2025 ($174.6 million);
- 30 September 2026 ($175.4 million);
- 21 February 2027 ($100.0 million); and
- 5 February 2028 ($75.0 million)

(b) Bank guarantees

The Group has the ability to utilise its bank facilities to provide bank guarantees, which at 30 June 2021 were $22.2 million (30 Jun 2020: $14.3 million).

18. Other financial liabilities

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Current				
Financial liabilities	**–**	–	**115**	183
Total current	**–**	–	**115**	183
Non-current				
Financial liabilities	**–**	–	**13,092**	8,433
Total non-current	**–**	**–**	**13,092**	8,433

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

19. Issued units

(a) Carrying values

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Balance at beginning of the year	**1,093,696**	831,792	**89,025**	55,640
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	**8,793**	15,854	**1,128**	2,095
Institutional Placement, Rights Issue and Share Purchase Plan	**–**	254,158	**–**	32,319
Equity raising costs	**(46)**	(8,108)	**(6)**	(1,029)
Balance at end of the year	**1,102,443**	1,093,696	**90,147**	89,025
The closing balance is attributable to the security holders of:				
Ingenia Communities Fund	**1,102,443**	1,093,696	**–**	–
Ingenia Communities Management Trust	**–**	–	**90,147**	89,025
	1,102,443	1,093,696	**90,147**	89,025

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

19. Issued units (continued)

(b) Number of issued securities

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Balance at beginning of the year	**325,553**	236,375	**325,553**	236,375
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	**2,324**	4,237	**2,324**	4,237
Institutional Placement, Rights Issue and Share Purchase Plan	**–**	84,941	**–**	84,941
Balance at end of the year	**327,877**	325,553	**327,877**	325,553

(c) Term of securities

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

20. Accumulated losses and retained earnings

	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Balance at beginning of the year	**(316,668)**	(308,171)	**4,361**	11,374
Net profit/(loss) for the year	**27,574**	20,380	**9,137**	(7,013)
Distributions	**(30,657)**	(28,877)	**–**	–
Balance at end of the year	**(319,751)**	(316,668)	**13,498**	4,361
The closing balance is attributable to the security holders of:				
Ingenia Communities Fund	**(319,751)**	(316,668)	**–**	–
Ingenia Communities Management Trust	**–**	–	**13,498**	4,361
	(319,751)	(316,668)	**13,498**	4,361

21. Commitments

ICF has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $384,036 (30 Jun 2020: nil). ICMT has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $26,177,739 (30 Jun 2020: $10,072,103).

On 28 May 2021, Ingenia entered into a subscription agreement with Land Lease Home Loans (LLHL), a loan originator specifically focused on providing secured home loans to residents or prospective residents of land lease communities. Subject to several conditions precedent, Ingenia will subscribe for a 33.33% stake in the business.

In addition to this, and subject to the same conditions precedent, Ingenia has committed to invest up to $3.0 million to a special purpose vehicle (SPV) which will fund the loans to borrowers who will reside in an Ingenia Lifestyle community. The SPV will benefit from an equitable assignment of the loans made by LLLHL. LLHL will take a first loss risk on the loans up to 5%. As at 30 June 2021, the conditions precedent have not been satisfied and the investment has not completed.

22. Contingent liabilities

The Trusts have the following contingent liabilities:

– Bank guarantees totalling $22.2 million provided for under the $525.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

23. Capital management

The capital management of ICF and ICMT is managed at a consolidated Group level (ICH and subsidiaries).

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

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

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

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

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant under the Group's $525.0 million common terms debt facilities. LVR is calculated as the sum of bank debt, bank guarantees, ground leases, and interest rate swaps, less cash at bank, as a percentage of the value of properties pledged as security. The Group's strategy is to maintain an LVR range of 30-40%. As at 30 June 2021, the LVR of 22.2% (30 June 2020: 8.4%) is below target due to the completion of the equity raising in June 2021.

In addition, the Group monitors Interest Cover Ratio as defined under the common terms of the debt facilities. At 30 June 2021, the Total Interest Cover Ratio was 16.59x (30 Jun 2020: 8.35x) and the Core Interest Cover Ratio was 12.86x (30 Jun 2020: 6.15x).

24. Financial instruments

(a) Introduction

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

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

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

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

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

(b) Interest rate risk

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

The Trusts manage the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investments, Derivatives, and Borrowing Policy. At 30 June 2021, approximately 30% of the Trusts' borrowings are at a fixed rate with interest rate caps in place to provide further rate protection, bringing the total hedging to 50% of drawn debt (30 Jun 2020: nil).

