



Annual Report

2022



+ We create  
community

For personal use only

# Ingenia Communities Group

(ASX:INA) is a leading operator, owner and developer offering quality residential communities and holiday accommodation focussed on the growing seniors' market in Australia.

Listed on the Australian Securities Exchange, the Group is included in the S&P/ASX 200. Across Ingenia Lifestyle, Ingenia Gardens, Ingenia Holiday Parks and Ingenia Rental, the Group's \$2.1 billion property portfolio includes 110\* communities and development sites and is continuing to grow through acquisition and development.

Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL 415862).

\* Includes acquisition announced post 30 June 2022, Joint Venture and Fund owned assets.

## Corporate reporting suite

This Annual Report is part of our broader corporate reporting suite, including:

**Annual Report:** this report provides information on the Group's strategy, financial performance, individual business segments, remuneration and the Group's financial statements

**Results presentations:** Ingenia Communities strategy, financial and operating results for the period, portfolio updates and development pipeline

**Property Portfolio:** details on real estate assets owned and managed, including detailed development pipeline

**Corporate Governance Statement:** outlines Ingenia's ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)

**Modern Slavery Statement:** Statement on the Group's actions to assess and address modern slavery risks in Ingenia's supply chain

**Sustainability Report:** Detailed report providing information on ESG strategy, initiatives and progress.

## Table of Contents

<b>2</b>	Key Financial Metrics	<b>26</b>	Capital Partnerships
<b>3</b>	Business Overview	<b>28</b>	Sustainability
<b>5</b>	Our Vision and Values	<b>32</b>	Board of Directors
<b>6</b>	Chairman's Letter	<b>34</b>	Ingenia Communities Holdings Limited Annual Reports
<b>8</b>	CEO & Managing Director's Letter	<b>119</b>	Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports
<b>13</b>	Residential Communities	<b>177</b>	Security Holder Information
<b>14</b>	Ingenia Lifestyle Rental	<b>180</b>	Investor Relations
<b>19</b>	Ingenia Lifestyle Development	<b>181</b>	Corporate Directory
<b>22</b>	Ingenia Gardens		
<b>24</b>	Ingenia Holidays and Mixed Use		

**+ We create  
community**

## Key Financial Metrics

Revenue

\$338.1m

up 14% on pcp

EBIT

\$101.7m

up 8% on pcp

Statutory Profit

\$100.6m

up 38% on pcp

Underlying Profit

\$87.9m

up 14% on pcp

Underlying EPS

23.3c

down 1% on pcp

Net Asset Value  
Per Security

\$3.75

up 24% on pcp

Distribution  
Per Security

11.0c

up 5% on pcp

New Home  
Settlements

409

up 8% on pcp

FY22 was a year of transformational growth as the Group completed **\$650 million of acquisitions**, materially enhancing scale and market reach.

# Business Overview

Communities and sites\*

# 110

(30 added FY22)

Assets

# >\$2.1b

Owned/Managed

Residents

# >10,850

Calling Ingenia home

'Room nights'

# >1.7m pa

Available across Ingenia Holiday Parks

Employees

# >1,250

(>80% based in regional locations)

Rent

# ~15,600

Income generating homes, villas, cabins and sites

Future development

# 6,580

Home sites owned or secured



\* Owned, managed or in development.

For personal use only

# The Group's portfolio has expanded

For personal use only

 **Ingenia Lifestyle**

 **Ingenia Rental**

 **Ingenia Gardens**

 **Ingenia Holidays**



Land lease communities catering to over 50s



Affordable rental communities catering to all ages



Seniors rental communities



Holiday parks and mixed use communities including holiday, annual and permanent sites

**34** communities and sites  
**\$55.1m** revenue

**9** communities

**27** communities  
**\$27.2m** revenue

**40** holiday parks  
**\$96.6m** revenue

## Development

**6,580** potential home sites  
**\$131.8m** revenue

Development provides a capital efficient way to grow the Ingenia Lifestyle rental base

Includes Ingenia Funds and Joint Venture. Development sites include sites secured and optioned. Revenue Ingenia owned assets only.

## Timeline

**June 2012**  
Management internalisation from ING Real Estate Investment Management (market capitalisation <\$100 million)

**2012**  
Completed sale of North American assets

**2013**  
Acquired first land lease community and holidays investment  
Established Ingenia Care/Connect

**2014**  
Divested NZ student accommodation portfolio  
Development and sales teams established

**2016**  
Exited Deferred Management Fee (DMF) retirement villages business

# Our Vision and Values

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

With a positive impact on more than 10,850 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 \$2.1 billion assets owned/managed, our portfolio has expanded rapidly with the addition of 31 communities and development sites acquired in the past 13 months bringing our total to 110 communities and growing.

The past year has continued the rapid expansion in the Group’s core businesses, building a strong platform for growth, with over 5,600 homes, villas, cabins and sites collecting rent and a development pipeline of 6,580 home sites owned or optioned.

Over 1,250 employees are part of our team, dedicated to creating community for our residents and guests.



### Sustainability

A range of initiatives in support of the Group’s target of a carbon neutral operation by 2035 were progressed. These initiatives included continuing to roll out solar and LED lighting across existing communities and commencement of Australia’s first Green Star Home community.



### Health and safety

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 1,200+ employees and more than 10,850 residents.



### Greenfield development

A total of 409 new homes were settled across thirteen communities. Over 6,580 sites are owned or optioned for future development. Sustainability standards for new developments were progressed with two projects registered for Green Star - Communities certification.



### Business expansion

A total of \$650 million in new acquisitions were complete in FY22, including the addition of established communities which contributed to an increase in Ingenia’s revenue base to more than 15,600 income producing sites (up 20% over the year).

#### 2018

Established Joint Venture with US based Sun Communities  
Launched first greenfield development, Latitude One

#### 2019

Acquired funds management business  
Entered ASX 200

#### 2020/21

Recognised for gender diversity (2<sup>nd</sup> in CEW Survey for women in executive leadership positions)

#### 2021

Clean Energy Finance Corporation loan - targeting carbon neutral operation (Scope 1 & 2) by 2035

#### 2022

Commenced Australia’s first Green Star Home development  
Market capitalisation \$1.7 billion

For personal use only

Year in review Sustainability Our Leaders Directors' Report Remuneration Report Financial Statements



# Chairman's Letter

Jim Hazel

The 2022 financial year was a milestone year for the Group as we celebrated 10 years.



Dear Security holders

The 2022 financial year was a milestone year for the Group as we celebrated 10 years since the creation of Ingenia Communities, following the internalisation of management and separation from ING Real Estate Investment Management. Ingenia started its journey in June 2012 with a clear vision and a desire to build a business which would become a leader in the largely unknown land lease communities sector. I am proud to say that as we look back on the last 10 years, we have not only realised that vision but have many additional achievements to be proud of.

The last financial year, in particular, has been one of transformational change and this has been achieved against a backdrop of disruption and uncertainty. The COVID-19 pandemic has continued to have a material impact on businesses and individuals and we have seen other issues and changes also emerge. Rising interest rates, inflationary pressures, extreme weather and supply chain and labour shortages have created multiple challenges for the Group. In this environment, supporting our residents and teams has remained a focus for the Board and management and we have been pleased to see our teams demonstrate an ability to innovate and to respond to current circumstances while seeking tomorrow's opportunities.

The acquisition of \$650 million of additional assets over the year was supported by investors through the \$475 million securities entitlement offer. We are entering the 2023 financial year with a strong platform and an expanded portfolio and team, who maintain the passion for our customers that sets Ingenia apart.

## Financial performance

The closure of many of our holiday parks to transient guests for four months and construction delays due to COVID-19 and adverse weather had a material impact on the FY22 result. While it was pleasing to see the strong rebound across the holiday parks in the second half and the strength of the residential communities rental cashflows remained unchanged, performance for the year did not meet our original expectations.

The Group delivered increases in revenue (up 14%), EBIT (up 8% to \$101.7 million) and underlying profit (up 14%). Underlying profit per security was down 1%, reflecting the increase in securities on issue. The full year distribution of 11.0 cents per stapled security represented an increase of 5%.

Over the year, a focus on capital management was maintained, with an increase in the Group's funding facility to \$780 million. Hedging is in place to mitigate the impact of rising interest rates (51% of 30 June debt hedged). At year end, the Group had \$310 million of undrawn debt, providing capacity to fund further investment in embedded growth and select acquisitions.

## 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 \$475 million equity raised in November 2021 to build our rental base and secure land for future lifestyle community development. A total of \$650 million in acquisitions were completed over the year, adding a further 3,826 income producing sites to our stable rental base. These acquisitions expanded our footprint and leveraged our platform, contributing to increasing margins across the Lifestyle Rental, Gardens and Holiday Parks segments.

We continued to make sustainability a priority as we embedded our approach across the business and made solid progress on the initiatives outlined in our last Annual Report and 2021 Sustainability Report.



For personal use only

Our solar strategy and approach to new developments have continued to evolve in support of our commitment to achieving a carbon neutral operation (Scope 1 and 2) by 2035 and a 30% reduction in carbon emissions over the five years to 2026, with 2,080 kW of solar PV installed across our operating communities to date and the publication of our first detailed emissions disclosures. We completed our first Green Star Home as part of the Green Building Council of Australia's pilot program and were proud to lead the sector in embracing this new standard, announcing that we will be the first residential developer to create a Green Star Homes community - with all 261 homes at our Beveridge development in Melbourne to achieve this certification. The community will also be rated under the Green Star - Communities rating.

We broadened our approach to Diversity, launching a new Diversity and Inclusion Policy and a leading parental leave policy to support working parents. The Group's 40:40:20 target was met, with females representing 43% of non-executive directors and 60% of our executive team. Recognising our leadership in this area, in 2021 Ingenia ranked No. 2 for women in executive leadership team roles for the second year in the Chief Executive Women (CEW) Senior Executive Census.

We are committed to operating sustainably, maximising the social benefits of our business and reducing our environmental footprint. We progressed our approach to climate risk and further evolved our Modern Slavery framework in FY22, and over FY23 will extend these initiatives as we build sustainability metrics into the remuneration framework and more broadly across performance metrics for our teams.

**Board**

Following the appointment of two new directors in FY21, Gary Shiffman stepped down as Sun Communities' Nominee Director in December 2021. He has been replaced by John McLaren who is Sun Communities' Chief Operating Officer and President, bringing extensive sector experience and in depth operating expertise. John has been an alternate Director since February 2019 and sits on the board of our Joint Venture with Sun Communities. We welcome John to the Board and thank Gary for his contribution over the past three years.

We continue to ensure the Board retains the right mix of skills and experience to guide the Group's strategy and deliver on business objectives and will consider further opportunities for renewal as part of our commitment to leading governance practices.

**Outlook - FY23 and beyond**

We enter FY23 with ongoing uncertainty about operating conditions and the macro-economic environment, yet we retain a positive outlook for Ingenia's business.

The long-term fundamental drivers of an ageing population, housing affordability and the benefits of social engagement that our communities offer is unchanged. Net domestic migration is bolstering these overarching demand drivers, with the movement out of cities to Queensland and coastal and regional locations where our communities are located offering support for demand. Our communities are affordable and provide an attractive financial and lifestyle solution for downsizers who have benefitted from the increase in value of their family home.

Our Holiday Parks business has strong forward bookings and ongoing demand for domestic travel, despite the reopening of international borders. We expect these conditions to remain as our target markets are attracted to 'low risk', affordable domestic travel.

I would like to assure all security holders of our ongoing commitment to delivering returns as we capitalise on a materially larger portfolio with embedded growth and strong drivers of long term demand. Recent acquisitions, a well positioned balance sheet and strong base of resilient rental cash flows position the business well to benefit from our platform, expertise and enhanced scale and to navigate continuing uncertain macro-economic conditions.

The results delivered in FY22 were testament to our teams, who demonstrated their ability to adapt as conditions changed - I thank them for their commitment and look forward to their contribution as we enter the next ten years.

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



**Jim Hazel | Chairman**

## CEO & Managing Director's Letter

Simon Owen

I am pleased to report on the Group's performance in FY22, which demonstrated the resilience of the Group's core rental cashflows.



In a year characterised by multiple external challenges – COVID-19 related lockdowns, rising inflation and interest rates, extreme weather events and supply chain and labour shortages – Ingenia's key strategic drivers have remained intact and the business has continued to grow.

FY22 was a year of transformational growth for the business, with total assets increasing by more than 60% over the course of the year as we acquired \$650 million of assets (30 communities and sites), significantly expanding the Group's revenue base and footprint across each of the core businesses.

While performance was impacted by the challenges of the operating environment, which saw holidays revenue limited by COVID-19 related restrictions and home construction slowed by supply chain and labour shortages, performance was underpinned by the Group's growing base of resilient rent-based cashflows.

↑ **\$338.1m**

Revenue

up 14% on pcp

### FY22 performance

Revenue grew 14% to \$338.1 million and EBIT was up 8% to \$101.7 million. Operating cash flow of \$114.9 million was down 17% as an increase in rental sites was offset by lost tourism earnings and reduced home settlements due to COVID-19 and weather events.

Statutory Profit of \$100.6 million was up 38% on FY21. Underlying Profit of \$87.9 million increased 14% on the prior year and Net Asset Value per security (NAV) increased to \$3.75 (from \$3.03 at 30 June 2021).

Underlying EPS of 23.3 cents represented a 1% decrease on FY21, impacted by an increase in weighted average securities on issue as a result of the \$475 million equity raising in November 2021. The full year distribution of 11.0 cents per stapled security increased 5% on FY21.

The result was in line with guidance, with EBIT falling at the mid point of the guidance range and underlying EPS slightly above (down 0.3 cents versus guidance of a 1-2 cent decline). New home settlements of 409, while a record for the Group, were impacted by weather and construction industry labour and supply shortages.



For personal use only

**Capital management**

The Group closed FY22 with a well positioned balance sheet. At 30 June 2022, Ingenia's loan to value ratio (LVR) was 25.7%, well below the Group's target range of 30-40%, providing capacity to grow the Group's portfolio through select acquisitions and additional development. Currently 51% of 30 June 2022 drawn debt is hedged, with an average tenor of 3.7 years.

**Delivering on strategic priorities**

**Enhanced scale in core business segments**

Following the \$475 million equity raising in November 2021, a focus on growing exposure to the lifestyle and holidays markets continued with \$650 million invested in the acquisition of established communities, holiday parks and land for future development.

Ingenia Lifestyle (our land lease communities business) grew by 64%, to almost 4,400 homes, assisted by the addition of two portfolios.

Growth in the development pipeline was also achieved with sites owned, secured or optioned increasing by more than 50%, to 6,580 sites. Consistent with our view of demographic and demand trends, this pipeline is now heavily focused in Queensland and coastal/regional markets. These markets remain highly affordable and are experiencing strong net internal migration flows.



↑ \$101.7m

EBIT  
up 8% on pcp

Combined with growth in the Group's Joint Venture with Sun Communities, the Group now owns or manages a \$2.1 billion property portfolio across 110 assets.

Acquisitions over the year included:

- ▶ The Seachange portfolio – a portfolio of six premium lifestyle communities located in Queensland, including four established sites
- ▶ Caravan Parks of Australia portfolio – comprising seven holiday and rental communities in Victoria and NSW
- ▶ A portfolio of five holiday parks, including parks in Torquay (Victoria) and Noosa (Queensland)
- ▶ Federation Villages – three established lifestyle communities in Victoria
- ▶ Established rental communities in Victoria and NSW
- ▶ BIG4 Beacon, an iconic holiday park in Victoria
- ▶ Five development sites (four in Queensland), including one with initial construction commenced.

### Residential communities

The residential communities business remains the core of our strategy and we rapidly expanded this portfolio and future growth pipeline over FY22. Our communities, which are located in attractive outer metro and regional locations, have benefited from ongoing affordability and the appeal of community living post COVID-19 isolation.

The resilience of the rental cash flows, which are often underpinned by government payments, has continued as CPI linked rents have begun to increase. Acquisitions, new home settlements and investment in rental cabins have expanded the rental base and will contribute to future earnings growth.

The Ingenia Gardens portfolio was expanded with the acquisition of an additional community in Victoria. Occupancy has been retained at over 95%, with strong rent collections and no increase in defaults, supporting rental revenue growth of 6%.

Consistent with the Group's focus on leadership in the sector, the Lifestyle Rental portfolio increased income producing sites by 55% over the year, with the number of homes now exceeding 5,700. This business is enjoying rapidly growing demand as downsizers seek quality affordable homes in desirable locations. Our communities offer diversity of location and price, with new homes for sale from \$267,000 to over \$900,000.

Sales across Ingenia Lifestyle increased, although were limited by supply chain disruption and labour shortages, with a record 409 new home settlements (up 8% on FY21). The development pipeline was increased and twelve projects are now underway, with an additional ten projects expected to commence in FY23. An increase in home settlements to 525 – 550 is targeted for FY23 as existing projects

continue to build settlements and new projects contribute. We now have a development pipeline of 6,580 potential home sites which will assist in meeting this goal and our longer term target of 2,000 – 2,200 settlements for the three years to end FY25.

### Holiday Parks and Mixed Use communities benefitting from strong demand

Our Holiday Parks and Mixed Use portfolio was also expanded over the year, with the acquisition of eleven additional parks providing a larger base and extended footprint. Ingenia Holiday Parks now has parks from the Great Barrier Reef in Queensland to the Great Ocean Road in Victoria.

Following the reopening of the parks to holiday guests in November, demand rebounded strongly and has remained buoyant as families and grey nomads continue to value local travel. Both occupancy and room rate grew in the second half compared to pre-COVID levels, and the business is benefitting from stronger demand in off peak periods which will contribute to annualised occupancy growth. The Group's total cabin and camp sites increased to more than 4,250 and tourism rental income was up 35%.

### Capital partnerships

We are beginning to see increased returns from our capital partnerships, as the development Joint Venture with Sun Communities is building momentum, with increased settlements from the Freshwater project and commencement of additional projects anticipated in FY23. Ingenia only contributes half of the required funding, while receiving fees for services and retaining the right to acquire and fully own the completed communities.

The funds management business generated a \$2.4 million performance fee in FY22 as one fund was wound up, with Ingenia acquiring the assets and investors benefitting from a return in excess of target. We are also progressing a new Holiday Parks Fund which will expand the funds management business.

### Continuing prioritisation of ESG

Our sustainability program has gained momentum this year as we have continued to prioritise projects and build capacity in line with our strategy. Maintaining a focus on the social benefits our business provides saw ongoing focus on resident, guest and team support and engagement, and the launch of a new Giving Policy to increase support to local communities. We remain conscious of the impact of growing costs of living on our residents, ensuring our rents and home prices remain affordable.

Our people remain key to the delivery of our goals. We grew our employee base over the year and continue to focus on attracting and retaining talented people aligned to our vision and culture. We have increased investment in employee training, continue to expand employee ownership in the Group and have launched a new parental policy to support working parents.



Over the year we also welcomed new executives to our experienced leadership team - Von Slater as Head of Development and Kristy Minter as General Manager People and Culture. These Executive roles extend the capability and experience of the leadership team as we enter the next phase of growth.

We are continuing to make progress on our goal of a carbon neutral operation (Scope 1 and 2) by 2035 and a 30% reduction in carbon emissions across defined communities over the five years to 2026 and published our first carbon emissions disclosures with our 2021 Sustainability Report. We have continued the rollout of solar and LED lighting and are well progressed with the integration of the thirty new assets acquired this year to these programs.

We were excited to announce commencement of Australia's first Green Star Home community - a clear demonstration of leadership in delivering healthier homes for our residents and more sustainable communities.

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

**Outlook**

While we are cognisant of the ongoing uncertainty in macro-economic conditions, we are well placed for growth, with strong demand for our core businesses, a significantly expanded market share and operational footprint and a clear strategy.

As we enter Ingenia's second decade, I would like to thank our team for their commitment to delivering on our strategy and vision of 'creating community'. Across the business our teams have again worked through many challenges, while integrating an impressive number of acquisitions and continuing to focus on delivering a positive experience for our residents and guests.

Following a year of significant expansion, we expect acquisitions to slow over FY23 as we focus on delivering performance from an expanded portfolio with embedded growth opportunities.

We maintain a positive outlook for the Group as we continue to benefit from strong drivers of demand.

Our uninterrupted resident rental streams provide a strong defensive element to returns. This base is growing and remains stable and predictable.

We have continued to maintain a leadership position in lifestyle communities and our development pipeline has been reshaped to meet changing demographics. We continue to see strong migration to Queensland and the coast, as downsizers seek space and quality of life. Our communities remain affordable, offering high quality homes and engaged community living. We have 500 homes under construction or ordered and expect settlements to grow to 525 - 550 in FY23.

Our holidays business is experiencing buoyant demand as Australians are holidaying at home. We are uniquely positioned 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, favouring local over international travel.

Expansion of our capital partnerships and recycling of capital through non core asset sales, combined with debt funding, positions us well to fund selective acquisitions and our development projects.

Subject to no material change in the operating environment, the Group is targeting growth in EBIT of 30 to 35% and underlying EPS growth of 5 to 10% for FY23.