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

24. Financial instruments (continued)

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

(c) Interest rate risk exposure

	ICF				
		Fixed interest maturing in:			
30 Jun 2021 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**1,104**	**–**	**–**	**–**	**1,104**
Ground leases (excluding perpetual lease)	**–**	**–**	**–**	**–**	**–**
Financial liabilities					
Bank debt	**175,000**	**–**	**–**	**75,000**	**250,000**
Interest rate cap; Group pays fixed rate when above cap rate	**(50,000)**	**–**	**50,000**	**–**	**–**
30 Jun 2020 $'000					
Financial assets					
Cash at bank	1,687	–	–	–	1,687
Ground leases (excluding perpetual lease)	–	358	1,165	2,886	4,409
Financial liabilities					
Bank debt	73,000	–	–	–	73,000
Interest rate cap; Group pays fixed rate when above cap rate	–	–	–	–	–

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

	ICMT				
		Fixed interest maturing in:			
30 Jun 2021 $'000	**Floating interest rate**	**Less than 1 year**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial assets					
Cash at bank	**16,485**	**–**	**–**	**–**	**16,485**
Financial liabilities					
Lease liabilities – Right-of-use-asset	**–**	**17,275**	**36,930**	**11,653**	**65,858**
Lease liabilities – Ground leases (excluding perpetual lease)	**–**	**1,036**	**3,983**	**15,101**	**20,120**
30 Jun 2020 $'000					
Financial assets					
Cash at bank	8,065	–	–	–	8,065
Financial liabilities					
Lease liabilities – Right-of-use-asset	–	11,297	3,568	3,639	18,504
Lease liabilities – Ground leases (excluding perpetual lease)	–	1,135	4,109	9,547	14,791

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

24. Financial instruments (continued)

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.

The Trusts have entered into ground leases in relation to certain Lifestyle, Holidays and Mixed Use investment properties. The leases are long-term in nature and range between 8 years to perpetuity.

Perpetual leases are recognised as investment property and non-current liability at a value of $2.9 million based on a capitalisation rate applicable at the time of acquisition of applied to the current lease payment. As 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.

(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.

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Increase in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**(1,750)**	(730)	**-**	–
Interest rate cap (AUD denominated)	**295**	–	**-**	–
Decrease in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	**1,750**	730	**-**	–
Interest rate cap (AUD denominated)	**-**	–	**-**	–

(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

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

	Net foreign currency asset			
	ICF		ICMT	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Net foreign currency exposure:				
United States dollars	**1,013**	1,014	**-**	–
New Zealand dollars	**260**	264	**-**	–

The impact of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is considered to be limited based on the foreign exchange risk exposures in existence at balance sheet date.

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

24. Financial instruments (continued)

(g) Credit risk

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

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

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

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

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

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

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

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

(h) Liquidity risk

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

The Trusts may also be exposed to contingent liquidity risk under 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 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.

In addition, the Trusts ensures resilience against breaking its covenants on its primary debt facilities by assessing the following sensitivities:

- 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 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.

	ICF			
	Less than 1 year $'000	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
30 Jun 2021				
Trade and other payables	**1,895**	**1,682**	**–**	**3,577**
Borrowings[1]	**5,681**	**190,153**	**140,745**	**336,579**
	7,576	**191,835**	**140,745**	**340,156**
30 Jun 2020				
Trade and other payables	2,820	–	–	2,820
Borrowings[1]	2,182	77,546	–	79,728
	5,002	77,546	–	82,548

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For the year ended 30 June 2021 | continued

24. Financial instruments (continued)

	ICMT			
	Less than 1 year $'000	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
30 Jun 2021				
Trade and other payables	**40,415**	**4,000**	**-**	**44,415**
Right-of-use asset leases	**17,275**	**39,998**	**14,177**	**71,450**
Ground leases (excluding perpetual lease)	**1,059**	**4,493**	**28,422**	**33,974**
Ground leases (perpetual lease)(2)	**260**	**1,041**	**-**	**1,301**
	59,009	**49,532**	**42,599**	**151,140**
30 Jun 2020				
Trade and other payables	27,722	–	–	27,722
Right-of-use asset leases	11,297	4,542	3,938	19,777
Ground leases (excluding perpetual lease)	1,177	4,874	43,924	49,975
Ground leases (perpetual lease)(2)	121	483	–	604
	40,317	9,899	47,862	98,078

(1) The balances above will not agree to the balance sheet as it includes the implied interest component.
(2) For purpose of the table above, the lease payments are included for five years for the perpetual lease.

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

	ICF			
	Less than 1 year $'000	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
30 Jun 2021				
Liabilities				
Other financial liabilities	**115**	**13,092**	**-**	**13,207**
	115	**13,092**	**-**	**13,207**
30 Jun 2020				
Liabilities				
Other financial liabilities	183	8,433	–	8,616
	183	8,433	–	8,616

(i) Other financial instrument risk

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

	Effect on profit after tax			
	ICF		ICMT	
	Higher/(lower)		Higher/(lower)	
	30 Jun 2021 $'000	**30 Jun 2020 $'000**	**30 Jun 2021 $'000**	**30 Jun 2020 $'000**
Increase in market prices of investment properties of 10%	**-**	–	**(43)**	(149)
Decrease in market prices of investment properties of 10%	**-**	–	**43**	149

These effects are largely offset by corresponding changes in the fair value of the Trusts' investment properties. The effect on unit holders' interest would have been the same as the effect on profit.

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

25. Fair value measurement

(a) Ingenia Communities Fund

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

i. Assets measured at fair value		Fair value measurement using:			
30 Jun 2021	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Investment properties	30-Jun-21 Note 9	**–**	**–**	**362,105**	**362,105**
Other financial assets	30-Jun-21 Note 14	**–**	**699**	**–**	**699**
30 Jun 2020					
Investment properties	30-Jun-20 Note 9	–	–	217,404	217,404
Other financial assets	30-Jun-20 Note 14	–	–	–	–

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

(b) Ingenia Communities Management Trust

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

i. Assets measured at fair value		Fair value measurement using:			
30 Jun 2021	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Investment properties	30-Jun-21 Note 9	**–**	**–**	**798,468**	**798,468**
Assets held for sale - investment property	30-Jun-21 Note 8(a)	**–**	**–**	**9,600**	**9,600**
Other financial assets	30-Jun-21 Note 14	**–**	**–**	**13,203**	**13,203**
30 Jun 2020					
Investment properties	30-Jun-20 Note 9	–	–	669,818	669,818
Assets held for sale - investment property	30-Jun-20 Note 8(a)	–	–	32,623	32,623
Other financial assets	30-Jun-20 Note 14	–	–	13,847	13,847

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

25. Fair value measurement (continued)

ii. Liabilities measured at fair value

		Fair value measurement using:			
30 Jun 2021	**Date of valuation**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Resident loans	30-Jun-21	**–**	**–**	**308**	**308**
Liabilities held for sale	30-Jun-21 Note 8(b)	**–**	**–**	**–**	**–**
Other financial liabilities	30-Jun-21 Note 18	**–**	**–**	**13,207**	**13,207**
30 Jun 2020					
Resident loans	30-Jun-20	–	–	308	308
Liabilities held for sale	30-Jun-20 Note 8(b)	–	–	5,175	5,175
Other financial liabilities	30-Jun-20 Note 18	–	–	8,616	8,616

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

26. Auditor's remuneration

	ICF		ICMT	
	30 Jun 2021 $	**30 Jun 2020 $**	**30 Jun 2021 $**	**30 Jun 2020 $**
Fees for auditing the statutory financial report	**174,889**	198,000	**174,889**	198,000
Fees for assurance services that are required by legislation:				
AFSL	**11,000**	10,000	**11,000**	10,000
Fees for other services:				
Technical advice	–	–	–	–
System review	–	–	–	–
Total fees to Ernst & Young	**185,889**	208,000	**185,889**	208,000

27. Related parties

(a) Responsible entity

The Responsible Entity for both Trusts from 4 June 2012 is Ingenia Communities RE Limited ("ICRE"). ICRE is an Australian domiciled company and is a wholly owned subsidiary of ICH.

(b) Fees of the responsible entity and its related parties

	ICF		ICMT	
	30 Jun 2021 $	**30 Jun 2020 $**	**30 Jun 2021 $**	**30 Jun 2020 $**
Ingenia Communities RE Limited:				
Asset management fees	**4,622,046**	4,165,601	**4,052,794**	3,645,980

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

27. Related parties (continued)

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

	ICF		ICMT	
	30 Jun 2021 $	**30 Jun 2020 $**	**30 Jun 2021 $**	**30 Jun 2020 $**
Current trade payables	**1,293,368**	1,100,918	**1,087,777**	947,130

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 2021 and 30 June 2020.

(d) Joint venture

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

	ICF		ICMT	
	30 Jun 2021 $	**30 Jun 2020 $**	**30 Jun 2021 $**	**30 Jun 2020 $**
Fee income from associate	**-**	–	**1,604,000**	406,000

(e) Other related party transactions

ICF has leased its investment property to ICMT. Rental villages have been classified as operating leases and the DMF village has been classified as a ground lease.

Intercompany loans are subject to a loan deed, amended on and effective from 1 July 2015, encompassing ICH, ICF and ICMT and their respective subsidiaries. The revised deed stipulates that interest is calculated on the intercompany balances between ICH, ICF and ICMT for the preceding month. Interest is charged at a margin of 3.95% on the monthly Australian Bank Bill Swap Reference Rate. Intercompany loan balances are payable in the event of default or on termination date, being 30 June 2025 (or such other date as agreed by the parties in writing).