It has been a privilege to lead Ingenia over the last 10 years and I thank our Board for their support and guidance, particularly as we have navigated another challenging year. Finally, I would like to thank the many residents who make Ingenia home, the guests who holiday in our parks, and our security holders, for their ongoing support.

**Simon Owen** | Chief Executive Officer and Managing Director

For personal use only



For personal use only

# 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. Our communities meet a growing demand for housing affordability, across diverse locations and home prices.

Rental sites across Ingenia Lifestyle, Ingenia Rental and Ingenia Gardens increased by 41% over FY22, expanding the stable base of rental cash flows.

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.



## Ingenia Lifestyle Rental

The Group's Lifestyle Rental portfolio provides accommodation, predominantly through a land lease rental model, where residents own their home and rent the land.



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

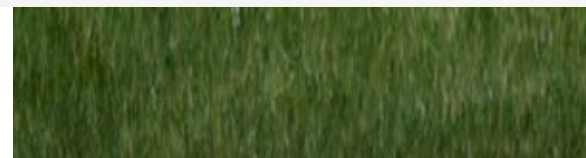
Through additional acquisitions and development over FY22, the Lifestyle Rental portfolio currently has more than 5,700 homes and sites providing stable weekly rent across 32 communities.



Ingenia Lifestyle Rental provides exposure to a growing demand from Australia's ageing population for community living, with communities located in popular outer urban and coastal locations. The portfolio includes land lease communities (Ingenia Lifestyle) and all age 'build to rent' communities (Ingenia Rental).

The core of this portfolio is rental revenue generated from residents who generally fund their rental payments via government pension and rental assistance.

Over FY22, the portfolio was increased via acquisition, investment in additional rental homes and development and now has a value of \$827.1 million (\$436.2 million at 30 June 2021).







Revenue increased to \$55.1 million (up 59% on FY21). The portfolio provides a resilient rental stream with high levels of occupancy and CPI linked growth in rents across the majority of communities. Like for like rent grew 5% over the year, with average rent now at \$197 per week.

Future growth will be generated as the portfolio benefits from the addition of over 2,000 income producing sites in FY22 and new homes are added to existing and new communities via ongoing large scale and infill development.

The EBIT contribution of \$26.8 million was up 62% on the prior year which also contributed to margin expansion as the growing portfolio leveraged the benefits of an established platform.

↑ **\$55.1m**

Revenue  
up 59% on pcp

For person al use

For personal use only



## Ingenia Lifestyle

Ingenia's Lifestyle portfolio comprises almost 4,400 land lease homes, providing both affordable and premium living with residents enjoying a range of facilities and activities.



**Ingenia Lifestyle communities now represent 55% of Ingenia's portfolio, with communities concentrated in key coastal and outer urban locations.**

**Development is a key driver of growth in the rental base and the creation of sustainable communities.**

The portfolio meets the need from a growing demographic of seniors who are attracted to the lifestyle our communities offer and see the opportunity to downsize to release equity in the current home.

Through FY22 the portfolio's rental base grew rapidly as seven established communities were integrated and new homes were settled. These acquisitions comprised:

- Four established communities in the strong Queensland market through the Seachange portfolio, which brings a premium brand in an attractive market for retirees
- A portfolio of three established communities in outer Melbourne which extends our presence in Victoria, a market in which we are also growing through a range of development projects.

These acquisitions follow the addition of two established communities in FY21 and were supplemented by new home settlements as developments progressed.

Rental growth across the portfolio is linked to inflation, with growth achieved as rent reviews were undertaken and new residents entered our communities. We remain keenly aware of the inflationary environment and interest rate pressures facing our residents and are committed to ensuring our rents remain affordable and represent value.

Over 280 home resales took place across our established communities, with residents benefitting from the increase in value on the sale of their home.

## Residential Communities



An increasing driver of rental growth is the sale of new homes across Ingenia's developments, with 353 new home settlements adding approximately \$3.3 million in rent per annum to the portfolio.

In FY23 the portfolio will benefit from a full year of ownership from recent acquisitions and an increase in home settlements.



# 5,701

Homes  
up 55% on pcp



# \$197

Weekly rent



# 6,580

Development sites<sup>1</sup>  
up 56% on pcp

1. Includes all potential sites (on balance sheet or through the Joint Venture with Sun Communities - under option or secured).

For personal use only



# Ingenia Rental

The Group's Rental portfolio provides all age, affordable rental accommodation.



The portfolio was expanded in FY22 and now comprises 1,327 rental homes, across nine communities.



Over FY22 Ingenia Rental experienced strong demand for rental homes, with limited rental options and growing rents in key markets including Brisbane and regional areas driving high levels of demand. The portfolio was expanded beyond Brisbane over the year with the addition of three new communities in Melbourne and one at Anna Bay on the NSW Coast.

The addition of 91 new homes to the Brisbane communities improved returns and has attracted higher rents with new, two bedroom homes experiencing high demand. Improvements to the communities and the inclusion of modest community facilities has enhanced the level of amenity and resident satisfaction.

The portfolio is meeting a need for affordable rental accommodation and over the course of FY23 will continue to grow returns as new rental homes are added to existing communities.



# 1,327

Total rental homes



# 9

No. communities

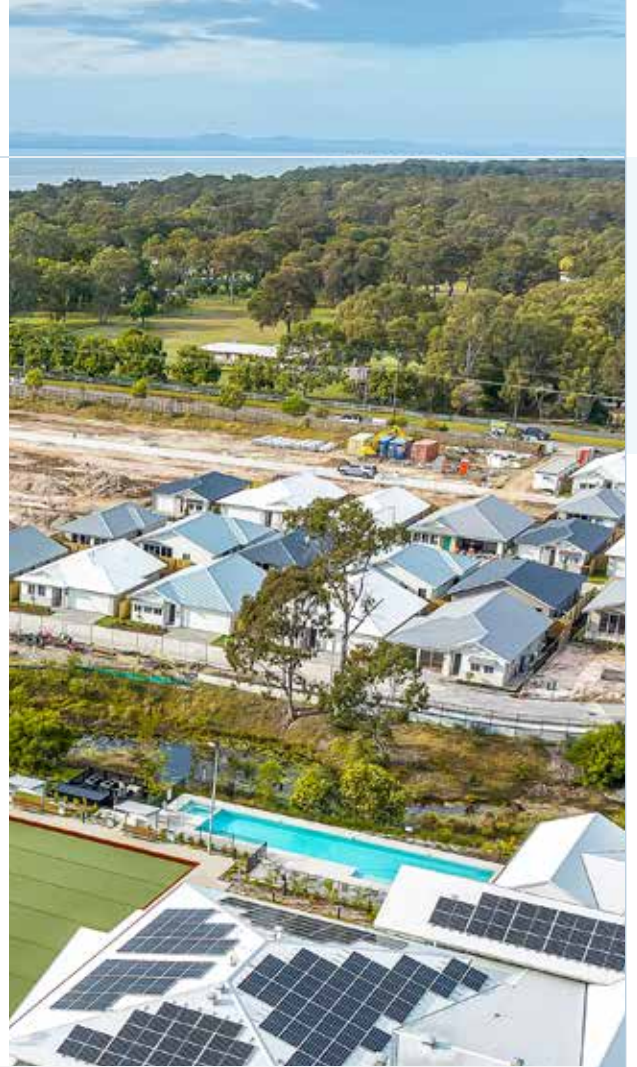


# 98.7%

Occupancy

# Ingenia Lifestyle Development

Ingenia’s development program supports further rental growth and the creation of modern, sustainable communities – a record 409 new home settlements in FY22 will add to the rental base.



For personal use only



**We have continued to maintain leadership in lifestyle communities by adapting to the environment and reshaping our development pipeline to meet changing demographics.**

The development business achieved a record for new home settlements, with 409 homes settled across Ingenia and the Joint Venture. The average home sale price fell slightly, reflecting the completion of the premium Latitude One project in FY21 and the increased volume from homes at more modestly priced communities. Gross new home development profit of \$62.7 million was down from \$67.4 million in FY21.

The EBIT margin for the development business declined to 26.7% (from 32.2% in FY21) and was impacted by a lower average sale price and the costs associated with new developments that will deliver settlements in FY23/24.

The development pipeline was increased by 56%, to 6,580 potential future home sites, with acquisitions over the year including three communities with development already commenced and a further six development sites. These developments extend the pipeline of future projects for Ingenia and the Joint Venture and have increased exposure to Queensland and high growth coastal/regional markets which now represent 90% of our potential development sites.

This result was delivered in a period where the construction industry was challenged by COVID-19 related disruption to supply and a shortage of skilled labour, which was exacerbated by extreme weather conditions

# 409

Home settlements<sup>1</sup>

# \$408k

Average home price<sup>2</sup>

# 432

Deposited/contracted<sup>1</sup>

1. Includes Joint Venture with Sun Communities.  
2. Inclusive of GST.

The Group has 12 projects underway, with additional greenfield developments expected to commence in FY23.

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.



AWARDS



National Retirement Living Awards

Future Retirement Living Leader - Matt Fedrick, Development Director

Community Sales Manager - Sharon Manson, Hervey Bay Sales Manager

in Queensland and northern NSW. As a result of these challenges, a number of projects were delayed and construction timeframes have extended.

While these conditions continue to impact the supply of new homes, demand remains strong. Housing affordability issues and the appeal of community living post COVID-19 isolation continue to make Ingenia's communities a highly attractive proposition. Our target market is large, and growing, and our communities offer an engaged lifestyle with access to quality facilities and homes. We have projects located in markets benefitting from internal migration and our incoming residents have seen the value of their own home increase substantially, which has enhanced their ability to fund the purchase of a new home in one of our communities. Our communities offer diverse locations and price points, with homes for sale for under \$300,000 to over \$900,000.

We now have twelve communities under development with further projects launching this year. These include projects on the NSW Coast, in South East Queensland and Victoria.

We are continuing to respond to market challenges with changes to our approach and constant dialogue with our construction partners. An increase in home settlements to 525 - 550 is targeted for FY23 as existing projects continue to build settlements and new projects contribute. We have also commenced our first Green Star Home community, at Beveridge in Victoria. This is the first community in Australia to adopt this standard, which will see as an important step forward in creating more sustainable communities and benefits for our residents.

We remain confident in the ability of our development business to deliver growth, and prices remain affordable for downsizing residents, with flexibility to respond to changes in market conditions and customer demand. The 400+ deposits and contracts already in place, combined with the ability to leverage our scale and generate fees through delivery of development projects for the Joint Venture is expected to support development returns and the creation of new rental contracts in FY23.

The Group has multiple projects commencing in FY23 which support a longer term target of 2,000 - 2,200 settlements over the three years to end FY25. We expect margin and EBIT to begin to improve in FY23 as we realise increased sales prices and scale efficiencies.

For personal use only

For personal use only



## GREEN STAR HOMES CASE STUDY

Ingenia Communities has become the first developer in Australia to commit to a master planned community of 261 homes, all with Green Building Council of Australia's (GBCA) Green Star Homes certification, at Beveridge, Victoria.

In a further step in the Group's commitment to the creation of sustainable communities, Ingenia has committed to also achieving a Green Star - Communities rating on the project.

This is an important milestone for the Group in building a leadership position in sustainable development projects. Civil construction has already commenced at Beveridge, 37km north of Melbourne's CBD.

Green Star certified homes at the Beveridge community will incorporate features such as double-glazed windows, an efficient heat pump for hot water, reticulated recycled water line to reduce potable water usage, efficient appliances, and LED lighting.



The homes will be fully electric and have Ingenia's solar, battery-ready micro grid, providing enhanced thermal comfort. This will result in cheaper energy and water bills, making them more affordable to run, healthier and more comfortable.

This commitment is not only aligned to the Group's emissions reduction program, it is also an important part of our commitment to residents, along with affordability.



## Ingenia Gardens



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



**Over the year the Ingenia Gardens portfolio was increased via an acquisition and now has a value of \$167.2 million (\$150.2 million at 30 June 2021).**

Rental revenue increased 6% and like for like rent grew 3% over the year, with average rent now at \$354 per week. EBIT increased 6% to \$11.5 million, which also contributed to margin expansion as the portfolio leveraged the benefits of an established platform.

In October 2021, the portfolio was expanded through the addition of a 60-unit community in Melbourne.

Ingenia Gardens communities continue to be attractive to residents, with a focus on ensuring residents enjoy living in a connected and engaged community.

Residents were attracted to the supported environment Ingenia Gardens offers residents, with reduced move-outs contributing to ongoing high occupancy over the year.

Ingenia Connect, a 'concierge' style service offered to residents for no charge, has continued to grow, assisting residents to age in place and supporting their health and wellbeing. Average resident tenure for clients in Ingenia Gardens communities is now 4.3 years, well above the 3.4 year portfolio average. Ingenia Connect now has 1,200 residents accessing the service, with more than 500 living in Ingenia Gardens communities.

The portfolio is continuing to deliver stable, government backed rents with the majority of residents receiving a government pension and rent assistance.



For personal use only



1,437

Total villas/units



\$354

Average weekly rent



95.9%

Occupancy

# Ingenia Holidays and Mixed Use



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



New food shack at Cairns Coconut

## AWARDS

**Ingenia Holidays South West Rocks Gold Medal**  
Australian Tourism Awards 2021



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

Reflecting growth in the portfolio through the acquisition of eleven parks over FY22, the Portfolio increased to \$692.9 million, up from \$490.1 million at 30 June 2021. Closure of NSW and Victorian parks to holiday guests for four months and ongoing COVID-19 restrictions resulted a significant loss of revenue (circa \$10 million) in the first half of the year.

With the removal of restrictions, performance rebounded strongly. As a

result of increased demand and portfolio expansion, tourism rental increased 35% on the prior year, to \$71.8 million. While tourism cabins and sites benefitted from the demand for domestic travel, the portfolio also grew the stable underlying revenue stream from the annual and land lease (home) sites across Mixed Use parks.

The EBIT contribution was up 23% to \$35.3 million with an improvement in EBIT margin to 39.7% as the portfolio continued to grow, leveraging the benefits of increased scale.

While the last three years have been characterised by disruptions to trading due to COVID-19 restrictions, performance in the second half was well above pre-COVID-19 levels, with like for like occupancy up 7% and average daily rate up 30% when compared to 2H19.

Caravan and Holiday parks grew in popularity whilst international borders remained closed, and the

desire to 'holiday at home' has continued post borders reopening, driving demand from traditional and new guests.

The addition of eleven parks over the year, and the acquisition of BIG4 Wagga Wagga post year end, have added more than 1,920 income producing sites, including additional annual and permanent sites. The addition of a further 32 tourism cabins to existing parks has increased yield and introduced new accommodation types, including glamping tents and 'air stream caravans'.

We expect ongoing demand as families and grey nomads continue to value local travel. Forward bookings through to August 2023 are up more than 30% (versus 2022) and we are seeing greater demand in non peak periods, which will support annualised occupancy growth. The portfolio will also benefit from increased scale, additional cabins, diverse locations and a focus on guest experience in FY23.



**40**

Holiday parks\*

**4,256**

Holiday cabins/sites  
up 35% on pcp

**1.7m**

Room nights pa

\* Includes BIG4 Wagga Wagga, acquired August 2022 and six parks owned by the Group's managed funds.

**North & Far North QLD**

- 1. Cairns Coconut
- 2. Townsville

**Fraser Coast**

- 3. Hervey Bay

**Sunshine Coast**

- 4. Noosa North
- 5. Noosa
- 6. Rivershore
- 7. Landsborough

**North Coast**

- 8. Kingscliff
- 9. Byron Bay

**Mid North Coast**

- 10. White Albatross
- 11. South West Rocks
- 12. Bonny Hills

**Port Stephens**

- 13. Soldiers Point
- 14. Middle Rock
- 15. One Mile Beach

**Hunter**

- 16. Hunter Valley
- 17. Lake Macquarie

**Western Sydney**

- 18. Avina
- 19. Sydney Hills
- 20. Nepean River

**South Coast**

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

**Riverina**

- 32. Wagga Wagga

**Murray**

- 33. Lake Hume
- 34. Murray Bend

**Gippsland**

- 35. Inverloch
- 36. Cape Paterson
- 37. Phillip Island

**Great Ocean Road**

- 38. Queenscliff
- 39. Swan Bay
- 40. Torquay

# 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.

**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.**

Reflecting growing settlements at Freshwater (with 56 homes settled in FY22) and the acquisition of two additional development projects during FY22, revenue from the Joint Venture grew over the year. The Joint Venture generated total revenue of \$24.2 million (up from \$11.4 million in FY21), resulting in an operating profit of \$12.2 million. Ingenia derived \$1.6 million of fee income for services provided to the Joint Venture in the period.

The Freshwater community at Burpengary in Queensland is building sales momentum with 56 homes settled in FY22 and additional projects are anticipated to commence in FY23.

The acquisition of Bobs Farm, an approved development site in the popular Port Stephens region, will provide 111 homes and community facilities. Work commenced on the project in early FY23 with first settlements anticipated in FY23/24.

Other projects expected to commence works in FY23 include:

- ▶ A 24 hectare site at Morisset, on the popular NSW Coast, with approval for 606 new homes
- ▶ A boutique community of 121 homes at Fullerton Cove, near Newcastle (NSW), where a 6 star Green Star - Communities rating will be targeted
- ▶ A 13.6 hectare site on the Sunshine Coast (QLD) where approval for 225 homes and associated facilities is in place.

Further sites are under option and contract, subject to DA, providing the opportunity to continue to extend the Joint Venture's projects.

Further growth in the Joint Venture is expected in FY23 as the Freshwater community continues to build sales and new developments 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.



# 56

Home settlements



# \$467k

Average home price



# 1,300

Approved home sites

## 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.

**Ingenia acquired Eighth Gate Capital Management in August 2019, in conjunction with the acquisition of a stake in each of the six managed funds.**

In FY22 Ingenia derived \$5.6 million in income from the funds business, comprising fee income of \$4.9 million and distributions of \$0.7 million. In addition, we realised a \$1.9 million gain on the Group’s co-investment in Fund 6. FY22 fees included a \$2.4 million performance fee following the wind up of Fund 6 in March 2022 as the Fund delivered an IRR of more than 11% to investors, in excess of the target return.

The carrying value of Ingenia’s investment in the Funds is currently \$5.8 million.

The remaining five Funds are focused on established communities which deliver stable returns, comprising a range of mixed use and holiday parks in NSW and Queensland. Given the nature of the Fund assets, returns were impacted in the first half by COVID-19 restrictions in relation to the holiday park operations. However, consistent with other parks across the Ingenia Holiday Parks network, a strong rebound was experienced in the second half.

Our focus is on delivering performance for our Fund investors through active management of the individual assets, leveraging our operating platform and brand presence.

We plan to expand the funds business and are progressing the opportunity for a holiday parks fund which will grow the fund platform and deliver stable returns for Fund investors.



6

Total properties



1,035

Income producing sites



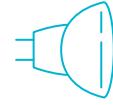
\$77.1m

Assets under management

For personal use only

# 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.



Installation of

# 5,456

LED lights with an estimated energy saving of 513,761 kWh per annum

**We recognise the importance environment, social and governance (ESG) issues play in delivering sustainable value for the Group's stakeholders and are committed to creating value for our external and internal stakeholders by weaving innovation, sustainability, and excellence into our business practices.**

We are pleased to report that despite the significant challenges the pandemic posed to our operations in FY 2021-22, we delivered several important accomplishments in our Environment, Social and Governance (ESG) practices.

We have also continued to evolve our disclosures and will provide further information on our FY22 Highlights, our progress and plans in our second Sustainability Report, to be published in October 2022.

## Key highlights



### ENVIRONMENT

First detailed emissions disclosures in the 2021 Sustainability Report

Construction of home under the Green Building Council of Australia (GBCA) Green Star for Homes Early Access Program at Ingenia Lifestyle Plantations - currently being certified

Continuation of renewable energy and lighting upgrade roll out

- Solar investment of \$2.5 million to June 2022 - 2,080 kW of solar PV across 52 communities
- LED installation - investment of over \$600,000 (after rebates) across 38 communities to install 5,456 LED lights, with an estimated energy saving of over 500,000 kWh per annum
- Installed first battery at Hervey Bay Lifestyle development

Upgraded hot water systems in 430 units at 9 Ingenia Garden sites under the Victorian Energy Upgrades program and the Federal Renewable Energy Target Program

First to launch sustainable ModnPods on a commercial level - Ingenia Holidays Byron Bay has 5 eco pavilion cabins with low embodied carbon, passive design, and high thermal efficiency

Improving environmental data collection, tracking and reporting systems and processes

For personal use only



Installation of  
**2,080kW**  
of solar PV across  
52 communities



Ranked  
**#2**  
for women in executive  
leadership roles



**SOCIAL**

Evolved our Diversity and Inclusion policy with refined priorities and objectives towards a 40:40:20 (Male: Female: Either) representation target

- Ranked #2 for women in executive leadership roles (CEW ASX200 Senior Executive Census, 2021)

Donated over \$100,000 to support local charities

Partnership with Surf Life Saving NSW to support lifesavers and spread the message of surf safety to thousands of guests annually

Continued partnership with Ronald McDonald House Charities Australia for the fifth year

Introduced Hybrid Work Policy, offered mental health and wellbeing programs for our employees

Our Ingenia Connect numbers continue to grow with 1,200 residents utilising this free service that promotes the engagement and independence of our residents to improve their health and wellbeing



**GOVERNANCE**

Second Modern Slavery Statement issued – human rights assessment conducted to evolve a sustainable and robust responsible sourcing framework

Climate Related Resilience and Risk – extended exposure assessments to recent acquisitions and identified potential climate transition risks and opportunities in preparation for first report aligned to Task Force for Climate-related Financial Disclosures recommendations

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.



Artist impression of community clubhouse at Ingenia Lifestyle Beveridge, Victoria

In addition to continuation of key initiatives already in place, our focus in FY23 will include:



**ENVIRONMENT**

Industry leading commitment to large scale future delivery of 261 Green Star Homes at Ingenia Lifestyle Beveridge, Victoria, along with Green Star - Communities rating

Finalisation of water strategy and baseline water measurement to improve decision making around future water resilience of our communities

Refining our energy strategy to include a wholistic energy design model for our new developments to optimise delivery of our emission reduction targets while driving cost efficiency for residents

Review of emissions pathway to include 30 new acquisitions towards a path to reduction

Scaling existing initiatives of waste minimisation, reuse, and recycling across the Group and expanding our reporting

Working with Prefabulous to innovate and develop a model for sustainable cabins in Holiday Parks

For personal use only



**New Parental Leave Policy for FY23**



**26**

weeks full pay

**12**

months super payments

**5**

days of additional personal leave on return

**10**

days additional transition leave



**SOCIAL**

**New Parental Leave Policy for FY23**

- 26 weeks full pay
- Payment of super up to 12 months
- 5 days of additional personal leave on return
- 10 days additional transition leave

Ingenia Giving Program launch to expand our donation and volunteering efforts to positively impact our communities

Begin our journey towards our inaugural Reconciliation Action Plan aiming to build understanding and capacity within the organisation, explore our sphere of influence and further develop relationships with Aboriginal and Torres Strait Islander stakeholders

Support team members with Accredited Mental Health First Aider course



**GOVERNANCE**

Modern Slavery - Implement recommendations for a sustainable and robust responsible sourcing framework across the business and wider value chain

**Climate Related Resilience and Risk**

- Plan and respond to the risks and opportunities posed by a changing climate in both new project design and in existing assets
- Continue to review climate related risks in the acquisitions process

A detailed overview of our performance will be contained in the Group's Sustainability Report, to be issued in October 2022.

For personal use only

# Board of Directors



**Jim Hazel**  
Non-Executive Chairman



**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 Primalife Corporation Limited (now part of Lend Lease).

Mr Hazel is also a director of Bendigo and Adelaide Bank Ltd, and serves on the Boards of Chapman Capital Partners, 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 Chair of Precision Group of Companies Pty Ltd, the ICAM Group and the Barossa Hills & Fleurieu Local Health Network Board.

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.

**Other current listed company directorships**

Bendigo and Adelaide Bank Ltd (ASX:BEN)

**Former listed company directorships in the last three years**

Centrex Metals Limited (ASX: CXM) (September 2019)



**Robert Morrison**  
Non-Executive Deputy Chairman



**Appointed:** February 2013

**Skills and experience**

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

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

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

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

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

**Other current listed company directorships**

Nil

**Former listed company directorships in the last three years**

Nil



**Amanda Heyworth**  
Non-Executive Director



**Appointed:** April 2012

**Skills and experience**

She is a professional company director with broad experience in high growth companies, M&A transactions and venture capital investments with expertise in developing and executing growth strategies and digital transformation.

Ms Heyworth serves on the boards of People's Choice Credit Union and chairs boards in the university and Government sectors. Previously, Ms Heyworth ran a venture capital fund and held roles in investment banking and the Federal Treasury.

Ms Heyworth holds a BA (Accounting) with a major in finance, post graduate qualifications in accounting and finance and an MBA from the Australian Graduate School of Management. Ms Heyworth is also a Fellow of the Australian Institute of Company Directors.

**Other current listed company directorships**

Nil

**Former listed company directorships in the last three years**

Nil



**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 board of Australian Technology Innovators. Ms Downes is a member of the Australian Super Investment Committee.

Ms Downes was previously a Director of Zip Co Limited, Director of ALE Property Group, 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 and as a Commissioner of Sport Australia.

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.

**Other current listed company directorships**

Nil

**Former listed company directorships in the last three years**

Zip Co Limited (ASX: ZIP) (June 2022)

ALE Property Group (ASX: LEP) (December 2021)

**Key**

- Investment Committee Member
- Remuneration and Nomination Committee Member
- Audit and Risk Committee Member
- Committee Chair

For personal use only

For personal use only



**John McLaren**  
Non-Executive Director

**Appointed:** December 2021

**Skills and experience**

Mr McLaren was appointed to the Board on 6 December 2021. Mr McLaren previously acted as Alternate Director for Gary Shiffman (February 2019 – December 2021). Mr McLaren has over 27 years of experience in executive and non-executive roles in financial and real estate public companies listed on the New York Stock Exchange.

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.

**Other current listed company directorships**  
Nil

**Former listed company directorships in the last three years**  
Nil



**Gregory Hayes**  
Non-Executive Director



**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 HMC Capital, HomeCo Daily Needs REIT, Aurrum Holdings Pty Ltd and High Resolves and previous directorships include Preezee Pty Ltd and The Precision Group, amongst others.

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.

**Other current listed company directorships**  
HMC Capital Limited (ASX: HMC)

HomeCo Daily Needs REIT (ASX: HDN)

**Former listed company directorships in the last three years**  
Nil



**Sally Evans**  
Non-Executive Director



**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, LifeCircle and Gateway Lifestyle, which delisted in November 2018.

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, a Bachelor of Applied Science from the University of Otago, is a Fellow of the Australian Institute of Company Directors and a Graduate of the Australian Institute of Superannuation Trustees.

**Other current listed company directorships**  
Healius Limited (ASX: HLS)  
Oceania Healthcare (NZX: OCA)

**Former listed company directorships in the last three years**  
Nil



**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 over \$1.6 billion as at 30 June 2022.

Mr Owen brings to the Group in-depth sector experience. He is a past member of the Retirement Living Division Council (part of the Property Council of Australia) and a former 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. He is also a prior director of BIG4 Holiday Parks, Australia's leading holiday parks group.

Mr Owen has over 25 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.

**Other current listed company directorships**  
Nil

**Former listed company directorships in the last three years**  
Nil

# Ingenia Communities Holdings Limited Annual Reports

For the year ended 30 June 2022

## Contents

Auditor's Independence Declaration.....	63
Consolidated Statement of Comprehensive Income.....	64
Consolidated Balance Sheet.....	65
Consolidated Cash Flow Statement.....	66
Consolidated Statement of Changes in Equity.....	67
Notes to the Financial Statements.....	68
1. Summary of significant accounting policies.....	68
2. Accounting estimates and judgements.....	75
3. Segment information.....	76
4. Earnings per security.....	79
5. Other revenue.....	79
6. Net finance expense.....	80
7. Income tax expense.....	80
8. Trade and other receivables.....	81
9. Inventories.....	81
10. Assets held for sale.....	81
11. Investment properties.....	82
12. Plant and equipment.....	88
13. Intangibles.....	88
14. Right-of-use assets.....	89
15. Investment in a joint venture.....	90
16. Other financial assets.....	90
17. Business combinations.....	91
18. Deferred tax assets and liabilities.....	92
19. Trade and other payables.....	92
20. Borrowings.....	93
21. Other financial liabilities.....	93
22. Issued securities.....	94
23. Reserves.....	94
24. Accumulated losses.....	95
25. Commitments.....	95
26. Contingent liabilities.....	95
27. Share based payment transactions.....	95
28. Capital management.....	98
29. Financial instruments.....	98
30. Fair value measurement.....	103
31. Auditor's remuneration.....	104
32. Related parties.....	104
33. Company financial information.....	106
34. Subsidiaries.....	107
35. Notes to cashflow statement.....	110
36. Subsequent events.....	111
Directors' Declaration.....	112
Independent Auditor's Report.....	113

# Directors' Report

For the year ended 30 June 2022

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 2022 (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	
John McLaren	(appointed, effective 6 December 2021. Previously alternate Director to Gary Shiffman)
Gregory Hayes	
Sally Evans	
Gary Shiffman	(resigned, effective 6 December 2021)

### 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))
Charisse Nortje	(appointed, effective 1 July 2022)
Nhu Nguyen	(resigned, effective 15 October 2021)

### Qualifications, experience and special responsibilities

Please refer to pages 32 to 33.

### 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	13	13	-	-	-	-	10	9
Robert Morrison	13	13	-	-	6	6	10	10
Amanda Heyworth	13	13	-	-	6	6	-	-
Pippa Downes	13	13	5	5	-	-	10	9
Gregory Hayes	13	13	5	5	-	-	10	10
Sally Evans	13	11	5	5	6	6	-	-
John McLaren	13	11	-	-	-	-	-	-
Gary Shiffman	6	-	-	-	-	-	-	-
Simon Owen	13	13	-	-	-	-	-	-

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

# Directors' Report

For the year ended 30 June 2022 | continued

## Interests of Directors

Securities in the Group held by directors or their associates as at 30 June 2022 were:

	Issued stapled securities	Rights
Jim Hazel	439,445	-
Robert Morrison	254,594	-
Amanda Heyworth	224,736	-
Pippa Downes	40,868	-
John McLaren <sup>(1)</sup>	41,779,555	-
Gregory Hayes	20,000	-
Sally Evans	19,316	-
Simon Owen	1,512,976	1,008,893

(1) The securities held by Mr McLaren are beneficially owned by Sun Communities.

Mr McLaren 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. Prior to his appointment, Mr McLaren was the Alternate Director for Mr Shiffman, who was the previous appointed Nominee Director of Sun Communities before his resignation on 6 December 2021.

## Company Secretaries

### Natalie Kwok – CIO and GC

Ms Kwok joined Ingenia in 2012 and is responsible for the Group's capital 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 chairs the Residential Land Lease Alliance and 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.

### Charisse Nortje

Ms Nortje has extensive company secretarial and governance experience, in both listed and private entity environments. Ms Nortje has worked mainly in the property and financial services sector over the past 12 years and previous experience includes spending almost 8 years in the UK working for listed and unlisted organisations in similar roles, across logistics and manufacturing.

Ms Nortje holds a Bachelor of Law as well as an MBA.

Ms Nortje is also a Fellow of the Governance Institute of Australia as well as the Chartered Governance Institute (FGIA/FCG).

## Operating and Financial Review

### ICH overview

The Group owns, manages and develops a portfolio of lifestyle, rental and holiday communities across Australia's East Coast and Western Australia. The Group's real estate assets at 30 June 2022 were valued at \$1.9 billion, comprising 72 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 27 seniors rental communities (Ingenia Gardens). The Group manages a further 11 communities through its development JV and funds management platform.

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 2022 | 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.

Creating Australia's best lifestyle communities



Lead with  
**INTEGRITY**



**RESPECT**  
for all



Build  
**COMMUNITY**



Continuous  
**IMPROVEMENT**

## Strategy

The Group's focus is on maintaining sector leadership whilst delivering growth opportunities across the business through enhancing operational performance and developing new communities.

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

The immediate business priorities of the Group are:

- Improve resident and guest experience and satisfaction;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Improve performance of existing communities through rental growth, active cost management and investment in new rental and tourism cabins;
- Continue to progress development pipeline across the Group and JV projects to deliver new rental contracts;
- Build on the Group's sustainability program, enhancing disclosures as initiatives are progressed;
- Maintain focus on employee, resident and guest health and safety; and
- Expand the funds management platform and deliver compelling performance for investors.

# Directors' Report

For the year ended 30 June 2022 | continued

## Transformational growth

During the period the Group undertook over \$560.0 million of strategic transformational acquisitions, growing Ingenia's market leading position in the lifestyle and holidays sectors and enhancing the Group's growth profile. During the period, the Group acquired 12 Lifestyle communities, 11 Holiday communities, an additional Ingenia Gardens Village and 4 greenfield developments.

The growth in the portfolio was materially driven by the acquisition of the Seachange group, Caravan Parks of Australia and the Federation Villages portfolios.

The Seachange group is a high-quality portfolio of six lifestyle communities and development sites in South East QLD and was acquired for \$270.0 million. The Seachange acquisition extends Ingenia's presence in the strong South East QLD market via a complementary, well established premium brand with an established operating and development platform, providing Ingenia with additional management capabilities to contribute to the growth of the Group.

The Caravan Parks of Australia portfolio, a portfolio of seven lifestyle and holiday communities in VIC and NSW, was acquired for \$110.0 million. The Federation Villages portfolio consisted of three established lifestyle communities in Melbourne's outer suburbs which added 504 homes and was acquired for \$87.0 million.

In addition to these portfolios the Group acquired seven holiday communities, a partially complete lifestyle community in QLD, an established seniors rental community and four additional development opportunities (two in the Joint Venture with Sun Communities), bringing the total potential development sites across the business to 6,580.

These acquisitions were funded from debt facilities and a \$475.0 million entitlement offer to existing security holders.

## FY22 financial results

The year to 30 June 2022 delivered total revenue of \$338.1 million, up 14% on the prior year. The Group settled 409<sup>1</sup> turnkey homes (30 Jun 2021: 380<sup>1</sup> homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to \$140.8 million (30 Jun 2021: \$99.3 million).

Statutory profit of \$100.6 million was up 38% 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 the settlement of new homes.

Underlying profit from continuing operations was \$87.9 million, which represents an increase of \$10.6 million (14%) on the prior year. The underlying result was adversely impacted by industry wide supply and labour challenges which significantly impacted the EBIT contribution from Lifestyle Development (down 24% on prior year). The Holidays segment EBIT was up 23% on the prior year from increased demand and new acquisitions despite forced COVID-19 associated closures. Ingenia Lifestyle Rental EBIT of \$26.8 million, was up 62% with Ingenia Gardens EBIT of \$11.5 million, up 6% from the prior year both segments benefited from acquisitions and inflation linked rent increases.

Operating cash flow for the period was \$114.9 million, down 17% from the prior year, reflecting lower available opening inventory than prior year and lower development profit.

The Group's underlying earnings per security decreased by 1% from prior year driven by additional securities on issue from the November 2021 equity raise and adverse COVID-19 and supply chain impacts on the Holidays and Lifestyle Development

The Group's net asset value (NAV), of \$3.75 per security, was up 24% compared with 30 June 2021 NAV of \$3.03, driven by positive revaluations of the Group's assets and the impact of the November 2021 equity raise, where securities were issued at a premium to asset value. Net tangible assets (NTA) increased from \$3.00 to \$3.50 per security.

## Key metrics

- Income generating sites across the Group increased by 40% to 14,499 sites as at 30 June 2022
- Statutory profit of \$100.6 million, up 38% on the prior year
- Underlying profit of \$87.9 million, up 14% on the prior year
- Basic earnings per security (Statutory) of 26.6 cps, up 19% on the prior year (30 Jun 2021: 22.3 cps)
- Basic earnings per security (Underlying) of 23.3 cps, down 1% on the prior year (30 Jun 2021: 23.6 cps)
- Operating cash flows of \$114.9 million, down 17% on the prior year
- Full year distribution of 11.0cps, up 5% on the prior year.

<sup>1</sup> Including 56 settlements (30 Jun 2021: 30) at Ingenia Lifestyle Freshwater, the Group's joint venture project with Sun Communities.



# Directors' Report

For the year ended 30 June 2022 | continued

## Group results summary

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>EBIT</b>	<b>101,736</b>	94,351
Share of underlying joint venture profit	5,078	840
Share of associate loss	(250)	-
Net finance expense	(9,121)	(4,961)
Tax expense associated with underlying profit	(9,587)	(12,996)
<b>Underlying profit<sup>(1)</sup></b>	<b>87,856</b>	77,234
Net gain/(loss) on change in fair value of:		
Investment properties	72,170	11,015
Acquisition costs	(19,294)	(14,285)
Financial liabilities	(4,255)	(5,135)
Investment and other financial instruments	3,880	1,702
Share of joint venture profit	3,031	-
Business combination transaction costs	(18,000)	-
Impairment of goodwill	(1,436)	-
Other	(175)	(516)
Tax (expense)/benefit associated with items below underlying profit	(23,190)	2,766
<b>Statutory profit</b>	<b>100,587</b>	72,781

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

## Segment performance and priorities

### Residential

#### *Ingenia Lifestyle Development*

The Group delivered 353 turnkey settlements (30 Jun 2021: 350) with a further 56 (30 Jun 2021: 30) settlements in the Joint Venture.

Development is currently underway at 12 communities and the Group has a strong development pipeline of 6,580 potential new home sites across Ingenia and the joint venture (30 Jun 2021: 4,220 sites). The Group commenced construction at Victoria Point, QLD and Beveridge, VIC during the period.

The acquisition of the Seachange Group added 557 sites to the development pipeline and delivered 34 settlements in FY22.

The Group is continuing to experience strong demand for its lifestyle offering from downsizers, with strong sales being delivered during the year and a high level of contracts and deposits on hand.

EBIT contribution is down 24% on prior year, largely reflecting a change in sales composition, with the Group's high margin project Latitude One materially completed in FY21. EBIT was also impacted by increased costs associated with the commencement of new projects which made minimal contribution to settlements in FY22.

The carrying value of the Ingenia Lifestyle Development investment property at 30 June 2022 is \$272.9 million (30 Jun 2021: \$174.0 million).

# Directors' Report

For the year ended 30 June 2022 | continued

## Performance

	30 Jun 2022	30 Jun 2021	Change %
New home settlements (#)	353	350	1%
Gross new home development profit (\$m)	62.7	67.4	(7%)
Other home settlements (#)	5	17	(71%)
Gross refurbished home development profit (\$m)	0.3	0.3	-
EBIT contribution (\$m)	35.1	46.1	(24%)
EBIT margin (%)	26.7	32.2	(6%)

### Strategic priorities

The key strategic priorities for Ingenia Lifestyle Development include: managing labour and construction costs; delivering the current development pipeline on time and continuing to build sales momentum; commencing new projects to support to support medium term settlements targets; securing further development approvals for new homes and; delivering an outstanding move in experience for new residents.

### Ingenia Lifestyle Rental

At 30 June 2022, Ingenia Lifestyle Rental is comprised of 38 communities. Ingenia Lifestyle Rental EBIT grew 62% on FY21 to \$26.8 million.

During FY22, the Group continued to expand its Ingenia Lifestyle rental assets by delivering 353 new settlements from its development business. The Group also delivered 94 new rental cabins across the Ingenia Rental communities. The Group also completed the acquisition of 12 communities.

Permanent rental income grew by 52% on the prior year, 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 2022 is \$827.1 million (30 Jun 2021: \$436.2 million).

## Performance

	30 Jun 2022	30 Jun 2021	Change %
Permanent rental income (\$m)	47.4	31.2	52%
Tourism rental income (\$m)	1.5	0.6	150%
Other (\$m)	6.2	2.9	114%
EBIT contribution (\$m)	26.8	16.5	62%
Stabilised EBIT margin (%)	49.7	48.0	2%

### Strategic priorities

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

### Ingenia Gardens

Ingenia Gardens comprises 27 rental communities located across the eastern seaboard and Western Australia. Collectively, these communities have 1,437 sites for rent. The portfolio performed ahead of prior year, with record high occupancy of 95.9% at 30 June 2022.

Ingenia added an additional community to its Portfolio during the period, through the acquisition of a 60 site community in Carrum Downs, VIC.

The carrying value of these assets at 30 June 2022 is \$167.2 million (30 Jun 2021: \$150.2 million).

# Directors' Report

For the year ended 30 June 2022 | continued

## Performance

	30 Jun 2022	30 Jun 2021	Change %
Rental communities (#)	27	26	4%
Occupancy (%)	95.9	95.8	-
Rental income (\$m)	24.4	23.1	6%
Catering income (\$m)	2.7	2.6	4%
EBIT contribution (\$m)	11.5	10.9	6%
Stabilised EBIT margin (%)	42.3	40.9	1%

### Strategic priorities

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

## Tourism

### Ingenia Holidays and Mixed Use

At 30 June 2022, Ingenia Holidays is comprised of 33 holiday communities that offer holiday accommodation, annual sites and permanent homes.

The Group continued to expand its tourism assets, completing the acquisition of 11 holiday parks and the installation of 45 new tourism cabins.

Tourism rental income increased 35%, driven by acquisition of new holiday parks and strong demand for domestic travel. Revenue was adversely impacted by COVID-19 related restrictions during the first half of the year, with demand rebounding strongly as restrictions eased. EBIT increased by 23% on prior year to \$35.3 million.

The carrying value of the Group's Holidays investment property at 30 June 2022 is \$670.7 million (30 Jun 2021: \$470.9 million).

## Performance

	30 Jun 2022	30 Jun 2021	Change %
Tourism rental income (\$m)	71.8	53.3	35%
Permanent rental income (\$m)	10.7	9.6	11%
Annuals rental income (\$m)	9.4	4.6	104%
Other (\$m)	4.7	2.7	74%
EBIT contribution (\$m)	35.3	28.7	23%
Stabilised EBIT margin (%)	39.7	38.8	1%

### Strategic priorities

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

## Capital Partnerships

### Development Joint Venture

The Joint Venture with Sun Communities (NYSE: SUI) acquired two additional greenfield development sites at Nambour, QLD and Bobs Farm, NSW.