ICMT has entered into development agreements with subsidiaries of ICH to develop land into lifestyle communities. These agreements are on arms-length terms and eliminate on consolidation in the Group results.

Pursuant to the terms of the agreements, subsidiaries of ICH received a development fee of $6,952,000 (30 June 2020: $4,470,000).

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

	ICF		ICMT	
	30 Jun 2021 $	**30 Jun 2020 $**	**30 Jun 2021 $**	**30 Jun 2020 $**
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**343,691**	374,936	**(343,691)**	(374,936)
Finance lease balance receivable/(payable) between ICF and ICMT	**-**	4,408,747	**-**	(4,408,747)
Finance lease commitments	**-**	33,525,542	**-**	(33,525,542)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	**13,818,875**	10,664,106	**(13,818,875)**	(10,664,106)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities	**24,949,386**	23,155,347	**(22,287,822)**	(17,972,592)
Intercompany loan balances between stapled entities	**641,217,461**	614,299,043	**(673,925,831)**	(611,235,769)

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

27. Related parties (continued)

(f) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

The names of the directors and KMP of ICRE, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

KMP	Position	Term
Non-Executive KMP		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gary Shiffman	Director	Full year
John McLaren	Alternate Director	Full year
Gregory Hayes	Director	Appointed, effective 17 September 2020.
Sally Evans	Director	Appointed, effective 1 December 2020.
Andrew McEvoy	Director	Resigned, effective 30 September 2020.
Executive KMP		
Simon Owen	CEO & Managing Director	Full year
Scott Noble	Chief Financial Officer	Full year
Natalie Kwok	Chief Investment Officer & General Counsel	Appointed, effective 1 January 2021.
Nicole Fisher	Chief Operating Officer	Resigned, effective 31 August 2020.

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

	30 Jun 2021 $	30 Jun 2020 $
Directors fees	**760,835**	651,213
Salaries and other short-term benefits	**1,388,169**	1,423,368
Short-term incentives (payable in cash)	**303,156**	158,400
Superannuation benefits	**60,163**	63,009
Share-based payments	**956,048**	762,875
	3,468,371	3,058,866

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

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

27. Related parties (continued)

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

Issue date	Right Type	Vesting date	Number outstanding 30 Jun 2021	Number outstanding 30 Jun 2020
FY16[(1)]	LTIP	FY19	**91,068**	91,068
FY17[(1)]	LTIP	FY20	**110,855**	128,819
FY17[(1)]	STIP	FY19	**2,437**	2,437
FY18[(1)]	LTIP	FY21	**243,726**	493,568
FY18[(1)]	STIP	FY20	**34,300**	34,300
FY19	LTIP	FY22	**488,548**	496,917
FY19[(1)]	STIP	FY21	**111,020**	132,436
FY20	LTIP	FY23	**442,547**	450,234
FY20	STIP	FY22	**126,609**	–
FY21	FRR	FY22	**7,778**	–
FY21	LTIP	FY24	**383,537**	–
FY21	TRG	FY23	**137,671**	–
FY21	TRG	FY24	**137,671**	–
			2,317,767	1,829,779

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

28. Parent entity financial information

Summary financial information about the parent of each Trust is:

	ICF 30 Jun 2021 $'000	ICF 30 Jun 2020 $'000	ICMT 30 Jun 2021 $'000	ICMT 30 Jun 2020 $'000
Current assets	**1,104**	1,713	**240**	1,300
Total assets	**996,175**	816,066	**38,905**	31,498
Current liabilities	**1,206**	2,681	**5,611**	1,578
Total liabilities	**248,373**	74,283	**76,399**	50,358
Net assets/(liabilities)	**747,802**	741,783	**(37,494)**	(18,860)
Security holders' equity:				
Issued securities	**1,102,443**	1,093,696	**90,147**	89,025
Accumulated losses	**(354,641)**	(351,913)	**(127,641)**	(107,885)
Total security holders' equity	**747,802**	741,783	**(37,494)**	(18,860)
Profit/(loss) from continuing operations	**27,929**	19,233	**(19,756)**	(16,252)
Net profit/(loss) attributable to security holders	**27,929**	19,233	**(19,756)**	(16,252)
Total comprehensive income/(loss)	**27,929**	19,233	**(19,756)**	(16,252)