The Joint Venture delivered \$23.7 million (30 Jun 2021: \$11.4 million) of revenue from the settlement of 56 (30 Jun 2021: 30) new homes at its first greenfield project located at Burpengary, QLD, driving a 112% increase in revenue for the Joint Venture.

During FY22, fees generated by Ingenia from the Joint Venture relate to acquisition, asset development and sales management.

# Directors' Report

For the year ended 30 June 2022 | continued

## Performance

	30 Jun 2022	30 Jun 2021	Change %
Greenfield properties (#)	5	3	67%
Investment carrying value (\$m)	66.1	32.8	102%
New home settlements (#)	56	30	87%
Fee income (\$m)	1.6	2.1	(24%)
Joint venture revenue (\$m)	24.2	11.4	112%
Joint venture operating profit (\$m)	12.2	5.0	144%
Share of profit from joint venture (\$m)	8.1	0.8	NM

### Strategic priorities

The strategic priorities for the Joint Venture are to expand in key markets and to progress the existing portfolio of new lifestyle communities under development. 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. 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 manages five funds that invest in lifestyle and holiday communities situated in NSW and QLD. The Group receives fees for the management and development of the assets and management of the funds. During the year, Ingenia acquired the Federation Village assets owned within one of the funds from investors. As part of this transaction, a performance fee and gain on the Group's co-investment in the fund were realised.

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

	30 Jun 2022	30 Jun 2021	Change %
Investment carrying value (\$m)	5.8	13.2	(56%)
Fee income (\$m)	4.9	2.2	123%
Distribution income (\$m)	0.7	0.7	-
Realised gain on co-investment (\$m)	1.9	-	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. Revenue was adversely impacted by COVID-19 related restrictions during the first half of the year, with demand rebounding strongly as restrictions eased.

	30 Jun 2022	30 Jun 2021	Change %
Total revenue (\$m)	18.5	16.4	13%
EBIT contribution (\$m)	0.9	1.3	(31%)
Stabilised EBIT Margin (%)	6.7	6.7	-

### Capital management of the Group

During the year Ingenia raised \$475.0 million of equity via an accelerated non-renounceable entitlement offer to existing eligible securityholders at \$6.12 per security. The Group also increased its debt facilities by \$255.0 million, taking the Group's combined facility limit to \$780.0 million (30 June 2021: \$525.0 million). The weighted average term to maturity of the Group facilities is 4.4 years.

At 30 June 2022, the debt facilities were drawn to \$440.0 million and the Group's Loan to Value Ratio ("LVR") was 25.7%, gearing was 20.6% and the Group was 28.4% hedged at 30 June 2022. Hedging increased post 30 June 2022 to a pro-forma 51% with additional hedging placed in July 2022 and August 2022.

# Directors' Report

For the year ended 30 June 2022 | continued

## Financial position

The following table provides a summary of the Group's financial position as at 30 June 2022:

\$'000	30 Jun 2022	30 Jun 2021	Change
Cash and cash equivalents	14,486	18,797	(4,311)
Inventories	19,535	13,550	5,985
Investment properties	1,937,888	1,231,336	706,552
Intangibles	103,203	8,486	94,717
Other assets	103,779	65,662	38,117
Assets held for sale	4,150	9,600	(5,450)
Deferred tax asset	-	6,958	(6,958)
<b>Total assets</b>	<b>2,183,041</b>	<b>1,354,389</b>	<b>828,652</b>
Borrowings	495,603	274,335	221,268
Other liabilities	131,713	87,021	44,692
Deferred tax liability	26,217	-	26,217
<b>Total liabilities</b>	<b>653,533</b>	<b>361,356</b>	<b>292,177</b>
<b>Net assets /equity</b>	<b>1,529,508</b>	<b>993,033</b>	<b>536,475</b>

Investment property book value increased by \$706.6 million from 30 June 2021. This was primarily due to the acquisition of new communities and development land, investment in community development and changes in fair value.

Intangibles increased by \$94.7 million due to goodwill on the acquisition of the Seachange Group, offset by the impairment of goodwill on the Funds Management business related to the reduction in funds under management.

Borrowings increased by \$221.3 million due to the acquisition of new communities and investment in development.

## Cash flow

\$'000	30 Jun 2022	30 Jun 2021	Change
Operating cash flow	114,902	137,646	(22,744)
Investing cash flow	(731,714)	(275,625)	(456,089)
Financing cash flow	612,501	146,025	466,476
<b>Net change in cash and cash equivalents</b>	<b>(4,311)</b>	<b>8,046</b>	<b>(12,357)</b>

Operating cash flow for the period was \$114.9 million, down 17% from the prior year, reflecting lower available opening inventory than prior year and lower development profit.

Investing and financing cash flows were impacted by the Group's \$475 million equity raise in November 2021 and acquisition and development activities during the year.

## Distributions

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

- On 22 February 2022, the Directors declared an interim distribution of 5.2 cps, amounting to \$21.1 million which was paid on 24 March 2022.
- On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

## FY23 outlook

The Group is well placed to continue to deliver growth in the core Lifestyle business, with strong demand from downsizers, increased market awareness, and a strong pipeline of projects commencing development that will generate additional rental cash flows. Growth in rental cash flows will also be delivered through ongoing demand for affordable housing and ongoing high occupancy and rent growth across the Group's rental communities. Enhancing the performance of existing assets by delivering rent growth and investing in new homes remains a key priority for the Group.

Ingenia expects to continue to benefit from growth in domestic tourism with an extensive portfolio located in attractive holiday destinations. The priority for Ingenia Holidays is to enhance the customer experience and invest in new tourism cabins and refurbishment of existing cabins.

The Group will focus on increasing its assets under management through its capital partnerships including development in the Joint Venture through the commencement of developments in 1H23.

# Directors' Report

For the year ended 30 June 2022 | continued

The Group's strong balance sheet and deal flow provides continuing capacity for growth and sector leadership.

Ingenia will continue to deliver on its environmental commitments as the Group targets a 30% reduction in scope 1 and 2 emissions over the next five years (against a base line portfolio owned since 2019) 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 investment properties acquired during the year, Note 17 for business combinations, Note 20 for details of debt facility and Note 22 for issued securities.

## Events Subsequent to Reporting Date

### Final FY22 distribution

On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

### Acquisition of Big 4 Wagga Wagga

On 4 August 2022, the Group completed the acquisition of Big 4 Wagga Wagga, located in regional NSW, for \$13.2 million.

## 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 and development sites;
- 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 63.

## 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, 24 August 2022

# Directors' Report

For the year ended 30 June 2022 | continued

On behalf of the Board and the Nomination and Remuneration Committee, I am pleased to present our Remuneration Report for the year ended 30 June 2022

Amanda Heyworth

Chair, Remuneration and Nomination Committee

Ingenia delivered solid results this financial year particularly given challenges associated with COVID-19 lockdowns, floods and supply chain and labour shortages. Rent growth and occupancy in our core lifestyle and rental businesses was strong and tourism rebounded following COVID-19 lockdowns in the first half. Home settlements increased on prior year but were lower than our original expectations due to supply chain and labour shortages. We also made good progress on our ESG agenda with a particular focus on green building innovations, emission reductions and gender diversity.



**Settlements**  
**409**  
(8% increase from FY21)



**EBIT**  
**\$101.7m**  
(7.8% increase from FY21)



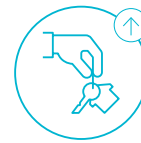
**Gender Diversity**  
achievement of 40%/40%/20% targets



**Distribution per Security**  
(4.8% increase from FY21)



**74% Employee Engagement Score**



**Lifestyle Rental Average Weekly Rent Growth**  
(5% increase from FY21)

Ingenia has been a pioneer of the land lease sector, which demonstrated strong consumer demand and resilience under pandemic conditions and across the housing market cycle. While this success has drawn more competition, we are confident the company has a strong team, an exciting growth strategy, and an industry leading pipeline of projects. The investment into our strategic landbank impacts short term returns and consequently LTI payouts in the near term. Building out this pipeline will generate both development profits and rental streams and positions us well to take advantage of strong fundamentals arising from the ageing population and shifting customer preferences to deliver compelling returns to security holders over the medium term.

The chart below provides an overview of the rapid growth in the size and scope of our business over the past 10 years. As a result, the Board has placed higher expectations on executives and staff at every level. This, combined with the broader war for talent, has warranted very active attention to remuneration, required capabilities, recruitment, development and succession planning. Retention of our people is a challenge, particularly with new land lease sector entrants intensifying competition for proven talent. We are taking a holistic approach to retention and have deployed further investment in career development, capability building and succession planning in addition to ensuring we are remunerating our people competitively to keep turnover at an acceptable level.

		FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
<b>Homes, cabins &amp; sites<sup>1</sup></b>	# units	2,265	1,750	3,932	4,435	5,337	6,999	7,170	7,775	10,195	11,990	<b>15,627</b>
<b>Settlements - INA &amp; JV</b>	# units	-	2	12	52	107	211	287	336	325	380	<b>409</b>
<b>Development Sites - INA &amp; JV</b>	# sites	-	629	917	1,135	1,484	2,473	3,244	3,713	3,015	4,220	<b>6,580</b>
<b>Tourism nights available</b>	mill. per annum	-	-	0.3	0.4	0.5	0.8	0.8	0.9	1.0	1.3	<b>1.7</b>
<b>Funds management</b>	# properties	-	-	-	-	-	-	-	-	10	9	<b>6</b>
<b>Property portfolio<sup>1</sup></b>	\$ B	\$0.5	\$0.5	\$0.5	\$0.5	\$0.7	\$0.7	\$0.7	\$0.9	\$1.1	\$1.4	<b>\$2.1</b>
<b>People</b>	# FTEs	159	279	303	417	472	552	561	685	745	940	<b>1,260</b>
<b>Residents</b>	#	- <sup>2</sup>	- <sup>2</sup>	- <sup>2</sup>	>3,000	>3,000	>4,000	>4,700	>5,100	>6,800	>8,800	<b>&gt;10,800</b>

(1) Including assets owned by the Joint Venture and the Group's managed funds.

(2) Data not available for this period.

The health and wellbeing of our people continues to be a key focus as we adapt to changing state health regulations. Additionally, we have invested more in our Employee Assistance Program and Mental Health First Aid. Last year, the Board exercised negative discretion to zero out two months of STI pay for the CEO and CFO to account for the months where we received JobKeeper. The resulting savings were paid as a one-off bonus to front line staff this year. We also continued to reward our people with the majority of our team members offered \$1,000 of Ingenia securities for the fifth year in a row under our Ingenia INVEST plan.

# Directors' Report

For the year ended 30 June 2022 | continued

I'm very pleased that Ingenia continues to be a leader in gender diversity and have maintained at a Board and executive level the benchmark target mix of 40% men, 40% women and 20% either. Once again, we ranked second in the Chief Executive Women award for executive gender diversity in the ASX 300. As we move into the new financial year, we are amplifying our culture of belonging and identifying pathways for creating employment opportunities for disadvantaged groups. With a focus on sustainability, we have increased the attention for ESG and incorporated metrics linked to this achievement in executive scorecards.

## Remuneration framework

There was no change to the remuneration framework this year. Our executive pay comprises Fixed Pay, Short-Term Incentive (STI) and Long-Term Incentive (LTI) components and is designed to ensure executives have a significant proportion of remuneration at risk, which is payable on the delivery of positive outcomes for security holders. We undertake a detailed market benchmarking of director fees and executive pay. Each Ingenia position is benchmarked against similar roles from a peer group of companies that reflect our industry, capitalisation, revenue and assets. In addition, The Board has introduced a formal Discretion Framework which reflects best practice and ASIC guidance and requires the Board to consider the application of discretion in the context of outcomes for other stakeholders including security holders, customers, and the communities in which we operate.

## Remuneration outcomes for FY22

The Board made FY22 remuneration decisions based on recommendations from the Remuneration & Nominations Committee after considering input from Guerdon Associates, an independent remuneration specialist firm.

The CEO's fixed remuneration was increased by an equity grant of Fixed Performance Rights with adjustments made to his STI opportunity at 80% (previously 78%) and LTI opportunity at 85% (previously 91%) of fixed remuneration. These equity grants were approved by unit holders at the November 2021 Annual General Meeting. The CFO's remuneration was below the benchmark peer group and an increase of fixed remuneration of 5.9% was awarded with STI of 58% and LTI of 50% of fixed remuneration, which improves his position to peers, but remains below the benchmark. A modest 2.2% increase to fixed remuneration was awarded to the CIO & GC with her STI and LTI opportunity both increased from 40% to 45% of fixed remuneration. Given increasing competitiveness in the labour market and the relative position of our KMP pay to benchmark we foreshadow further adjustments for FY23.

STI outcomes are based on KMP achievement against scorecard targets which are aligned to operational and strategic business objectives. FY22 Short-Term Incentives were awarded to KMPs in the range of 75% to 85% of maximum.

STIs are deferred 66% for the CEO and 50% for other KMPs. The Board determined that the profit sustainability threshold had been met to allow FY21 deferred STIs to vest in full.

Board fees were increased in FY22 but remain slightly below the peer benchmark group.

Our FY19 LTI award vested at 87%. The TSR metric and underlying EPS growth results exceeded the maximum. The ROE performance metric was adjusted to remove the dilutive impact of the capital raise undertaken at the start of the pandemic in June 2020. In reaching this decision, the Board considered that the June 2020 capital raise at the start of the pandemic was in the best interest of security holders but disadvantaged management. The Board noted that the ROE performance target was missed narrowly (7.9% versus a threshold of 8.0%). The June 2020 capital raise was a Board decision which was not anticipated at the time that targets were set and was in the best interest of security holders, positioning the balance sheet for growth.

The FY20 LTI awards will be tested on 30 September 2022 and disclosed in the FY23 Remuneration Report.

In summary, I believe our remuneration framework and outcomes for the year deliver a balanced and fair outcome for all stakeholders in a particularly challenging market.

## 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 material increases in the scale and scope of the business and growing competition for talent with the entry of new competitors into the land lease sector. Some areas of focus for FY23:

- implementing a decision to extend our minimum security holding policy so that directors, KMPs and executives will all be expected to build a stake equivalent to 1x fixed remuneration over time;
- introducing sector leading parental support, moving to 26 weeks of full pay, paid superannuation throughout the 12 months of parental leave and the provision of additional leave to support the early and engaged return of working parents;
- cascading ESG initiatives and targets more broadly across the organisation;
- continuing to rigorously review our pay mix to reflect fair and competitive remuneration design; and
- incorporating new metrics about successful IT and data transformation for responsible executives.



# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited)

### Introduction

The Board is pleased to present the Remuneration Report for the Group for the year ended 30 June 2022, 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 are competitive in attracting, retaining, and motivating high calibre people.

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

The remuneration structures consider 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 and value 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.

In line with our Discretion Framework 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.



For personal use only

# Directors' Report

For the year ended 30 June 2022 | 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
<p><b>Fixed remuneration should be fair, competitive and benchmarked to comparable market roles.</b></p>	<p><b>Total Fixed Remuneration (TFR)</b> 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.</p>	<p>External benchmarking is reviewed by independent remuneration specialists Guerdon Associates.</p> <p>The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually.</p>
<p><b>A significant portion of remuneration should be 'at risk' and awarded to executives based on the achievement of agreed objectives and hurdles.</b></p>	<p><b>Short-Term Incentive (STIs)</b> For achievement of STIs in relation to executive KMP, the payment is:</p> <p> <b>CEO: 33% cash and 67% deferred equity rights</b></p> <p> <b>CFO and CIO &amp; GC: 50% cash and 50% deferred equity rights</b></p>	<p>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.</p> <p>KPIs comprise financial and non-financial metrics and overall behaviours.</p>
<p><b>Remuneration should be aligned to the interests of all security holders and build ownership and alignment.</b></p>	<p>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.</p> <p>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).</p>	
<p><b>The Board maintains sole discretion over the granting of equity rights as remuneration to employees.</b></p>	<p><b>Long-Term Incentive (LTIs)</b> LTI equity rights are granted to executive KMP to align their focus with the Group's strategy and overall financial outcomes.</p> <p>LTI grants are made in equity rights to ensure alignment with security holders' interests.</p>	<p>LTI performance conditions are as follows:</p> <ul style="list-style-type: none"> <li>- Relative Total Security holder Return (TSR) measured over three financial years.</li> <li>- Return on Equity (ROE) performance measured in the third year following the LTI grant.</li> <li>- Underlying Earnings per Security (EPS) growth over three financial years.</li> <li>- Group settlements growth measured in the third year following the LTI grant.</li> </ul>
<p><b>Other Employee Ownership Schemes</b></p>		
<p><b>The Ingenia Valued Employees Share Take up Plan (INVEST Plan)</b></p>	<p>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.</p>	
<p><b>Talent Rights Grant (TRG)</b></p>	<p>The purpose of the TRG is 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.</p>	

# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

### 1.3. Rights Plan

The current Rights Plan was approved by security holders at the AGM held on 11 November 2021. 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. The Rights Plan permits the issuance of rights to Non-Executive Directors. However, there is no intention to issue rights to Non-Executive Directors and this will be removed the next time the Rights Plan is submitted for security holder approval.

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.

### 1.4. Mix of remuneration components

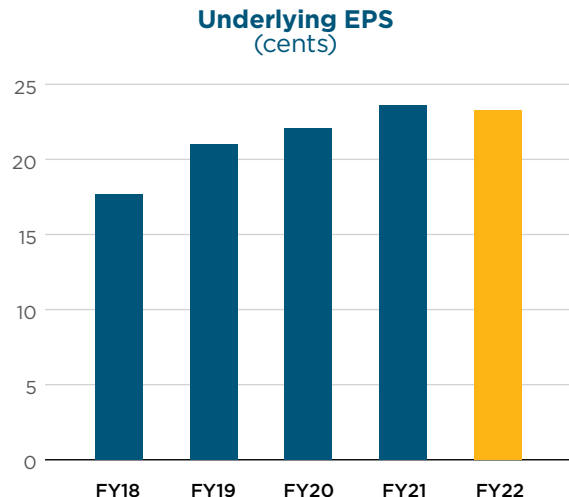
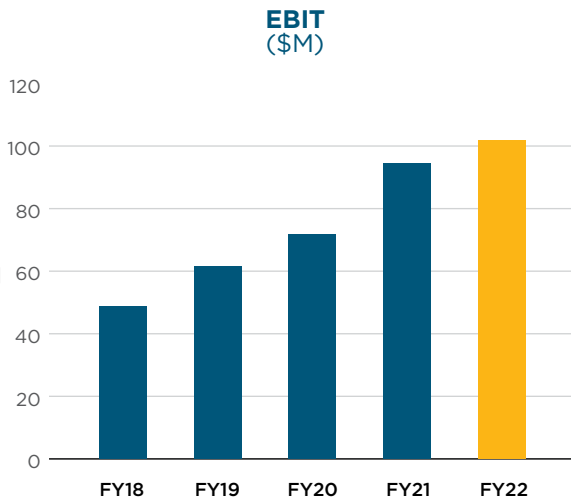
Executive remuneration packages include a mix of TFR, STIs and LTIs. The Group aims to reward executives with a mix of remuneration commensurate with their position and responsibilities and aligned with market practice.

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 across market capitalisation, asset value and revenue, whilst also considering the individual's experience and sustained performance over time.

## 2. Remuneration Outcomes

### 2.1. Financial performance over the past five years

Despite challenges posed by the COVID-19 pandemic, the Group continued to deliver on key strategic objectives – building a market leading position in the lifestyle and holidays sectors and enhancing the Group's longer term growth profile via development as the lifestyle communities sector evolved. EBIT, NAV and income producing sites increased year on year over the five years to FY22. EPS grew steadily from FY18 to FY21 before falling slightly in FY22, reflecting the impact of additional securities on issue due to the November 2021 equity raising to fund over \$560 million of acquisitions which will contribute returns in future years. The FY22 result was also adversely impacted by COVID-19 related closures of holiday parks and weather, supply chain and labour shortages.

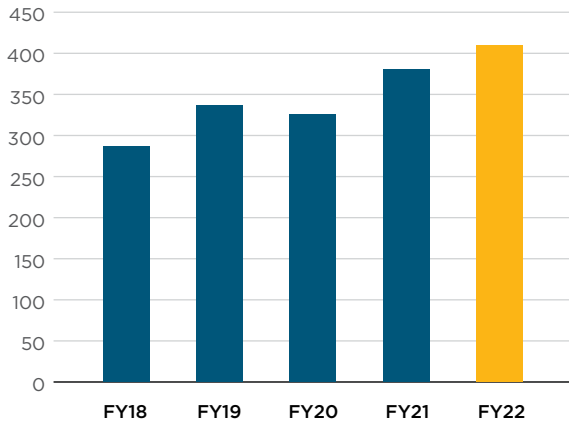


# Directors' Report

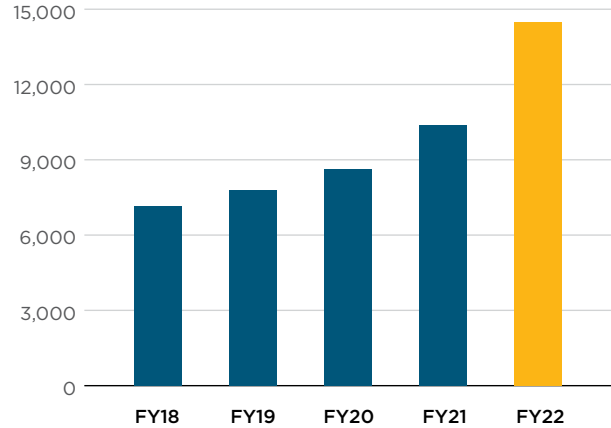
For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

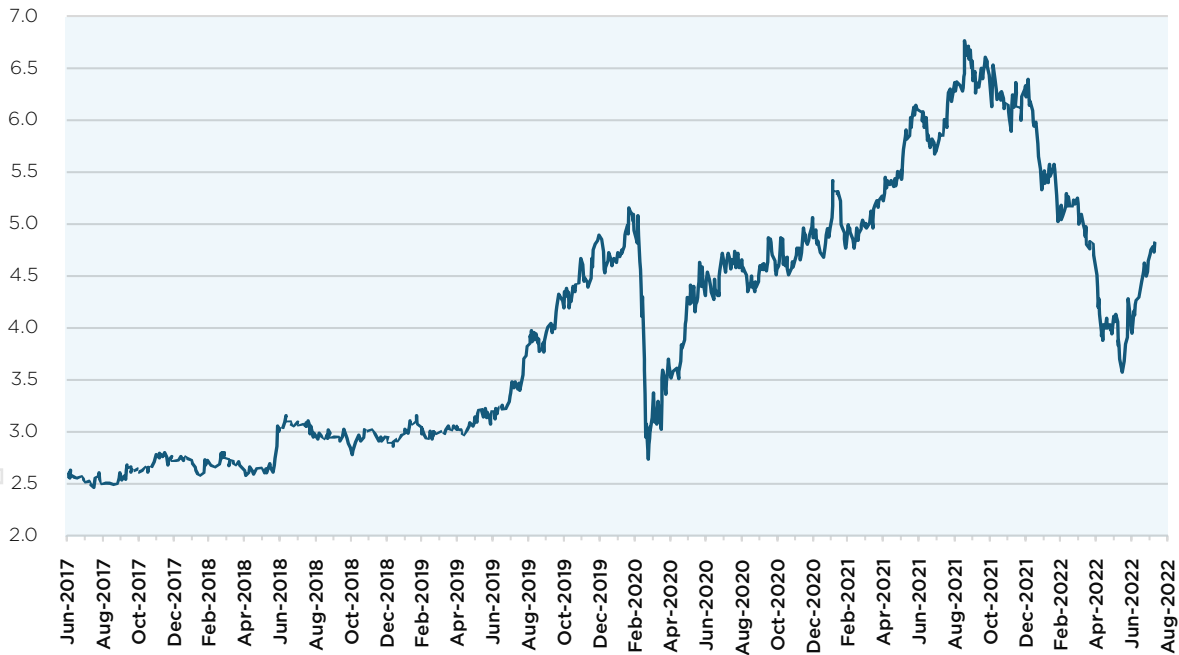
**Turnkey Settlements - INA & JV**  
(#)



**Income Producing Sites**  
(#)



**INA Security Price**  
(\$)



Source: IRESS

For personal use only

# Directors' Report

For the year ended 30 June 2022 | 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 2022:

	FY18	FY19	FY20	FY21	FY22
<b>Financial results</b>					
Revenue (\$'000)	189,476	228,708	244,209	295,578	<b>338,146</b>
EBIT (\$'000)	48,759	61,490	71,892	94,351	<b>101,736</b>
Underlying profit (\$'000)	36,771	47,221	59,109	77,234	<b>87,856</b>
Statutory profit (\$'000)	34,243	29,313	31,452	72,781	<b>100,587</b>
<b>Security based metrics</b>					
Underlying (Basic) EPS <sup>(1)</sup> (cents)	17.7	21.0	22.1	23.6	<b>23.3</b>
Statutory (Basic) EPS <sup>(1)</sup> (cents)	16.5	13.0	11.8	22.3	<b>26.6</b>
Underlying ROE (%) <sup>(2)</sup>	7.0	8.1	7.9	8.0	<b>6.8</b>
Statutory ROE (%)	6.5	5.0	4.2	7.6	<b>7.7</b>
Net asset value per security (\$)	2.57	2.65	2.90	3.03	<b>3.75</b>
Security price at 30 June (\$)	3.08	3.24	4.49	6.14	<b>3.98</b>
Distributions (cents)	10.75	11.20	10.0	10.5	<b>11.0</b>
<b>Remuneration awards</b>					
Average STI awarded to KMP (%)	90.8	80.0	66.3	76.9	<b>79.3</b>
Average LTI awarded to KMP (%) <sup>(3)</sup>	-	66.3	79.8	70.0	<b>86.7</b>

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

(2) Underlying ROE is calculated as underlying profit divided by average net assets. The underlying ROE performance hurdle for LTIPs is adjusted to remove the impact of investment property valuations on net assets over the vesting period.

(3) The current LTI plan was established in FY16 with the first awards under the Plan vesting in FY19. No awards vested in 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 2022 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 2022 have been determined by the Board as follows:

KMP	Position	Term
<b>Non-Executive KMP</b>		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gregory Hayes	Director	Full year
Sally Evans	Director	Full year
John McLaren <sup>(1)</sup>	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021
<b>Executive KMP</b>		
Simon Owen	CEO & Managing Director	Full year
Scott Noble	Chief Financial Officer	Full year
Natalie Kwok	CIO & General Counsel	Full year

(1) Mr McLaren was appointed by Mr Shiffman as an alternate director in February 2019. Upon the resignation of Mr Shiffman, Mr McLaren was appointed as the Sun Communities Group (NYSE:SUI) subscriber nominee director.

# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

As at 30 June 2022, the remuneration mix for Executive KMPs was:

Maximum Potential Total Remuneration	TFR	STI	LTI	Total
Simon Owen (CEO)	\$905,000 <sup>(1)</sup>	\$724,000	\$769,250	<b>\$2,398,250</b>
Natalie Kwok (CIO & GC)	\$450,000	\$202,500	\$202,500	<b>\$855,000</b>
Scott Noble (CFO)	\$450,000	\$265,500	\$225,000	<b>\$940,500</b>

(1) Inclusive of 34,628 FRR's that were granted in lieu of \$205,000 cash.

### 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. Policy is to position TFR at about the median. The appropriate TFR for each individual takes into account their role, experience, tenure and responsibilities, so that an individual's TFR may be below, at or above the median. RNC recommendations were approved by the Board.

For the 2022 financial year, TFR increases are shown in the table below. The increase in CEO remuneration was not paid in cash. It took the form of 34,628 (30 Jun 2021: 7,778) Fixed Remuneration Rights (FRR's) which were issued following approval from investors at the 2021 AGM.

KMP	FY22 TFR	FY21 TFR	Movement
Simon Owen (CEO) <sup>(1)</sup>	<b>\$905,000</b>	\$735,000	23.1%
Natalie Kwok (CIO & GC)	<b>\$450,000</b>	\$440,000	2.3%
Scott Noble (CFO)	<b>\$450,000</b>	\$425,000	5.9%
Nicole Fisher (COO) <sup>(2)</sup>	-	\$68,333	NM

(1) Inclusive of 34,628 FRR's (FY21: 7,788) that were granted in lieu of \$205,000 cash (FY21: \$35,000).

(2) Ms Fisher was deemed to be KMP from 1 Jul 2020 to 31 Aug 2020, as such the FY21 remuneration disclosed above is for the 2 month period to 30 June 2021.

### 2.4. Short-Term Incentive Plan (STIP)

The STI award is subject to achieving 'threshold', 'below target', 'target', 'above 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.

#### FY22 STI outcomes - Executive KMP

KPIs and weightings for each KMP are shown below:

Balanced scorecard outcomes	S. Owen CEO	N. Kwok CIO & GC	S. Noble CFO
<b>Financial &amp; Value creation objectives:</b>			
EBIT	Below target	Below target	Below target
Underlying profit	Below target	N/A	Below target
Acquisitions	N/A	Stretch	N/A
Capital Management	Stretch	N/A	Stretch
Settlements	Threshold	N/A	N/A
Rental Growth	Stretch	N/A	Stretch
Funds Management	Threshold	Threshold	Threshold
<b>Strategic &amp; Operational objectives:</b>			
ESG	Stretch	Stretch	Stretch
Business development	Above target	Stretch	N/A
Strong & positive culture	Stretch	Stretch	Above target
Systems & Innovation	N/A	Stretch	Above target

# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

Balanced scorecard outcomes	S. Owen CEO	N. Kwok CIO & GC	S. Noble CFO
<b>Behaviours:</b>	Strong	Exceptional	Strong
STI % of maximum achieved	78%	85%	75%
STI awarded \$	\$564,720	\$172,125	\$199,125
STI Cash	\$188,240	\$86,063	\$99,563
STI Deferred Equity	\$376,480	\$86,063	\$99,563

FY22 Short-Term Incentives were awarded to KMPs in the range of 75% to 85% of the maximum.

Under the Rights Plan, 33% of the STI outcome for the CEO and 50% for the CFO and CIO & GC will be paid in cash, with the balance deferred.

The 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 grant the date;
- 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.

Unvested STIP Rights held by KMP during the year were:

	Balance 1 July 2021	Granted	Vested	Lapsed	Balance 30 June 2022
<b>Directors</b>					
Simon Owen	91,418	43,488	(93,070)	-	<b>41,836</b>
<b>Executives</b>					
Natalie Kwok	-	12,026	-	-	<b>12,026</b>
Scott Noble	17,489	13,405	(17,805)	-	<b>13,089</b>
<b>Total</b>	<b>108,907</b>	<b>68,919</b>	<b>(110,875)</b>	<b>-</b>	<b>66,951</b>

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 STIPs on issue to KMP

The following table sets out all STIPs granted to-date and not vested at 30 June 2022.

KMP	Scheme year	Number of rights granted	Fair value of rights at award date	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
S. Owen	FY22	41,836	\$6.32	1-Oct-21	\$264,404	1-Oct-22	\$30,613
N. Kwok	FY22	12,026	\$6.32	1-Oct-21	\$76,004	1-Oct-22	\$8,800
S. Noble	FY22	13,089	\$6.32	1-Oct-21	\$82,722	1-Oct-22	\$9,577
<b>Total</b>		<b>66,951</b>			<b>\$423,130</b>		<b>\$48,990</b>

### 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 FY21 LTIP Performance Conditions can be found in the 30 June 2021 Remuneration Report, available on the Group's website.

FY22 LTIP Rights will vest subject to the following Performance Conditions consistent with the grant of rights to the CEO/MD approved by securityholders at the November 2021 Annual General Meeting.

# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

### Relative TSR Performance Condition (25%)

The relative TSR performance condition assesses INA's percentile performance ranking against the constituents of the S&P/ASX 200 A-REIT Index.

TSR is the growth in the 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 volume-weighted average of the closing security price over the 30 days up to and including the trading day prior to the start and the 30 days up to and including the end trading day of the LTI Performance Period (being from 1 October 2021 to 30 September 2024). Performance will be measured relative to the TSR of companies comprising the S&P/ASX 200 A-REIT Index over 3 years.

	INA's TSR	% of LTIP Rights that vest
Below Threshold	Less than 50th percentile	Nil
At Threshold	At 50th Percentile	50%
Between Threshold and Maximum	Greater than 50th percentile but less than 75th percentile	50% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	At 75th percentile or above	100%

### ROE Performance Condition (25%)

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 (as disclosed in annual reports) divided by the weighted average net assets (excluding the impact of asset revaluations on net assets between the FY22 LTIP Rights issue date and the FY22 LTIP Rights vesting date). The Board has discretion to exclude the dilutive impact of acquisitions or capital raisings that are considered in the best interests of the company if these occur within the final 12 months of the performance period. Any discretion applied will be disclosed. For FY22, the relevant metric is ROE achieved for FY24 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%

### EPS Performance Condition (25%)

EPS is defined as underlying profit (as disclosed in annual reports) divided by the weighted average number of securities over the financial year. The Board has discretion to exclude the dilutive impact of acquisitions or capital raisings that are considered in the best interest of the company if these occur within the final 12 months of the performance period. Any discretion applied will be disclosed. The relevant metric is Compound Underlying EPS Growth for the period FY21 to FY24 with the FY21 base year Underlying EPS being 23.6 cents per security.

	Compound underlying EPS growth	% of LTIP Rights that vest
Below Threshold	Less than 5%	Nil
At Threshold	At 5%	30%
Between Threshold and Maximum	Between 5% and 9%	30% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	Greater than 9%	100%



# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

### Group Settlements Growth Performance Condition (25%)

Group Settlements Growth focuses on growing sales revenue and the creation of new yielding rental contracts across the Group from INA and the Development Joint Venture with Sun Communities. The hurdle measures the average annual growth in settlements of INA and the Development Joint Venture being measured over a three-year period ending on 30 June 2024, with 380 settlements from the base year ended 30 June 2021.

	INA Group Settlements Growth	% of LTIP Rights that vest
At or below Threshold	5% average annual growth over 3 years from base year (the year ended 30 June 2021)	Nil
Between Threshold and Maximum	Between 5% and 10% average annual growth	10% plus an additional amount progressively vesting on a straight-line basis between Threshold and Maximum
Maximum	>10% average annual growth	100%

The FY22 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30-day trading period ending on 1 October 2021. The number of LTIP Rights granted in FY22 was calculated by dividing the LTIP award by the security value (as defined above).

FY22 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.

### LTIPs Awarded in FY22

FY19 LTIP rights were tested on 1 October 2021 resulting in the combined vesting of 225,846 rights for Mr Owen, Ms Kwok and Mr Noble. This represented 48.4% of total FY19 LTIP rights on issue based on the full achievement of the TSR and Underlying EPS conditions and 55.7% achievement of the ROE performance condition, as shown below.

Under the Discretion Framework the Board reviewed the Return on Equity metric for the FY19 LTIPs to remove the dilutive impact of the capital raise undertaken at the start of the pandemic in June 2020 increasing the LTIP vesting outcome from 70% to 86.7%. The ROE performance metric was adjusted to remove the dilutive impact of the capital raise undertaken at the start of the pandemic in June 2020. In reaching this decision, the Board considered that the June 2020 capital raise at the start of the pandemic was in the best interest of security holders but disadvantaged management. The Board noted that the ROE performance target was missed narrowly (7.9% versus a threshold of 8.0%). The June 2020 capital raise was a Board decision which was not anticipated at the time that targets were set and was in the best interest of security holders, positioning the balance sheet for growth.

LTIP hurdles	Weighting	Threshold	Performance	LTIP % achieved
TSR (ASX-200 A-REIT)	40.0%	Index +1%	Maximum achieved INA TSR of 138.2%	40.0%
ROE <sup>(1)</sup>	30.0%	Equal to or greater than 8%	Achievement of 55.7% Adjusted ROE at 8.7%	16.7%
Underlying EPS	30.0%	Equal to or greater than 5%	Maximum achieved EPS of 10.2%	30.0%
	<b>100.0%</b>			<b>86.7%</b>

(1) Underlying ROE performance hurdle for LTIPs adjusts ROE to remove the impact of investment property valuations on net assets over the vesting period as approved by security holders at the 13 November 2018 Annual General Meeting.

# Directors' Report

For the year ended 30 June 2022 | continued

## Remuneration Report (Audited) (continued)

Unvested LTIP Rights held by KMP during the year were:

	Balance 1 July 2021	Granted	Vested	Lapsed	Balance 30 June 2022
<b>Directors</b>					
Simon Owen	476,358	129,681	(170,181)	(24,112)	<b>411,746</b>
<b>Executives</b>					
Natalie Kwok	72,133	32,131	(18,262)	(2,587)	<b>83,415</b>
Scott Noble	111,440	36,995	(37,403)	(5,299)	<b>105,733</b>
<b>Total</b>	<b>659,931</b>	<b>198,807</b>	<b>(225,846)</b>	<b>(31,998)</b>	<b>600,894</b>

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 2022.

KMP	Scheme year	Number of rights granted	Fair value of rights at award date	Grant date	Fair value of rights	Vesting date	Maximum to expense in future years
Simon Owen	FY22	116,805	\$4.63	11-Nov-21 <sup>(1)</sup>	\$540,807	1-Oct-24	\$405,186
	FY21	148,889	\$2.61	10-Nov-20 <sup>(2)</sup>	\$388,600	1-Oct-23	\$291,329
	FY20	146,052	\$1.61	12-Nov-19 <sup>(3)</sup>	\$234,945	1-Oct-22	\$97,894
Natalie Kwok	FY22	30,749	\$4.63	1-Oct-21	\$142,368	1-Oct-24	\$106,666
	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
Scott Noble	FY22	34,165	\$4.63	1-Oct-21	\$158,184	1-Oct-24	\$118,515
	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
<b>Total</b>		<b>600,894</b>			<b>\$1,733,736</b>		<b>\$1,191,481</b>

(1) Grant date following the 2021 AGM with price based on 30-day VWAP at 1 October 2021 to align with other executives.

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

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

In addition, Mr Owen holds 330,910 vested Rights he has 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 2022 | continued

## Remuneration Report (Audited) (continued)

### 2.6. Talent Rights Grant

During FY22, TRG Rights were granted with the purpose of attracting, retaining and incentivising non-KMP employees who have been identified as having a key role in the successful achievement of the Group's strategy. 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 FY22

The following tables outline the remuneration provided to executive KMP for FY21 and FY22. Separate to the numbers outlined below, the Group accrues annual leave and long service leave in accordance with statutory requirements.

#### Reported Remuneration - Statutory presentation

Name	Financial Year	Short-Term		Post-employment	Share-based payments			Total (\$)	Performance related	
		Salary (\$)	STI Cash <sup>(1)</sup> (\$)	Super-annuation Benefits (\$)	FRR (\$)	STI Deferred <sup>(1)</sup> (\$)	LTI & TRG <sup>(2)</sup> (\$)		STI, LTI & TRG (%)	LTI & TRG (%)
S. Owen	2022	676,432	188,240	23,568	205,000	296,874	314,337	1,704,451	47	18
	2021	678,306	137,760	21,694	35,000	321,458	263,972	1,458,190	50	18
N. Kwok	2022	426,432	86,063	23,568	-	62,200	153,803	752,066	40	20
	2021 <sup>(3)</sup>	209,153	79,200	10,847	-	79,200	64,849	443,249	50	15
S. Noble	2022	426,432	99,563	23,568	-	81,856	80,754	712,173	37	11
	2021	403,306	86,195	21,694	-	79,087	61,692	651,974	35	9
N. Fisher <sup>(4)</sup>	2022	-	-	-	-	-	-	-	-	-
	2021	62,405	-	5,928	-	46,080	39,710	154,123	56	26
<b>Total</b>	<b>2022</b>	<b>1,529,296</b>	<b>373,866</b>	<b>70,704</b>	<b>205,000</b>	<b>440,930</b>	<b>548,894</b>	<b>3,168,690</b>	<b>43</b>	<b>17</b>
<b>Total</b>	<b>2021</b>	<b>1,353,170</b>	<b>303,155</b>	<b>60,163</b>	<b>35,000</b>	<b>525,825</b>	<b>430,223</b>	<b>2,707,536</b>	<b>47</b>	<b>16</b>

(1) Cash STIs were accrued in the year ended 30 June 2022. Deferred STIP Rights are expensed evenly over the performance and deferral periods.

(2) Deferred LTIP and TRG Rights are expensed evenly over the performance and deferral periods.

(3) Ms Kwok was deemed to be KMP from 1 January 2021, as such the FY21 remuneration disclosed in the table above is for the 6 month period to 30 June 2021.

(4) Ms Fisher was deemed to be KMP from 1 Jul 2020 to 31 Aug 2020, as such the FY21 remuneration disclosed above is for the 2 month period to 30 June 2021. 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 2022 | continued

## Remuneration Report (Audited) (continued)

### Reported remuneration - Actual amounts received or realised

Name	Financial Year	TFR (\$)	FRR (\$)	STI awarded and received as cash <sup>(1)</sup> (\$)	Previous years' STI that vested <sup>(2)</sup> (\$)	Previous years' LTI that vested <sup>(2)</sup> (\$)	Total remuneration realised (\$)	Awards which lapsed or were forfeited <sup>(3)</sup> (\$)
S. Owen	2022	700,000	205,000	188,240	612,938	1,120,774	2,826,952	158,796
	2021	700,000	35,000	137,760	386,366	714,627	1,973,753	277,646
N. Kwok	2022	450,000	-	86,063	-	120,269	656,332	17,037
	2021 <sup>(4)</sup>	230,847	-	79,200	-	-	310,047	-
S. Noble	2022	450,000	-	99,563	117,260	246,328	913,151	34,898
	2021	425,000	-	86,195	113,225	162,932	787,352	63,302
N. Fisher <sup>(5)</sup>	2022	-	-	-	-	-	-	-
	2021	68,333	-	-	113,225	150,714	332,272	58,550
<b>Total</b>	<b>2022</b>	<b>1,600,000</b>	<b>205,000</b>	<b>373,866</b>	<b>730,198</b>	<b>1,487,371</b>	<b>4,396,435</b>	<b>210,732</b>
<b>Total</b>	<b>2021</b>	<b>1,424,180</b>	<b>35,000</b>	<b>303,155</b>	<b>612,816</b>	<b>1,028,273</b>	<b>3,403,424</b>	<b>399,497</b>

(1) 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.