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Subsidiaries

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

	Country of residence	30 Jun 2021 %	30 Jun 2020 %
Subsidiaries of ICF			
Bridge Street Trust	Australia	**100**	100
Browns Plains Road Trust	Australia	**100**	100
Casuarina Road Trust	Australia	**100**	100
Edinburgh Drive Trust	Australia	**100**	100
INA Community Living Subsidiary Trust	Australia	**100**	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	**100**	100
INA Sunny Trust	Australia	**100**	100
Jefferis Street Trust	Australia	**100**	100
Lovett Street Trust	Australia	**100**	100
Settlers Subsidiary Trust	Australia	**100**	100
Settlers Property Trust	Australia	**100**	–
SunnyCove Gladstone Unit Trust	Australia	**100**	100
SunnyCove Rockhampton Unit Trust	Australia	**100**	100
Taylor Street (2) Trust	Australia	**100**	100
INA Subsidiary Trust No.1	Australia	**100**	100
INA Community Living LLC	USA	**100**	100
INA Subsidiary Trust No.4	Australia	**100**	100
INA Subsidiary Trust No.5	Australia	**100**	–
INA Subsidiary Trust No.6	Australia	**100**	–
INA Subsidiary Trust No.7	Australia	**100**	–
INA Subsidiary Trust No.8	Australia	**100**	–
INA Lifestyle Landowner Trust	Australia	**100**	100
INA Community Living Subsidiary Trust No. 2	Australia	**100**	100

	Country of residence	30 Jun 2021 %	30 Jun 2020 %
Subsidiaries of ICMT			
Garden Villages Management Trust	Australia	**100**	100
INA Community Living Lynbrook Trust	Australia	**100**	100
Settlers Operations Trust	Australia	**100**	100
INA DMF Management Pty Ltd	Australia	**100**	100
INA Operations Trust No.1	Australia	**100**	100
INA Operations Trust No.2	Australia	**100**	100
INA Operations Trust No.3	Australia	**100**	100
INA Operations Trust No.4	Australia	**100**	100
INA Operations Trust No.6	Australia	**100**	100
INA Operations Trust No.7	Australia	**100**	100
INA Operations Trust No.8	Australia	**100**	100
INA Operations Trust No.9	Australia	**100**	100
INA Operations Trust No.10	Australia	**100**	–
INA Operations Trust No.11	Australia	**100**	–
Ridge Estate Trust	Australia	**100**	100

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

29. Subsidiaries (continued)

	Country of residence	30 Jun 2021 %	30 Jun 2020 %
INA Subsidiary Trust No.3	Australia	**100**	100
INA Latitude One Pty Ltd	Australia	**100**	100
INA Soldiers Point Pty Ltd	Australia	**100**	100
INA NZ Subsidiary Unit Trust No. 1	New Zealand	**100**	100
INA NZ Subsidiary Unit Trust No. 2	New Zealand	**100**	100
INA Lifestyle Operations Trust	Australia	**100**	100
INA Operations Management Trust	Australia	**100**	100
Emmetlow Pty Ltd	Australia	**100**	–
Park Trust	Australia	**100**	–

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

30. Notes to the cash flow statements

Reconciliation of profit to net cash flows from operations:

	ICF		ICMT	
	30 Jun 2021 $'000	30 Jun 2020 $'000	30 Jun 2021 $'000	30 Jun 2020 $'000
Net profit/(loss) for the year	**27,574**	20,380	**9,137**	(7,013)
Adjustments for:				
Share of joint venture loss	**1,186**	42	**72**	26
Net loss on disposal of investment properties	**-**	773	**516**	794
Net (gain)/loss on change in fair value of:				
Investment properties - continuing	**(1,767)**	(1,865)	**5,037**	24,507
Financial liabilities	**-**	–	**5,024**	417
Investments and other financial instruments	**(235)**	(38)	**(1,459)**	6
Income tax expense/(benefit)	**-**	–	**3,032**	(4,186)
Operating profit before tax	**26,758**	19,292	**21,359**	14,551
Depreciation and amortisation expense	**2**	26	**15,463**	12,435
Finance cost	**(25,102)**	(51)	**(28)**	(16)
Operating cash flow before changes in working capital	**1,658**	19,267	**36,794**	26,970
Changes in working capital:				
Decrease/(increase) in receivables	**4,561**	(255)	**2,911**	(217)
Decrease in inventory	**-**	–	**11,260**	4,310
(Decrease)/increase in other payables and provisions	**(925)**	173	**12,693**	(9,043)
(Decrease)/increase in loans to related parties	**(13,418)**	(28,540)	**25,251**	26,755
Net cash provided by operating activities	**(8,124)**	(9,355)	**88,909**	48,775

Notes to the Financial Statements

For the year ended 30 June 2021 | continued

31. Subsequent events

Final FY21 distribution

On 18 August 2021, the Directors declared a final distribution of 5.5 cps amounting to $18.0 million, to be paid on 23 September 2021.

Acquisition of a portfolio of holiday parks

During the month of July 2021, the Group acquired a portfolio of five holiday parks, located across the east coast of Australia, from the Mexicala Caravan Park Group for a purchase price of $32.5 million.