(2) This represents the value of all prior years' deferred STI and LTI Rights that vested during FY22 based on the 30 day VWAP up to the 1 October 2021 vesting date of \$6.59 (1 October 2020: \$4.50).

(3) The value shown represents the value of any FY19 LTI Rights that lapsed or were forfeited during the financial year. The FY22 values are based on the 30 day VWAP up to the 1 October 2021 vesting date of \$6.59 (1 October 2020: \$4.50).

(4) Ms Kwok was deemed to be KMP from 1 January 2021, as such the FY21 remuneration disclosed in the table above is for the 6 month period to 30 June 2021.

(5) Ms Fisher was deemed to be KMP from 1 Jul 2020 to 31 Aug 2020, as such the FY21 remuneration disclosed above is for the 2 month period to 30 June 2021. 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. 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 2022 | 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 2021	1 Dec 2020
Chairman	\$240,000	\$206,000
Non-Executive Director	\$114,000	\$104,000
Deputy Chairman	\$22,000	\$21,000
Committee Chair	\$22,000	\$15,750
Committee Member	\$7,500	\$2,650

### 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 FY22 was \$887,646.

The following table outlines the remuneration provided to NEDs for FY22 and FY21, 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	FY22 (\$)	FY21 (\$)	Compliance with security holding policy
Jim Hazel	225,833	202,804	Yes
Robert Morrison	156,292	141,963	Yes
Amanda Heyworth	129,229	119,625	Yes
Pippa Downes	134,708	121,171	Yes
Gregory Hayes	120,792	85,489	On track
Sally Evans	120,792	63,758	On track
John McLaren <sup>(1)</sup>	-	-	Yes <sup>(2)</sup>
<b>Former Non-Executive Directors</b>			
Gary Shiffman <sup>(1)</sup>	-	-	N/A
Andrew McEvoy	-	26,025	N/A
<b>Total</b>	<b>887,646</b>	<b>760,835</b>	

(1) Mr Shiffman was the appointed Nominee Director of Sun Communities from 1 July 2021 to 6 December 2021. Sun Communities 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 McLaren was appointed as Nominee Director on 6 December 2021 and served as an Alternate Director appointed by Mr Shiffman from 18 February 2019.

(2) Mr McLaren is considered to be in compliance with the NEDs security holding policy as he is 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 2022 | 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.

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 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 FY22 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 2022 | 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 2021	Acquisitions	Exercise of vested Rights	Disposals	Balance 30 June 2022
<b>Non-Executive KMP</b>					
Jim Hazel	418,541	20,904	-	-	439,445
Robert Morrison	224,837	29,757	-	-	254,594
Amanda Heyworth	178,641	46,095	-	-	224,736
Pippa Downes	32,148	8,720	-	-	40,868
Gregory Hayes	-	20,000	-	-	20,000
Sally Evans	-	19,316	-	-	19,316
John McLaren <sup>(1)</sup>	33,208,510	8,571,045	-	-	41,779,555
<b>Executive KMP</b>					
Simon Owen	1,404,658	104,338	200,000	(196,020)	1,512,976
Natalie Kwok	20,753	4,439	34,707	-	59,899
Scott Noble	33,000	8,000	55,208	(56,000)	40,208

(1) The securities held by Mr McLaren are beneficially owned by Sun Communities.

Mr Shiffman's opening security holding at 1 July 2021 was 33,208,510 and at the date of his resignation (6 December 2021) was 41,381,852 reflecting acquisitions of 8,173,342 in the period up until his resignation. These securities are beneficially owned by Sun Communities and represent the same securities held by Mr McLaren in the above table.

### 4.4. Executive KMP Employment Contracts and Termination Arrangements

#### Contract terms

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

Other contract terms are noted below:

	CEO & MD	CIO & GC	CFO
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation, FRR and other non-cash benefits.		
Variable remuneration <sup>(1)</sup>	<ul style="list-style-type: none"> <li>- Eligible for STI of up to 80% for any one year of the fixed annual remuneration, of which 66.6% is in the form of deferred equity.</li> <li>- Eligible for LTI of up to 85% for any one year of fixed annual remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>- Eligible for STI of up to 45.0% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity.</li> <li>- Eligible for LTI of up to 45% for any one year of fixed annual remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>- Eligible for STI of up to 58.0% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity.</li> <li>- Eligible for LTI of up to 50% for any one year of fixed annual remuneration.</li> </ul>
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 2022 | 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, 24 August 2022



# Auditor's Independence Declaration

For the year ended 30 June 2022



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 2022, I declare to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- No contraventions of any applicable code of professional conduct in relation to the audit; and
- No non-audit services provided that contravene 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

Yvonne Barnikel  
Partner  
24 August 2022

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Lifestyle homes sales		131,774	143,100
Residential rental income		82,605	64,103
Tourism rental income		73,350	53,828
Annuals rental income		9,472	4,646
Other revenue	5	40,945	29,901
<b>Revenue</b>		<b>338,146</b>	<b>295,578</b>
Cost of lifestyle homes sold		(68,820)	(75,321)
Employee expenses		(78,715)	(58,251)
Property expenses		(42,018)	(31,975)
Administrative expenses		(18,658)	(10,968)
Operational, marketing and selling expenses		(13,434)	(12,372)
Service station expenses		(10,680)	(8,477)
Depreciation and amortisation expense	12,13,14	(4,085)	(3,863)
<b>Operating profit before interest and tax</b>		<b>101,736</b>	<b>94,351</b>
Net finance expense	6	(9,121)	(4,961)
<b>Operating profit before tax</b>		<b>92,615</b>	<b>89,390</b>
Share of joint venture profit	15	8,109	840
Share of associate loss		(250)	-
Net gain/(loss) on change in fair value of:			
Investment properties	11(b)	52,876	(3,270)
Financial liabilities		(4,255)	(5,135)
Investments and other financial instruments		3,880	1,702
Business combination transaction costs	17	(18,000)	-
Impairment of goodwill	13	(1,436)	-
Other		(175)	(516)
<b>Profit before income tax</b>		<b>133,364</b>	<b>83,011</b>
Income tax expense	7	(32,777)	(10,230)
<b>Net profit for the year</b>		<b>100,587</b>	<b>72,781</b>
<b>Total comprehensive income for the year net of income tax</b>		<b>100,587</b>	<b>72,781</b>
		<b>30 Jun 2022 Cents</b>	<b>30 Jun 2021 Cents</b>
<b>Distributions per security paid<sup>(1)</sup></b>		<b>10.7</b>	<b>9.4</b>
<b>Earnings/(loss) per security:</b>			
Basic earnings/(loss)			
Per security	4(a)	26.6	22.3
Per security attributable to parent	4(b),33	(0.3)	1.0
Diluted earnings/(loss) per security			
Per security	4(a)	26.5	22.1
Per security attributable to parent	4(b),33	(0.3)	1.0

(1) Distributions relate to the amount paid during the financial year. A final FY22 distribution of 5.8 cps was declared on 24 August 2022 (payment due on 22 September 2022) resulting in a total FY22 distribution of 11.0 cps.

Notes to the Consolidated Financial Statements are included on pages 68 to 111.

# Consolidated Balance Sheet

As at 30 June 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		14,486	18,797
Trade and other receivables	8	13,194	6,334
Inventories	9	19,535	13,550
Assets held for sale	10	4,150	9,600
Tax receivable		1,287	-
<b>Total current assets</b>		<b>52,652</b>	<b>48,281</b>
<b>Non-current assets</b>			
Trade and other receivables	8	1,524	1,731
Investment properties	11	1,937,888	1,231,336
Investment in a joint venture	15	66,101	32,767
Investment in associates		500	-
Other financial assets	16	9,605	13,924
Plant and equipment	12	7,415	6,867
Intangibles	13	103,203	8,486
Right-of-use assets	14	4,153	4,039
Deferred tax asset	18	-	6,958
<b>Total non-current assets</b>		<b>2,130,389</b>	<b>1,306,108</b>
<b>Total assets</b>		<b>2,183,041</b>	<b>1,354,389</b>
<b>Current liabilities</b>			
Trade and other payables	19	106,891	56,353
Borrowings	20	4,395	2,442
Employee liabilities		4,688	3,218
Other financial liabilities	21	1,188	4,045
Provision for income tax		-	3,825
<b>Total current liabilities</b>		<b>117,162</b>	<b>69,883</b>
<b>Non-current liabilities</b>			
Borrowings	20	491,208	271,893
Other financial liabilities	21	15,421	13,092
Employee liabilities		1,013	806
Other payables	19	2,512	5,682
Deferred tax liability	18	26,217	-
<b>Total non-current liabilities</b>		<b>536,371</b>	<b>291,473</b>
<b>Total liabilities</b>		<b>653,533</b>	<b>361,356</b>
<b>Net assets</b>		<b>1,529,508</b>	<b>993,033</b>
<b>Equity</b>			
Issued securities	22(a)	1,704,230	1,229,730
Reserves	23	(4,312)	(4,867)
Accumulated losses	24	(170,410)	(231,830)
<b>Total equity</b>		<b>1,529,508</b>	<b>993,033</b>
<b>Net asset value per security (\$)</b>		<b>\$3.75</b>	<b>\$3.03</b>

Notes to the Consolidated Financial Statements are included on pages 68 to 111.

# Consolidated Cash Flow Statement

For the year ended 30 June 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Cash flows from operating activities</b>			
Rental and other property income		205,072	159,498
Property and other expenses		(148,100)	(120,879)
Proceeds from sale of lifestyle homes		144,581	156,116
Purchase of lifestyle homes		(75,837)	(55,425)
Proceeds from sale of service station inventory		13,264	10,761
Purchase of service station inventory		(11,717)	(9,368)
Borrowing costs paid		(7,661)	(6,034)
Income tax paid		(4,731)	(1,720)
Interest received		31	15
Government subsidy		-	4,819
Net movement in resident loans		-	(137)
	35	114,902	137,646
<b>Cash flows from investing activities</b>			
Payments for acquisition of investment properties		(345,042)	(209,869)
Additions to investment properties		(101,284)	(63,669)
Purchase and additions of plant and equipment		(2,574)	(3,473)
Purchase and additions of intangible asset		(145)	(1,221)
Proceeds from sale of investment properties		9,409	16,502
Payments for acquisition of financial assets		(887)	-
Net payments for acquisition of subsidiaries	17	(262,506)	-
Business combination transaction costs		(1,750)	-
Investment in joint venture		(25,725)	(16,000)
Other		(1,210)	2,105
		(731,714)	(275,625)
<b>Cash flows from financing activities</b>			
Proceeds from issue of stapled securities		486,698	10,879
Payments for security issue costs		(12,198)	(57)
Distributions to security holders		(39,167)	(30,657)
Proceeds from borrowings		454,000	249,500
Repayment of borrowings		(264,000)	(72,500)
Payments for debt issue costs		(1,506)	(1,938)
Payment for securities under security plan		(2,000)	(5,000)
Other financial liabilities		(9,326)	(3,859)
Payments for derivatives and financial instruments		-	(343)
		612,501	146,025
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,311)</b>	<b>8,046</b>
Cash and cash equivalents at the beginning of the year		18,797	10,751
<b>Cash and cash equivalents at the end of the year</b>		<b>14,486</b>	<b>18,797</b>

Notes to the Consolidated Financial Statements are included on pages 68 to 111.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Attributable to security holders					Total Equity \$'000
		Ingenia Communities Holdings Limited					
		Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000	ICF & ICMT \$'000	
<b>Carrying value 1 Jul 2021</b>		<b>37,140</b>	<b>(4,867)</b>	<b>74,423</b>	<b>106,696</b>	<b>886,337</b>	<b>993,033</b>
Net profit		-	-	27,714	27,714	72,873	100,587
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>27,714</b>	<b>27,714</b>	<b>72,873</b>	<b>100,587</b>
<i>Transactions with security holders in their capacity as security holders:</i>							
Issue of securities	22(a)	54,820	-	-	54,820	419,680	474,500
Share based payment transactions	23	-	2,555	-	2,555	-	2,555
Payment of distributions to security holders	24	-	-	-	-	(39,167)	(39,167)
Payments to employee share trust	23	-	(2,000)	-	(2,000)	-	(2,000)
<b>Carrying value 30 Jun 2022</b>		<b>91,960</b>	<b>(4,312)</b>	<b>102,137</b>	<b>189,785</b>	<b>1,339,723</b>	<b>1,529,508</b>
<b>Carrying value 1 Jul 2020</b>		<b>36,187</b>	<b>(1,933)</b>	<b>38,353</b>	<b>72,607</b>	<b>870,414</b>	<b>943,021</b>
Net profit		-	-	36,070	36,070	36,711	72,781
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>36,070</b>	<b>36,070</b>	<b>36,711</b>	<b>72,781</b>
<i>Transactions with security holders in their capacity as security holders:</i>							
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)
<b>Carrying value 30 Jun 2021</b>		<b>37,140</b>	<b>(4,867)</b>	<b>74,423</b>	<b>106,696</b>	<b>886,337</b>	<b>993,033</b>

Notes to the Consolidated Financial Statements are included on pages 68 to 111.

# Notes to the Financial Statements

For the year ended 30 June 2022

## 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 2022 was authorised for issue by the Directors on 24 August 2022.

### (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.

At 30 June 2022, the Group recorded a net current asset deficiency of \$64,510,000. This deficiency is due to an increase in advanced deposits and payables compared to prior year. The Group has committed to capital expenditure on investment properties and inventories at reporting date of \$72,338,452, which will be funded from operating cashflows and access to \$310,200,000 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.

### (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.

### (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 2022 | 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 be impaired. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount, calculated as the higher of fair value less costs of disposal and the value in use. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

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

### (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 payments 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 2022 | 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 and included in the statement of comprehensive income in the period they arise, including the corresponding tax effect.



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

### (q) Investment property

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

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

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

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

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

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

### **Long service leave**

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

### **(u) Resident loans**

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

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

Refer to Note 1(cc) and Note 29(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 contracts with customers is recognised when performance obligations have been met and control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The following specific recognition criteria must also be met before revenue is recognised:

#### **Rental income**

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.

#### **Sale of homes**

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.

#### **Management and other fee income**

Revenue from rendering of services is recognised in accordance with performance obligations under the terms and conditions of the service agreements. The Group recognises management and other fee income over time because the customer simultaneously receives and consumes the benefits provided to them.

#### **Distribution income**

Distribution income is recognised when the Group's right to receive the payment is established.

#### **Interest income**

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

#### **Service station sales**

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

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 respective subsidiaries are subject to Australian income tax.

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

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

### (bb) Investment in a joint venture

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

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

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

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

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

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

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

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

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

### (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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

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

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

### (dd) Earnings per share (“EPS”)

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

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

### (ee) Pending accounting standards

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

### (ff) Current versus non-current classification

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

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

A liability is current when it is:

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

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

### (gg) Government grants

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

## 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 Group's 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.

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 2. Accounting estimates and judgements (continued)

### ii. Valuation of inventories

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

### iii. 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.

### iv. Valuation of net assets acquired in the business combination

Upon recognising the acquisition and the associated goodwill balance, management uses estimations of the fair value of assets and liabilities assumed at the date of acquisition, involving judgements related to valuation of investment property as noted above.

### (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;
- Ingenia Holidays – comprising tourism and rental accommodation within holiday parks;
- Fuel, Food & Beverage Services – consists of the Group's 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 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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 3. Segment information (continued)

(b) 2022

	Residential			Tourism	Other		Total \$'000
	Lifestyle	Gardens			Fuel, Food & Beverage	Corporate & Other	
	Lifestyle Development \$'000	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Fuel, Food & Beverage \$'000	Corporate & Other \$'000	
<b>Segment revenue</b>							
Lifestyle home sales	131,774	-	-	-	-	-	131,774
Residential rental income	-	47,421	24,442	10,742	-	-	82,605
Tourism rental income	-	1,545	-	71,805	-	-	73,350
Annual rental income	-	88	-	9,384	-	-	9,472
Other revenue	-	6,042	2,792	4,664	18,469	8,978	40,945
<b>Total revenue</b>	<b>131,774</b>	<b>55,096</b>	<b>27,234</b>	<b>96,595</b>	<b>18,469</b>	<b>8,978</b>	<b>338,146</b>
<b>Segment underlying profit</b>							
External segment revenue	131,774	55,096	27,234	96,595	18,469	8,978	338,146
Cost of lifestyle homes sold	(68,820)	-	-	-	-	-	(68,820)
Employee expenses	(17,276)	(11,649)	(6,611)	(32,038)	(3,617)	(7,524)	(78,715)
Property expenses	(1,515)	(12,702)	(7,097)	(19,089)	(774)	(841)	(42,018)
Administrative expenses	(2,986)	(3,054)	(931)	(5,606)	(79)	(6,002)	(18,658)
Operational, marketing and selling expenses	(5,216)	(475)	(957)	(3,521)	(2,474)	(791)	(13,434)
Service station expenses	-	-	-	(132)	(10,548)	-	(10,680)
Depreciation and amortisation expense	(814)	(425)	(98)	(862)	(52)	(1,834)	(4,085)
<b>Earnings before interest and tax</b>	<b>35,147</b>	<b>26,791</b>	<b>11,540</b>	<b>35,347</b>	<b>925</b>	<b>(8,014)</b>	<b>101,736</b>
Share of profit of a joint venture							5,078
Share of associate loss							(250)
Net finance expense							(9,121)
Income tax expense							(9,587)
<b>Total underlying profit</b>							<b>87,856</b>
Net gain/(loss) on change in fair value of:							
Investment properties							52,876
Financial liabilities							(4,255)
Investments and other financial instruments							3,880
Share of joint venture profit							3,031
Business combination transaction costs							(18,000)
Impairment of goodwill							(1,436)
Other							(175)
Income tax expense							(23,190)
<b>Profit after tax</b>							<b>100,587</b>
<b>Segment assets</b>							
Segment assets	293,222	963,049	170,672	677,246	325	74,377	2,178,891
Assets held for sale	-	4,150	-	-	-	-	4,150
<b>Total assets</b>	<b>293,222</b>	<b>967,199</b>	<b>170,672</b>	<b>677,246</b>	<b>325</b>	<b>74,377</b>	<b>2,183,041</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 3. Segment information (continued)

(c) 2021

	Residential		Gardens	Tourism	Other		Total \$'000		
	Lifestyle				Ingenia Gardens \$'000	Holidays & Mixed Use \$'000		Fuel, Food & Beverage \$'000	Corporate & Other \$'000
	Lifestyle Development \$'000	Lifestyle Rental \$'000							
<b>Segment revenue</b>									
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		
<b>Total revenue</b>	<b>143,100</b>	<b>34,679</b>	<b>25,837</b>	<b>70,210</b>	<b>16,356</b>	<b>5,396</b>	<b>295,578</b>		
<b>Segment underlying profit</b>									
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)		
<b>Earnings before interest and tax</b>	<b>46,056</b>	<b>16,452</b>	<b>10,923</b>	<b>28,653</b>	<b>1,280</b>	<b>(9,013)</b>	<b>94,351</b>		
Share of profit of a joint venture							840		
Net finance expense							(4,961)		
Income tax expense							(12,996)		
<b>Total underlying profit</b>							<b>77,234</b>		
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		
<b>Profit after tax</b>							<b>72,781</b>		
<b>Segment assets</b>									
Segment assets	188,473	443,041	153,781	468,696	364	90,434	1,344,789		
Assets held for sale	-	9,600	-	-	-	-	9,600		
<b>Total assets</b>	<b>188,473</b>	<b>452,641</b>	<b>153,781</b>	<b>468,696</b>	<b>364</b>	<b>90,434</b>	<b>1,354,389</b>		



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 4. Earnings per security

	30 Jun 2022	30 Jun 2021
<b>(a) Per security</b>		
Profit attributable to security holders (\$'000)	100,587	72,781
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	377,537	326,725
Dilutive securities (thousands):		
Long-term incentives	1,790	1,749
Short-term incentives	318	249
Talent Rights Grant	236	145
Fixed Remuneration Rights	54	4
<b>Weighted average number of issued and dilutive potential securities outstanding (thousands)</b>	<b>379,935</b>	<b>328,872</b>
Basic earnings per security (cents)	26.6	22.3
Dilutive earnings per security (cents)	26.5	22.1
<b>(b) Per security attributable to parent</b>		
(Loss)/profit attributable to security holders (\$'000)	(1,248)	3,266
Weighted average number of securities outstanding (thousands):		
Issued securities (thousands)	377,537	326,725
Dilutive securities (thousands):		
Long-term incentives	1,790	1,749
Short-term incentives	318	249
Talent Rights Grant	236	145
Fixed Remuneration Rights	54	4
<b>Weighted average number of issued and dilutive potential securities outstanding (thousands)</b>	<b>379,935</b>	<b>328,872</b>
Basic (loss)/earnings per security (cents)	(0.3)	1.0
Dilutive (loss)/earnings per security (cents)	(0.3)	1.0

## 5. Other revenue

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Other revenue</b>		
Ancillary guest and resident income	11,753	7,936
Service station sales	11,907	9,758
Food and beverage sales	6,558	6,599
Fee income	6,653	4,280
Other	4,074	1,328
<b>Total other revenue</b>	<b>40,945</b>	<b>29,901</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 6. Net finance expense

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Interest income	(32)	(12)
Debt facility interest expense	7,142	4,308
Lease interest expense <sup>(1)</sup>	2,011	665
<b>Net finance expense</b>	<b>9,121</b>	<b>4,961</b>

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

Interest costs of \$3,078,056 have been capitalised into investment properties associated with development assets (30 Jun 2021: \$1,774,846).

## 7. Income tax expense

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Income tax expense</b>		
Current tax benefit/(expense)	398	(2,940)
Decrease in deferred tax asset	(33,175)	(7,290)
<b>Income tax expense</b>	<b>(32,777)</b>	<b>(10,230)</b>
<b>(b) Reconciliation between tax expense and pre-tax profit</b>		
Profit before income tax	133,364	83,011
Less amounts not subject to Australian income tax	(24,129)	(27,574)
	109,235	55,437
Income tax expense at the Australian tax rate of 30% (30 Jun 2021: 30%)	(32,771)	(16,631)
Tax effect of amounts which impact tax expense:		
Prior period income tax return true-ups	215	-
Other	(221)	6,401
<b>Income tax expense</b>	<b>(32,777)</b>	<b>(10,230)</b>

### (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 2022 | continued

## 8. Trade and other receivables

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>		
Trade receivables	2,474	1,103
Prepayments	6,721	3,457
Deposits	1,311	1,055
Other receivables	2,688	719
<b>Total current trade and other receivables</b>	<b>13,194</b>	<b>6,334</b>
<b>Non-current</b>		
Other receivables	1,524	1,731

## 9. Inventories

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Lifestyle homes:		
Completed	-	5,624
Display homes	4,236	1,210
Under construction	14,970	6,359
Fuel, food and beverage supplies	329	357
<b>Total inventories</b>	<b>19,535</b>	<b>13,550</b>

The lifestyle home balance includes:

- No new completed homes (30 Jun 2021: 23)
- 1 refurbished/renovated/annuals completed homes (30 Jun 2021: 3)
- 21 display homes (30 Jun 2021: 12)
- Lifestyle homes under construction includes 156 partially completed homes at different stages of development (30 Jun 2021: 110). It also includes demolition, site preparation costs and buybacks on future development sites.

## 10. Assets held for sale

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Investment properties held for sale:		
Swan Reach, Swan Reach, VIC	4,150	-
Upper Coomera, Upper Coomera, QLD	-	9,600
<b>Total assets held for sale</b>	<b>4,150</b>	<b>9,600</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 11. Investment properties

### (a) Summary of carrying value

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Completed properties	1,665,007	1,057,295
Properties under development	272,881	174,041
<b>Total carrying value</b>	<b>1,937,888</b>	<b>1,231,336</b>

### (b) Movements in carrying value

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Carrying value at the beginning of the year</b>		<b>1,231,336</b>	943,958
Acquisitions		563,924	218,196
Expenditure capitalised		93,902	70,441
Net gain/(loss) on change in fair value <sup>(1)</sup>		52,876	(1,259)
Transfer to assets held for sale	10	(4,150)	-
<b>Carrying value at the end of the year</b>		<b>1,937,888</b>	<b>1,231,336</b>

(1) Net of loss on change in fair value of acquisition costs \$19,294,000 (30 Jun 2021: \$14,285,000).

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

### (c) Reconciliation of fair value

	Ingenia Gardens \$'000	Rental \$'000	Holidays & Mixed use \$'000	Total \$'000
<b>Carrying value at the beginning of the year</b>	<b>150,220</b>	<b>591,049</b>	<b>490,067</b>	<b>1,231,336</b>
Acquisitions	10,680	395,577	157,667	563,924
Expenditure capitalised	2,704	67,502	23,696	93,902
Net gain on change in fair value <sup>(1)</sup>	3,596	23,645	25,635	52,876
Transfer to assets held for sale	-	-	(4,150)	(4,150)
<b>Carrying value at the end of the year</b>	<b>167,200</b>	<b>1,077,773</b>	<b>692,915</b>	<b>1,937,888</b>

(1) Net of loss on change in fair value of acquisition costs \$19,294,000 (30 Jun 2021: \$14,285,000).

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 11. Investment properties (continued)

### (d) Individual property carrying value

Completed properties	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Ingenia Gardens:</i>		
Brooklyn, Brookfield, VIC	6,080	5,990
Carey Park, Bunbury, WA	5,750	5,250
Horsham, Horsham, VIC	4,610	4,700
Jefferis, Bundaberg North, QLD	4,990	4,800
Oxley, Port Macquarie, NSW	6,150	5,860
Townsend, St Albans Park, VIC	5,720	5,350
Yakamia, Yakamia, WA	5,250	4,700
Goulburn, Goulburn, NSW	5,750	5,590
Coburns, Brookfield, VIC	5,670	5,730
Hertford, Sebastopol, VIC	5,120	4,700
Seascape, Erskine, WA	5,610	5,150
Seville Grove, Seville Grove, WA	4,610	3,980
St Albans Park, St Albans Park, VIC	6,920	6,300
Taloumbi, Coffs Harbour, NSW	6,840	6,860
Wheelers, Dubbo, NSW	5,820	6,260
Taree, Taree, NSW	6,020	5,830
Grovedale, Grovedale, VIC	5,750	5,700
Marsden, Marsden, QLD	12,750	12,310
Swan View, Swan View, WA	9,330	9,170
Dubbo, Dubbo, NSW	6,330	6,560
Ocean Grove, Mandurah, WA	4,590	4,410
Peel River, Tamworth, NSW	5,930	5,620
Sovereign, Ballarat, VIC	5,400	4,850
Wagga, Wagga Wagga, NSW	5,580	5,150
Bathurst, Bathurst, NSW	5,550	4,810
Warrnambool, Warrnambool, VIC	5,080	4,590
Carrum Downs, Carrum Downs, VIC	10,000	-
	<b>167,200</b>	150,220

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 11. Investment properties (continued)

Completed properties	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b><i>Ingenia Lifestyle Rental:</i></b>		
The Grange, Morisset, NSW	33,559	26,308
Ettalong Beach, Ettalong Beach, NSW <sup>(1)</sup>	4,092	6,388
Stoney Creek, Marsden Park, NSW	32,140	25,000
Chambers Pines, Chambers Flat, QLD	62,177	44,492
Bethania, Bethania, QLD	28,406	21,647
Lara, Lara, VIC	36,350	33,150
Latitude One, Port Stephens, NSW <sup>(2)</sup>	41,523	34,741
Blueys Beach, Blueys Beach, NSW	1,250	1,148
Durack, Durack, QLD	40,775	38,500
Eight Mile Plains, Eight Mile Plains, QLD	42,132	29,102
Plantations, Woolgoolga, NSW	24,886	16,829
Hervey Bay (Lifestyle), Hervey Bay, QLD	20,692	9,264
Brisbane North, Aspley, QLD	41,800	27,077
Bevington Shores, Halekulani, NSW	28,934	26,216
Taigum, Taigum, QLD	22,500	16,841
Lake Munmorah, Lake Munmorah, NSW	40,000	30,294
Sunnylake Shores, Halekulani, NSW	13,893	10,923
Redlands, Thornlands, QLD	6,726	6,550
Natures Edge, Buderim, QLD	33,756	31,707
Anna Bay, Anna Bay, NSW	4,400	-
Arundel, Arundel, QLD	65,000	-
Emerald Lakes, Carrara, QLD	22,500	-
Coomera, Upper Coomera, QLD	14,669	-
Toowoomba, Harristown, QLD	4,974	-
Carrum Downs (Rentals), Carrum Downs, VIC	23,000	-
Chelsea, Bonbeach, VIC	26,000	-
Frankston, Carrum Downs, VIC	24,000	-
Glenroy, Glenroy, VIC	31,432	-
Sunshine, Albion, VIC	24,560	-
Werribee, Werribee, VIC	31,008	-
	<b>827,134</b>	<b>436,177</b>

(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 \$54,882,000 (30 June 2021: \$23,044,000).

(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 2022 | continued

## 11. Investment properties (continued)

Completed properties	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b><i>Ingenia Holidays and Mixed Use:</i></b>		
Nepean River, Emu Plains, NSW	12,700	12,714
Kingscliff, Kingscliff, NSW	14,000	16,250
One Mile Beach, One Mile, NSW <sup>(1)</sup>	32,215	27,449
Hunter Valley, Cessnock, NSW	9,566	9,200
White Albatross, Nambucca Heads, NSW	38,200	26,901
Noosa, Tewantin, QLD	24,294	22,240
Lake Macquarie (Holidays), Mannering Park, NSW	13,150	9,810
Sydney Hills, Dural, NSW	14,649	15,600
Conjola Lakeside, Lake Conjola, NSW	53,515	43,287
Soldiers Point, Port Stephens, NSW	21,700	17,750
South West Rocks, South West Rocks NSW <sup>(1)</sup>	24,132	23,650
Broulee, Broulee, NSW <sup>(1)</sup>	7,837	6,492
Ocean Lake, Ocean Lake, NSW	11,660	9,900
Avina Van Village, Vineyard, NSW	21,418	20,800
Hervey Bay (Holidays), Hervey Bay, QLD	13,750	9,800
Cairns Coconut, Woree, QLD	62,768	58,890
Bonny Hills, Bonny Hills, NSW	15,107	15,250
Rivershore, Diddillibah, QLD	24,770	23,027
Byron Bay, Byron Bay, NSW <sup>(1)</sup>	25,289	18,897
Middle Rock, One Mile, NSW	22,518	17,264
Inverloch, Inverloch, VIC <sup>(1)</sup>	36,464	34,855
Townsville, Deeragun, QLD	8,600	7,600
Merry Beach, Kioloa, NSW <sup>(1)</sup>	23,533	23,272
Noosa North, Tewantin, QLD <sup>(1)</sup>	14,805	-
Eden, Eden, NSW <sup>(1)</sup>	10,203	-
Torquay, Torquay, VIC <sup>(1)</sup>	19,534	-
Phillip Island, Newhaven, VIC <sup>(1)</sup>	13,132	-
Cape Paterson, Cape Paterson, VIC <sup>(1)</sup>	6,964	-
Ulladulla, Ulladulla, NSW	13,000	-
Beacon, Queenscliff, VIC	31,000	-
Murray Bend, Koonoomoo, VIC	15,600	-
Swan Bay, Swan Bay, VIC	9,300	-
Lake Hume, Bowna, NSW	5,300	-
	<b>670,673</b>	<b>470,898</b>
<b>Total completed properties</b>	<b>1,665,007</b>	<b>1,057,295</b>

(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 \$54,882,000 (30 June 2021: \$23,044,000).

# Notes to the Financial Statements

For the year ended 30 June 2022 | 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.

Properties under development	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b><i>Ingenia Lifestyle Rental and Ingenia Holidays:</i></b>		
Stoney Creek, Marsden Park, NSW	3,098	1,736
Chambers Pines, Chambers Flat, QLD	12,788	17,187
Bethania, Bethania, QLD	11,767	15,267
Lara, Lara, VIC	20,848	10,336
Avina Van Village, Vineyard, NSW	13,100	13,100
Latitude One, Port Stephens, NSW <sup>(1)</sup>	2,250	4,274
Blueys Beach, Blueys Beach, NSW	8,223	6,452
Cairns Coconut, Woree, QLD	4,588	1,700
Eight Mile Plains, QLD	-	1,768
Plantations, Woolgoolga, NSW	-	5,281
Hervey Bay (Lifestyle), Hervey Bay, QLD	16,027	13,242
Rivershore, Diddillibah, QLD	4,555	1,850
Brisbane North, Aspley, QLD	-	6,688
Sunnylake Shores, Halekulani, NSW	2,221	5,806
Parkside, Lucas, VIC	18,421	15,019
Redlands, Thornlands, QLD	1,700	1,700
Middle Rock, One Mile, NSW	-	2,518
Beveridge, Beveridge, VIC	19,453	17,100
Natures Edge, Buderim, QLD	19,214	24,535
Bargara, Innes Park, QLD	9,134	8,482
Rochedale, Rochedale, QLD	24,000	-
Coomera, Upper Coomera, QLD	12,334	-
Toowoomba, Harristown, QLD	14,755	-
Victoria Point, Victoria Point, QLD	30,367	-
Seachange Hervey Bay, Urangan, QLD	9,000	-
Beaudesert, Beaudesert, QLD	9,238	-
Branyan, Branyan, QLD	5,800	-
<b>Properties to be developed</b>	<b>272,881</b>	<b>174,041</b>
<b>Total investment properties</b>	<b>1,937,888</b>	<b>1,231,336</b>

(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 in the Group's 30 June 2022 Annual Report (Note 1 (q)).

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 2022 | 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)		Relationship of unobservable input to fair value
			30 Jun 2022	30 Jun 2021	
<b>Ingenia Gardens</b>	Capitalisation method	Stabilised occupancy	88% - 98% (95.0%)	82% - 98% (93.3%)	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	7.2% - 9.5% (9.0%)	8.9% - 9.6% (9.3%)	Capitalisation has an inverse relationship to valuation.
<b>Ingenia Tourism</b>	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%	The higher the adopted operating margin, the greater the value.
		Operating profit margin	22% - 64% dependent upon short-term and residential accommodation mix	35% - 75% dependent upon short-term and residential accommodation mix	
		Capitalisation rate	6.74% - 11.25%	5.00% - 12.75%	Capitalisation has an inverse relationship to valuation.
<b>Ingenia Residential</b>	Capitalisation method (for existing income streams)	Short-term occupancy	20% - 80% for powered and camp sites; 30% - 95% 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	33% - 75% dependent upon short-term and residential accommodation mix	35% - 75% dependent upon short-term and residential accommodation mix	The higher the adopted operating margin, the greater the value.
		Capitalisation rate	4.58% - 13.25%	5.00% - 12.75%	Capitalisation has an inverse relationship to valuation.
		Discounted cash flow (for investment properties under development)	Discount rate	10.0% - 19.3%	8.5% - 17.5%

# Notes to the Financial Statements

For the year ended 30 June 2022 | 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.

## 12. Plant and equipment

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying value</b>		
Plant and equipment	12,498	10,376
Less: accumulated depreciation	(5,083)	(3,509)
<b>Total plant and equipment</b>	<b>7,415</b>	<b>6,867</b>
<b>(b) Movements in carrying value</b>		
<b>Carrying value at the beginning of the year</b>	<b>6,867</b>	5,158
Additions	2,629	3,749
Disposals	(130)	(470)
Depreciation expense	(1,951)	(1,570)
<b>Carrying value at the end of the year</b>	<b>7,415</b>	<b>6,867</b>

## 13. Intangibles

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying value</b>		
Software & development	5,241	5,109
Goodwill	101,319	6,108
Less: accumulated amortisation	(3,357)	(2,731)
<b>Total Intangibles</b>	<b>103,203</b>	<b>8,486</b>
<b>(b) Movements in carrying value</b>		
<b>Carrying value at the beginning of the year</b>	<b>8,486</b>	8,339
Additions	96,793	830
Disposals	(14)	(28)
Amortisation expense	(626)	(655)
Impairment of goodwill	(1,436)	-
<b>Carrying value at the end of the year</b>	<b>103,203</b>	<b>8,486</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 13. Intangibles (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.

### Eighth Gate Funds CGU

The recoverable amount of the Eighth Funds CGU has been determined based on a discounted cash flow basis. This method involves the projection of a series of cash flows of the funds management business. The projected cash flows have been updated to reflect an expected change in cash flows from the funds management business. To this projected cash flow series, a pre-tax market-derived discount rate of 18% (30 Jun 2021: 17%) and a terminal growth rate of 2% (30 Jun 2021: 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. As a result of this analysis, an impairment of \$1,436,000 has been recognised in the current year against goodwill with a carrying amount of \$4,672,000 as at 30 June 2022 (30 June 2021: \$6,108,000). Changes in the funds management business could lead to further impairment.

## 14. Right-of-use assets

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying value</b>		
Plant and equipment	2,331	1,305
Buildings	5,294	5,579
Less: accumulated amortisation	(3,472)	(2,845)
<b>Total right-of-use asset</b>	<b>4,153</b>	<b>4,039</b>
<b>(b) Movements in carrying value</b>		
<b>Carrying value at the beginning of the year</b>	<b>4,039</b>	2,221
Additions	1,622	3,464
Disposals	-	(8)
Depreciation expense	(1,508)	(1,638)
<b>Carrying value at the end of the year</b>	<b>4,153</b>	<b>4,039</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 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:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Balance Sheet</b>		
Cash	43,530	10,283
Trade and other receivables	2,999	2,601
Inventory	1,152	1,897
<b>Current assets</b>	<b>47,681</b>	<b>14,781</b>
Investment property	98,683	61,548
Other non-current assets	424	148
<b>Non-current assets</b>	<b>99,107</b>	<b>61,696</b>
Trade and other payables	(5,999)	(2,424)
Borrowings	(8,587)	(8,519)
<b>Current liabilities</b>	<b>(14,586)</b>	<b>(10,943)</b>
<b>Net assets</b>	<b>132,202</b>	<b>65,534</b>
<b>Equity</b>	<b>132,202</b>	<b>65,534</b>
Group's share in equity – 50%	66,101	32,767
<b>Group's carrying value in investment</b>	<b>66,101</b>	<b>32,767</b>
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Statement of Comprehensive Income</b>		
Revenue	24,216	11,386
Cost of sales	(9,434)	(4,620)
Operating costs	(2,494)	(1,659)
Depreciation	(88)	(83)
<b>Operating profit before interest and tax</b>	<b>12,200</b>	<b>5,024</b>
Net finance expense	(266)	(236)
Impairment	(1,445)	(894)
Net gain/(loss) on change in fair value of investment property	7,507	(1,819)
Income tax expense	(1,778)	(395)
<b>Net profit for the year</b>	<b>16,218</b>	<b>1,680</b>
<b>Total comprehensive income for the year net of income tax</b>	<b>16,218</b>	<b>1,680</b>
<b>Group's share of profit for the year</b>	<b>8,109</b>	<b>840</b>

## 16. Other financial assets

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Unlisted property funds	5,820	13,225
Derivatives	3,785	699
<b>Total non-current</b>	<b>9,605</b>	<b>13,924</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 17. Business combinations

### Acquisition of Seachange Group

On 30 November 2021, the Group acquired 100% of the share capital of Seachange (Land) Pty Ltd, PPV Inlet Land Pty Ltd, PPV Coomera Land Pty Ltd, PPV Toowoomba Land Pty Ltd, PPV Victoria Point Land Pty Ltd, PPV Hervey Bay Land Pty Ltd, Seachange (Land) Unit Trust, PPV Inlet Land Unit Trust, PPV Coomera Land Unit Trust, PPV Toowoomba Land Unit Trust, PPV Victoria Point Land Unit Trust and PPV Hervey Bay Land Unit Trust (collectively "Seachange"), a portfolio of six lifestyle communities that comprise of two fully mature and income producing sites, two partially completed sites with development upside and two greenfield development sites.

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

	Fair value recognised on acquisition \$'000
<b>Assets</b>	
Cash	1,109
Trade and other receivables	621
Inventory property	4,128
Investment property	172,300
Property, plant and equipment	174
<b>Total assets</b>	<b>178,332</b>
<b>Liabilities</b>	
Trade and other payables	10,376
Deposit	988
<b>Total liabilities</b>	<b>11,364</b>
<b>Total identifiable net assets at fair value</b>	<b>166,968</b>
Goodwill arising on acquisition (provisional) <sup>(1)</sup>	96,647
<b>Purchase consideration paid and accrued on acquisition</b>	<b>263,615</b>

(1) The valuation of assets and liabilities acquired had not been completed by the date the financial statements were approved for issue by the Directors. Thus, the fair value of assets and liabilities may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 December 2022 (one year after the transaction).

	Cash flow on acquisition \$'000
<b>Analysis of cash flows on acquisition:</b>	
Net cash acquired	1,109
Cash paid	(263,615)
<b>Net cash flow on acquisition</b>	<b>(262,506)</b>

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

	Note	Goodwill	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000
Carrying value at the beginning of the period		6,108	6,108
Acquisition of business		96,647	-
Impairment	13	(1,436)	-
<b>Carrying value at the end of the period</b>		<b>101,319</b>	6,108

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 17. Business combinations (continued)

From the date of acquisition, Seachange contributed \$20,575,000 of revenue and \$2,530,000 of profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of FY22, the Group's revenue would have increased by \$35,271,000 and the profit before tax would have increased by \$4,337,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Seachange with those of the Group, resulting in a new premium brand for the Group in the growth corridor of South East Queensland, integration of a highly-regarded and experienced management team and building development capacity in one of the Group's key markets. The goodwill is not deductible for income tax purposes.