Acquisition of Kings Point Retreat

On 11 August 2021, the Group completed the acquisition of Kings Point Retreat, located on the South Coast of NSW, for a purchase price of $15.8 million.

Operating restrictions due to COVID-19

Post 30 June 2021, governments have announced further restrictions in response to the COVID-19 pandemic, including the closure of State borders. The Group continues to monitor the impact of these closures on our business.

Directors' Declaration

For the year ended 30 June 2021

In accordance with a resolution of the directors of Ingenia Communities Fund and of Ingenia Communities Management Trust, I state that:

1. In the opinion of the directors:
   (a) the financial statements and notes of Ingenia Communities Fund and of Ingenia Communities Management Trust are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of each Trust's financial position as at 30 June 2021 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 2021.

On behalf of the Board

Jim Hazel
Chairman
Adelaide, 18 August 2021

Independent Auditor's Report

For the year ended 30 June 2021

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

Building a better working world

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Fund (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

1. Valuation of Investment Properties

Why significant	How our audit addressed the key audit matter
Approximately 38% of the Group's total assets comprise investment properties (both those disclosed as investment properties and equity accounted investments). These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date. This is considered a key audit matter as valuations contain a number of assumptions which are based on direct market comparisons, or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The investment properties, as disclosed in Note 9 to the financial report, earn revenue predominantly from longer term rental agreements and the key judgments include capitalisation rates, discount rates, market and contractual rent and forecast occupancy levels. As at 30 June 2021, the valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to this continues. This means that the property values may change significantly and unexpectedly over a relatively short period of time.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: ▸ We reviewed the controls in place relevant to the valuation process; ▸ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis; ▸ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ▸ We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer; ▸ On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ▸ On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021.

- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 9 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 31.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Independent Auditor’s Report

For the year ended 30 June 2021 | continued

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

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

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

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

Ernst & Young

Ernst & Young

Yvonne Barnikel
Partner
Sydney
18 August 2021

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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

Building a better working world

Independent Auditor's Report to the unitholders of Ingenia Communities Management Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Management Trust (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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

1. Valuation of Investment Property

Why significant	How our audit addressed the key audit matter
Approximately 86% of the Group's total assets comprise investment properties. These assets are carried at fair value, which is assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date. This is considered a key audit matter as valuations contain several assumptions which are based on direct market comparisons or estimates. Minor changes in certain assumptions can lead to significant changes in the valuation. The Group has two categories of investment properties as disclosed in Note 9 of the financial report. One of these categories is considered material and involve significant judgement. ‣ The Lifestyle 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 Tourism portfolio consists of 'Holidays and Mixed Use' investment properties earning revenue from short-term residential and tourism rentals.	The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible values than at past valuation points. Our audit procedures included the following: ‣ We reviewed the controls in place relevant to the valuation process; ‣ We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis; ‣ We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group; ‣ We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer; ‣ On a sample basis, we compared the property related data used as input for both the external and internal valuations against actual and budgeted property performance; ‣ On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data;

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

- The key judgements for the longer term and short-term rental include capitalisation rates, discount rates, market and contractual rents, forecast short-term and residential occupancy levels, historical transactions and remaining development potential for vacant land. In assessing the development potential, additional key judgements include future new homes sales prices, estimated capital expenditure and allocation between investment property and inventory, discount rates, projected property growth rates and operating profit margins.
- Specific assumptions and judgements of the impact of COVID-19 are contained within Note 9 to the financial report. These include impact on property sale settlements, revenue and operational costs.

As at 30 June 2021 valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it continues. This means that the property values may change significantly and unexpectedly over a relatively short period of time.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of "material valuation uncertainty", noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021.

- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate, including the impact of COVID-19;
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets;
- We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- On a sample basis, we have considered the specific assumptions and judgements used by the Group in the valuations following the impact of COVID-19. We have validated the additional disclosure describing the specific judgements used by the Group in relation to the pandemic included in Note 9 of the financial report; and
- We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion. We involved our real estate valuation specialists to assist us in making this assessment. Any material matters identified have been reflected in the fair values of investment properties at the reporting date, where appropriate, or disclosed as a subsequent event in Note 31.

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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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 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Independent Auditor's Report

For the year ended 30 June 2021 | continued

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- 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, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

For the year ended 30 June 2021 | continued

Building a better working world

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

Ernst & Young

Ernst & Young

Yvonne Barnikel
Partner
Sydney
18 August 2021

Security Holder Information

For the year ended 30 June 2021

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 30 August 2021.

The information set out below applies equally to units in the trusts and shares in the company under the terms of the joint quotation on the Australian Securities Exchange.

Twenty Largest Security Holders

The twenty largest security holders of quoted equity securities are as follows:

Security holder	Number of securities held	Percentage of issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	116,545,731	35.55
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	59,058,240	18.01
SUN INA EQUITY LLC	33,208,510	10.13
CITICORP NOMINEES PTY LIMITED	30,867,799	9.41
BNP PARIBAS NOMINEES PTY LTD	14,501,424	4.42
BRAHMAN PURE ALPHA PTE LTD	11,857,849	3.62
NATIONAL NOMINEES LIMITED	9,955,405	3.04
BNP PARIBAS NOMS PTY LTD	8,346,177	2.55
CITICORP NOMINEES PTY LIMITED	3,266,283	1.00
BNP PARIBAS NOMS(NZ) LTD	2,730,079	0.83
BRISPOT NOMINEES PTY LTD	1,672,802	0.51
CUSTODIAL SERVICES LIMITED	1,332,104	0.41
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	1,232,561	0.38
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	982,258	0.30
BOND STREET CUSTODIANS LIMITED	798,786	0.24
BROADGATE INVESTMENTS PTY LTD	688,961	0.21
PACIFIC CUSTODIANS PTY LIMITED	600,264	0.18
BODIAM PROPERTIES PTY LTD	590,431	0.18
MRS MONIKA BATKIN	516,667	0.16
PACIFIC CUSTODIANS PTY LIMITED	493,268	0.15
Total	**299,245,599**	**91.28**
Total Quoted Equity Securities	**327,876,956**	**100.00**

Less than marketable parcels of ordinary securities

There are 364 security holders with unmarketable parcels totalling 3,400 securities.

Distribution of Stapled Security Holders

The distribution of quoted stapled securities is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	54	306,554,679	93.50
10,001 to 100,000	590	13,369,170	4.08
5,001 to 10,000	489	3,570,627	1.09
1,001 to 5,000	1,467	3,793,725	1.16
1 to 1,000	1,597	588,755	0.18
Total	**4,197**	**327,876,956**	**100.00**

Security Holder Information

For the year ended 30 June 2021 | continued

Distribution of Long Term Incentive Plan Rights Holders

The distribution of unquoted Long Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	3	1,060,125	60.22
10,001 to 100,000	18	677,385	38.48
5,001 to 10,000	2	18,877	1.07
1,001 to 5,000	1	3,894	0.22
1 to 1,000	–	–	–
Total	**24**	**1,760,281**	**100.00**

The Long Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Distribution of Short Term Incentive Plan Rights Holders

The distribution of unquoted Short Term Incentive Plan Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	1	179,714	65.50
10,001 to 100,000	2	94,652	34.50
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**3**	**274,366**	**100.00**

The Short Term Incentive Plan Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Distribution of Talent Rights Grant Holders

The distribution of unquoted Talent Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	–	–	–
10,001 to 100,000	9	275,342	100.00
5,001 to 10,000	–	–	–
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**9**	**275,342**	**100.00**

The Talent Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Distribution of Fixed Remuneration Rights Holders

The distribution of unquoted Fixed Remuneration Rights is as follows:

Size of holding	Number of holders	Number of securities	Percentage of securities
100,001 and Over	–	–	–
10,001 to 100,000	–	–	–
5,001 to 10,000	1	7,778	100.00
1,001 to 5,000	–	–	–
1 to 1,000	–	–	–
Total	**1**	**7,778**	**100.00**

The Fixed Remuneration Rights on issue are unquoted and issued under the Ingenia Rights Plan.

Security Holder Information

For the year ended 30 June 2021 | continued

Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 30 August 2021.

24 holders of long term incentive rights issued as part of an incentive scheme	1,760,281
3 holders of short term incentive rights issued as part of an incentive scheme	274,366
9 holders of Talent Rights issued as part of an incentive scheme	275,342
1 holder of Fixed Remuneration Rights issued as part of Total Fixed Remuneration package	7,778

Substantial Security Holders

The names of the substantial security holders pursuant to notices released to the ASX as at 30 August 2021:

Security holder	Number of securities	Percentage of issued capital
BlackRock Group	17,616,306	5.37
Sun INA Equity LLC	31,873,650	10.04
The Vanguard Group Inc	25,007,362	9.23

Restricted Securities

There are no restricted securities on issue as at 30 August 2021.

Voting

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid stapled security, on a poll.

Holders of Long Term Incentive Plan Rights, Short Term Incentive Plan Rights, Talent Rights and Fixed Remuneration Rights have no voting rights.

On-Market Buyback

There is no current on-market buy-back in relation to the Company's securities.

Investor Relations

For the year ended 30 June 2021

Enquiries relating to Ingenia Communities Group (ASX code: INA) can be directed to the Link Market Services Investor Information line on 1300 554 474 (or from outside Australia +61 1300 554 474). This service is available from 8:30am to 5:30pm (Sydney time) on all business days.

Link Market Services can assist with:

- Change of address details
- Requests to receive communications online
- Provision of tax file numbers
- Changes to payment instructions
- General enquiries about your security holding.

www.ingeniacommunities.com.au

Ingenia Communities' corporate website provides investors with extensive information about the Group. You can visit the website to find: information on Ingenia and its property portfolios; virtual briefings and events; the latest financial information; reports; announcements; sustainability; and corporate governance information. Security holders can access their investment details, including holding balance and payment history, from the link to the Registry which is contained on the site.

Distribution Payments

Distribution payments are made twice a year, for the six months ending 30 June and the six months ending 31 December. Distributions are declared and paid in Australian dollars.

The table below details distribution payments for the 2020/2021 financial year. A history of distribution payments made since 2005 is available from the Group's website www.ingeniacommunities.com.au.

Period Ended	Date Paid	Total Amount
June 2021	23 September 2021	$0.055
December 2020	25 March 2021	$0.050

* Information on the tax components of distributions can be found on the Ingenia Communities Group website or the Attribution Managed Investment Trust Member Annual Statement (AMMA Statement).

Ingenia Communities Group operates a Distribution Reinvestment Plan through which security holders can elect to reinvest all or part of their distributions in additional securities. The rules of the Plan and how to apply can be found on the website or obtained from the Registry, Link Market Services.

AMMA Statements

AMMA Statements, which summarise payments made during the year and include information required to complete an Australian tax return, are dispatched each September. Details of past distributions and relevant tax information are available on the Group's website.

Annual General Meeting

The Annual General Meeting will be held on 11 November 2021. The Group will hold a virtual meeting and information on how to attend and vote at the meeting will be provided to all investors in conjunction with the Notice of Meeting.

2021/2022 Security Holder Calendar

23 September 2021	Final FY21 distribution paid
23 September 2021	AMMA Statement dispatched
11 November 2021	Annual General Meeting
February 2022	1H22 Result announced
March 2022	Interim FY22 distribution paid

Privacy Policy

Ingenia Communities Group is committed to ensuring the confidentiality and security of your personal information. The Group's Privacy Policy, detailing our handling of personal information, is available online at: www.ingeniacommunities.com.au. If you have any questions or concerns as to how Ingenia deals with your personal information please contact the Privacy Officer at privacy@ingeniacommunities.com.au.

Complaints

Any security holder wishing to register a complaint should direct it to Investor Relations in the first instance, at the Responsible Entity's address listed in this Report or via telephone on 1300 132 946.

Ingenia Communities RE Limited is a member of an independent dispute resolution scheme, the Australian Financial Complaints Authority (AFCA). If a security holder feels that a complaint remains unresolved or wishes it to be investigated further, AFCA can be contacted as detailed below:

By telephone: 1800 931 678
Website: www.afca.org.au

Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 17 August 2021 and can be found at: https://www.ingeniacommunities.com.au/wp-content/uploads/2021/08/INA-CORPORATE-GOVERNANCE-STATEMENT-2021-final.pdf

Corporate Directory

For the year ended 30 June 2021

Ingenia Communities Group

Ingenia Communities Holdings Limited
ACN 154 444 925

Ingenia Communities Management Trust
ARSN 122 928 410

Ingenia Communities Fund
ARSN 107 459 576

Responsible Entity

Ingenia Communities RE Limited
ACN 154 464 990 (AFSL 415862)

Registered Office

Level 3, 88 Cumberland Street, The Rocks, NSW 2000

Telephone: 1300 132 946

Email: investor@ingeniacommunities.com.au
Website: www.ingeniacommunities.com.au

Directors of Ingenia Communities Group (as at 31 August 2021)

J Hazel (Chairman)
R Morrison (Deputy Chairman)
S Owen (Managing Director)
A Heyworth
P Downes
S Evans
G Hayes
G Shiffman
J McLaren (Alternate Director)

Secretary

N Nguyen
N Kwok

Security Registry

Link Market Services Limited
Level 12, 680 George Street Sydney NSW 2000
Locked Bag A14 Sydney South NSW 1235

Telephone: 1300 554 474 (local call cost) or from outside Australia: +61 1300 554 474
Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Auditors

Ernst & Young
Level 34, 200 George Street Sydney NSW 2000

Stock Exchange Quotation

Ingenia Communities Group is listed on the Australian Securities Exchange under ASX listing code: INA.

Disclaimer

Ingenia Communities Group
Level 3, 88 Cumberland St, The Rocks NSW 2000
T. 1300 132 946
E. investor@ingeniacommunities.com.au

www.ingeniacommunities.com.au