Transaction costs of \$18,000,000, predominantly stamp duty and advisory costs, have been expensed and are included in business combination transaction costs in the statement of profit or loss and are part of investing cash flows in the statement of cash flows.

## 18. Deferred tax assets and liabilities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Deferred tax assets</b>		
Tax losses	14,323	22,842
Accruals	4,730	3,562
Other	2,917	-
<b>Deferred tax liabilities</b>		
DMF receivable	(37)	(45)
Investment properties	(44,464)	(18,294)
Other	(3,686)	(1,107)
<b>Net deferred tax (liabilities)/assets</b>	<b>(26,217)</b>	<b>6,958</b>
<b>Tax effected carried forward tax losses for which no deferred tax asset has been recognised</b>	<b>9,409</b>	<b>5,552</b>

The availability of carried forward tax losses of \$9.4 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 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>		
Trade payables and accruals	81,778	42,592
Deposits	19,089	12,780
Other	6,024	981
<b>Total current</b>	<b>106,891</b>	<b>56,353</b>
<b>Non-current</b>		
Other	2,512	5,682
<b>Total non-current</b>	<b>2,512</b>	<b>5,682</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 20. Borrowings

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>		
Lease liabilities – Right-of-use assets	1,583	1,406
Lease liabilities – Ground leases	2,812	1,036
<b>Total current</b>	<b>4,395</b>	2,442
<b>Non-current</b>		
Bank debt	440,000	250,000
Prepaid borrowing costs	(3,639)	(2,835)
Lease liabilities – Right-of-use assets	2,777	2,720
Lease liabilities – Ground leases	52,070	22,008
<b>Total non-current</b>	<b>491,208</b>	271,893

### (a) Bank debt

In October 2021, the Group entered into a \$200.0 million six-year debt facility with two major Australian banks and in May 2022, the Group entered into a \$55.0 million 5 year facility with a major bank increasing the Group's available debt to \$780.0 million as at 30 June 2022 (30 Jun 2021: \$525.0 million).

As at 30 June 2022, the facilities have been drawn to \$440.0 million (30 Jun 2021: \$250.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is \$1,811.4 million (30 Jun 2021: \$1,174.7 million).

The facility maturity dates are:

- 31 December 2025 (\$174.6 million);
- 30 September 2026 (\$175.4 million);
- 31 January 2027 (\$200.0 million);
- 21 February 2027 (\$100.0 million);
- 26 December 2027 (\$55.0 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 2022 were \$29.8 million (30 Jun 2021: \$22.2 million).

## 21. Other financial liabilities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>		
Financial liabilities	1,188	4,045
<b>Total current</b>	<b>1,188</b>	4,045
<b>Non-current</b>		
Financial liabilities	15,421	13,092
<b>Total non-current</b>	<b>15,421</b>	13,092

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 2022 | continued

## 22. Issued securities

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Carrying values</b>		
<b>Balance at beginning of the year</b>	1,229,730	1,218,908
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	12,018	10,879
Entitlement offer	474,680	-
Equity raising costs	(12,198)	(57)
<b>Balance at end of the year</b>	<b>1,704,230</b>	1,229,730
<b>The closing balance is attributable to the security holders of:</b>		
Ingenia Communities Holding Limited	91,960	37,140
Ingenia Communities Fund	1,473,464	1,102,443
Ingenia Communities Management Trust	138,806	90,147
	<b>1,704,230</b>	1,229,730

	30 Jun 2022 '000	30 Jun 2021 '000
<b>(b) Number of issued securities</b>		
<b>Balance at beginning of the year</b>	327,877	325,553
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	2,144	2,324
Entitlement offer	77,562	-
<b>Balance at end of the year</b>	<b>407,583</b>	327,877

### (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 2022 \$'000	30 Jun 2021 \$'000
<b>Balance at the beginning of year</b>	(4,867)	(1,933)
Payments to employee share trust	(2,000)	(5,000)
Share-based payment expense	2,555	2,066
<b>Balance at the end of year</b>	<b>(4,312)</b>	(4,867)

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 2022 | continued

## 24. Accumulated losses

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Balance at beginning of the year</b>	<b>(231,830)</b>	(273,954)
Net profit for the year	100,587	72,781
Distributions	(39,167)	(30,657)
<b>Balance at end of the year</b>	<b>(170,410)</b>	(231,830)
<b>The closing balance is attributable to the security holders of:</b>		
Ingenia Communities Holding Limited	102,137	74,423
Ingenia Communities Fund	(354,017)	(319,751)
Ingenia Communities Management Trust	81,470	13,498
	<b>(170,410)</b>	(231,830)

## 25. Commitments

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of \$72,338,452 (30 Jun 2021: \$74,145,936).

Ingenia committed to invest up to \$3.0 million to a special purpose vehicle (SPV) with Land Lease Home Loans (LLHL) a loan originator specifically focused on providing secured home loans to residents of land lease communities. The SPV funds loans to borrowers seeking to acquire a new lifestyle home and reside in an Ingenia Lifestyle community. The SPV benefits from an equitable assignment of the loans made by LLHL. LLHL takes a first loss risk on the loans up to 5%. As at 30 June 2022, Ingenia has invested \$1.0 million into the funding of resident loans (30 Jun 2021: nil). The amount was fully repaid on 16 August 2022 and the commitment was released following LLHL obtaining third party funding.

## 26. Contingent liabilities

The Group has the following contingent liabilities:

- Bank guarantees totalling \$29.8 million provided for under the \$780.0 million bank facility.

## 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 and CIO & GC 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 \$526,863 (30 Jun 2021: \$535,013) 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 2022.

### (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 FY22 LTIP Rights are subject to the following LTIP Performance Conditions:

- 25% based on Total Shareholder Return (TSR);
- 25% based on Return on Equity (ROE).
- 25% based on underlying Earnings Per Security (EPS) grow; and
- 25% based on home settlements growth.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 27. Share based payment transactions (continued)

TSR is benchmarked against the constituents of the ASX 200 A-REIT Index whilst ROE, Underlying EPS and home settlements growth is benchmarked against internal targets. The number of LTIP rights that will vest will depend on the performance of each hurdle.

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 \$809,499 (30 Jun 2021: \$668,737).

### (c) Talent Rights Grant (TRG)

TRG are granted for 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, with 50% vesting at year 2 and the remaining vesting in the year 3. The total TRG expense recognised for the financial year was \$458,564 (30 Jun 2021: \$413,537).

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.

### (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. The total FRR expense recognised for the financial year was \$342,180 (30 Jun 2021: \$35,000).

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

	STIP Thousands	LTIP Thousands	TRG Thousands	FRR Thousands
<b>(i) 30 June 2022</b>				
Outstanding at beginning of year	274	1,770	275	8
Lapsed during the year	-	(203)	(96)	(2)
Granted during the year	74	440	123	63
Exercised during the year	(18)	(460)	-	-
<b>Outstanding at end of year</b>	<b>330</b>	<b>1,547</b>	<b>302</b>	<b>69</b>
Weighted average remaining life of outstanding rights (years)	0.3	1.3	1.5	0.3
<b>(ii) 30 June 2021</b>				
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)	-	-
<b>Outstanding at end of year</b>	<b>274</b>	<b>1,770</b>	<b>275</b>	<b>8</b>
Weighted average remaining life of outstanding rights (years)	0.3	1.3	1.6	-

# Notes to the Financial Statements

For the year ended 30 June 2022 | 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	1 Oct 2021
Security price at grant date	\$6.38
30 day Volume Weighted Average Price (VWAP) at start of performance period	\$6.59
Expected remaining life at grant date (years)	1
Risk-free interest rate at grant date	0.05%
Share price volatility	25.0%
STIP fair value	\$6.32

### LTIPs

Grant Date	1 Oct 2021
Security price at grant date	\$6.38
30 day Volume Weighted Average Price (VWAP) at start of performance period	\$6.59
Expected remaining life at grant date	3
Risk-free interest rate at grant date	0.27%
Distribution yield	2.0%
Share price volatility	25.0%
LTIP fair value	\$4.63

### TRGs

Grant Date	1 Oct 2021	22 Nov 2021	7 Feb 2022
Security price at grant date	\$6.38	\$6.21	\$5.40
30 day Volume Weighted Average Price (VWAP) at start of performance period	\$6.59	\$6.59	\$6.59
Expected remaining life at grant date	1.6	2.6	3.1
Risk-free interest rate at grant date	0.05%	0.05%	0.05%
Share price volatility	25.0%	25.0%	25.0%
TRG fair value	\$6.10	\$4.21	\$3.40

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 28. Capital management

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

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

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

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

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant (less than 55%) under the Group's \$780.0 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 2022, the LVR of 25.7% (30 June 2021: 22.2%).

In addition, the Group monitors Interest Cover Ratio (ICR) as defined under the common terms of the debt facilities. At 30 June 2022, the Total Interest Cover Ratio was 8.51x (30 Jun 2021: 16.59x) and the Core Interest Cover Ratio was 7.45x (30 Jun 2021: 12.86x). The covenant for total ICR and Core ICR is greater than 2x.

## 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 2022, approximately 17% 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 28% of drawn debt (30 Jun 2021: 50%).

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 29. 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

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

30 Jun 2022 \$'000	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
<b>Financial assets</b>					
Cash at bank	14,486	-	-	-	14,486
<b>Financial liabilities</b>					
Bank debt	365,000	-	-	75,000	440,000
Lease Liabilities - Right-of-use-asset	-	1,583	2,770	-	4,353
Lease Liabilities - Ground leases <sup>(1)</sup>	-	2,812	11,063	38,083	51,958
Interest rate swaps: Group pays fixed rate when above cap rate	(50,000)	-	50,000	-	-

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

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

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

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 7 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.

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 29. Financial instruments (continued)

### (d) Interest rate sensitivity analysis

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

	Effect on profit after tax higher/(lower)	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Increase in average interest rates of 100 bps:</b>		
Variable interest rate bank debt (AUD denominated)	(3,650)	(1,750)
Interest rate cap (AUD denominated)	500	295
<b>Decrease in average interest rates of 100 bps:</b>		
Variable interest rate bank debt (AUD denominated)	3,650	1,750
Interest rate cap (AUD denominated)	-	-

### (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 2022 \$'000	30 Jun 2021 \$'000
Net foreign currency exposure:		
United States dollars	1,023	1,013
New Zealand dollars	243	260

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 29. Financial instruments (continued)

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

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

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

### (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.

<b>30 Jun 2022</b>	<b>Less than 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>More than 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	106,891	2,512	-	109,403
Borrowings <sup>(1)</sup>	11,099	486,529	72,144	569,772
Right-of-use asset leases <sup>(1)</sup>	1,687	2,878	-	4,565
Ground leases (excluding perpetual leases)	2,866	12,265	60,923	76,054
Ground leases (perpetual leases) <sup>(2)</sup>	260	1,041	-	1,301
	<b>122,803</b>	<b>505,225</b>	<b>133,067</b>	<b>761,095</b>

<b>30 Jun 2021</b>	<b>Less than 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>More than 5 years \$'000</b>	<b>Total \$'000</b>
Trade and other payables	56,353	5,682	-	62,035
Borrowings <sup>(1)</sup>	5,681	190,153	140,745	336,579
Right-of-use asset leases <sup>(1)</sup>	1,406	2,932	-	4,338
Ground leases (excluding perpetual leases)	1,059	4,493	28,422	33,974
Ground leases (perpetual leases) <sup>(2)</sup>	260	1,041	-	1,301
	<b>64,759</b>	<b>204,301</b>	<b>169,167</b>	<b>438,227</b>

(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 for five years are included for perpetual leases.

# Notes to the Financial Statements

For the year ended 30 June 2022 | 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.

	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 Jun 2022</b>				
<b>Liabilities</b>				
Other financial liabilities	1,188	15,421	-	16,609
	1,188	15,421	-	16,609
<b>30 Jun 2021</b>				
<b>Liabilities</b>				
Other financial liabilities	4,045	13,092	-	17,137
	4,045	13,092	-	17,137

### (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 2022 \$'000	30 Jun 2021 \$'000
Increase in market prices of investment properties of 10%	(43)	(43)
Decrease in market prices of investment properties of 10%	43	43

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 2022 | 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 and discounted cash flow for properties in development. Refer to Note 11.	Capitalisation rate adopted normalised operating profit and discount rate. Refer Note 11.	The lower the capitalisation rate and discount rate, the lower the value. The higher the adopted normalised operating profit, the higher the value.
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

30 Jun 2022	Date of valuation	Fair value measurement using:			Total \$'000
		Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Investment properties	30-Jun-22 Note 11	-	-	1,937,888	1,937,888
Assets held for sale - investment property	30-Jun-22 Note 10	-	-	4,150	4,150
Other financial assets	30-Jun-22 Note 16	-	3,785	5,820	9,605
<b>30 Jun 2021</b>					
Investment properties	30-Jun-21 Note 11	-	-	1,231,336	1,231,336
Assets held for sale - investment property	30-Jun-21 Note 10	-	-	9,600	9,600
Other financial assets	30-Jun-21 Note 16	-	699	13,225	13,924

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 30. Fair value measurement (continued)

### (b) Liabilities measured at fair value

30 Jun 2022	Date of valuation	Fair value measurement using:			Total \$'000
		Quoted prices in active markets (Level 1) \$'000	Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Resident loans	30-Jun-22	-	-	309	309
Other financial liabilities	30-Jun-22 Note 21	-	-	16,609	16,609
<b>30 Jun 2021</b>					
Resident loans	30-Jun-21	-	-	308	308
Other financial liabilities	30-Jun-21 Note 21	-	-	17,137	17,137

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

## 31. Auditor's remuneration

	30 Jun 2022 \$	30 Jun 2021 \$
Fees for auditing the statutory financial report	566,509	523,394
Fees for assurance services that are required by legislation:		
Australian Financial Services Licence	42,395	41,050
Fees for other services <sup>(1)</sup> :		
Agreed upon procedures	17,716	-
Other	19,488	-
Technical advice	-	21,500
<b>Total fees to Ernst &amp; Young</b>	<b>646,108</b>	<b>585,944</b>

(1) Fees for other assurance services and agreed upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or other firm

## 32. Related parties

### (a) 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
<b>Non-Executive KMP</b>		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gregory Hayes	Director	Full year
Sally Evans	Director	Full year
John McLaren <sup>(1)</sup>	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 32. Related parties (continued)

KMP	Position	Term
<b>Executive KMP</b>		
Simon Owen	CEO & Managing Director	Full year
Scott Noble	Chief Financial Officer	Full year
Natalie Kwok	Chief Investment Officer & General Counsel	Full year

(1) Mr McLaren was appointed by Mr Shiffman as an alternate director in February 2019. Upon the resignation of Mr Shiffman, Mr McLaren was appointed as the Sun Communities Group (NYSE:SUI) subscriber nominee director.

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

	30 Jun 2022 \$	30 Jun 2021 \$
Directors fees	887,646	760,835
Salaries and other short-term benefits	1,529,296	1,353,169
Short-term incentives (payable in cash)	373,866	303,156
Superannuation benefits	70,704	60,163
Share-based payments	1,194,824	991,048
	<b>4,056,336</b>	<b>3,468,371</b>

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

The aggregate rights outstanding of the Group held directly by KMP and other eligible staff are as follows:

Issue date	Right Type	Vesting date	Number outstanding	
			30 Jun 2022	30 Jun 2021
FY16	LTIP	FY19	-	91,068
FY17 <sup>(1)</sup>	LTIP	FY20	1,923	110,855
FY17 <sup>(1)</sup>	STIP	FY19	2,437	2,437
FY18 <sup>(1)</sup>	LTIP	FY21	171,777	243,726
FY18 <sup>(1)</sup>	STIP	FY20	34,300	34,300
FY19 <sup>(1)</sup>	LTIP	FY22	270,543	488,548
FY19 <sup>(1)</sup>	STIP	FY21	111,020	111,020
FY20	LTIP	FY23	372,439	442,547
FY20 <sup>(1)</sup>	STIP	FY22	111,092	126,609
FY21 <sup>(1)</sup>	FRR	FY21	7,778	7,778
FY21	LTIP	FY24	332,563	383,537
FY21	TRG	FY23	89,514	137,671
FY21	TRG	FY24	121,212	137,671
FY21	STIP	FY23	71,235	-
FY22 <sup>(1)</sup>	FRR	FY22	42,819	-
FY22	FRR	FY23	18,876	-
FY22	LTIP	FY25	398,472	-
FY22	TRG	FY25	44,605	-
FY22	TRG	FY26	47,072	-
			<b>2,249,677</b>	<b>2,317,767</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 32. Related parties (continued)

### (b) Fee income

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

	30 Jun 2022 \$	30 Jun 2021 \$
Fee income from joint venture	1,564,038	2,072,703
Fee income from funds management	4,847,903	2,204,485
	6,411,941	4,277,188

## 33. Company financial information

Summary financial information about the Company is:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets	5,120	9,811
Total assets	82,003	28,569
Current liabilities	1,703	2,398
Total liabilities	1,703	2,396
<b>Net assets</b>	<b>80,300</b>	<b>26,173</b>
Security holders' equity:		
Issued securities	91,960	37,140
Reserves	(4,312)	(4,867)
Accumulated losses	(7,348)	(6,100)
<b>Total security holders' equity</b>	<b>80,300</b>	<b>26,173</b>
(Loss)/profit from continuing operations	(1,248)	3,266
<b>Net (loss)/profit attributable to security holders</b>	<b>(1,248)</b>	<b>3,266</b>
<b>Total comprehensive (loss)/income</b>	<b>(1,248)</b>	<b>3,266</b>

### 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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 33. Company financial information (continued)

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

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets	73,334	31,950
Total assets	94,969	55,505
Current liabilities	1,046	6,138
Total liabilities	1,046	10,066
<b>Net assets</b>	<b>93,923</b>	<b>45,439</b>
Security holders' equity:		
Issued securities	91,960	37,140
Reserves	(4,312)	(4,867)
Retained earning	6,275	13,166
<b>Total security holders' equity</b>	<b>93,923</b>	<b>45,439</b>
Revenue	10,520	57,016
Operating expenses	(10,210)	(49,655)
<b>Profit from continuing operations</b>	<b>310</b>	<b>7,361</b>
<b>Total comprehensive income</b>	<b>310</b>	<b>7,361</b>

## 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):

	Country of residence	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
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 Company Pty Ltd	Australia	-	100
INA Sunny Communities Pty Ltd	Australia	100	100
INA Sunny Trust	Australia	100	100
Ingenia Communities RE Limited	Australia	100	100
Jefferis Street Trust	Australia	100	100
Lovett Street Trust	Australia	100	100
Settlers Operations Trust	Australia	100	100
Settlers Subsidiary Trust	Australia	100	100
Settlers Property Trust	Australia	-	100
SunnyCove Gladstone Unit Trust	Australia	100	100
SunnyCove Rockhampton Unit Trust	Australia	100	100

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 34. Subsidiaries (continued)

	Country of residence	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
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	100
INA Operations Trust No.11	Australia	100	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
INA NZ Subsidiary Unit Trust No 1	New Zealand	-	100
INA NZ Subsidiary Unit Trust No 2	New Zealand	-	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
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	100
INA Subsidiary Trust No.8	Australia	100	100

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 34. Subsidiaries (continued)

	Country of residence	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
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
IDCF Land Trust No. 1	Australia	100	-
IDCF Management Company No 1 Pty Ltd	Australia	100	-
Ingenia Diversified Communities Head Company Pty Limited	Australia	100	-
Ingenia Diversified Communities Trust	Australia	100	-
INA Development No. 6 Pty Ltd	Australia	100	-
INA Development No. 7 Pty Ltd	Australia	100	-
INA Development No. 8 Pty Ltd	Australia	100	-
INA Development No. 9 Pty Ltd	Australia	100	-
INA Operations Trust No.12	Australia	100	-
INA Operations Trust No.13	Australia	100	-
INA Rochedale Development Pty Ltd	Australia	100	-
INA Coomera Development Pty Ltd	Australia	100	-
INA Toowoomba Development Pty Ltd	Australia	100	-
Seachange (Land) Pty Ltd	Australia	100	-
The Seachange (Land) Unit Trust	Australia	100	-
PPV Coomera Land Pty Ltd	Australia	100	-
PPV Coomera Land Unit Trust	Australia	100	-
PPV Hervey Bay Land Pty Ltd	Australia	100	-
PPV Hervey Bay Land Unit Trust	Australia	100	-
PPV Inlet Land Pty Ltd	Australia	100	-
PPV Inlet Land Unit Trust	Australia	100	-
PPV Toowoomba Land Pty Ltd	Australia	100	-
PPV Toowoomba Land Unit Trust	Australia	100	-
PPV Victoria Point Land Pty Ltd	Australia	100	-
PPV Victoria Point Land Unit Trust	Australia	100	-
Eighth Gate Federation Village Park Trust	Australia	100	-
Eighth Gate Residences Fund No. 6	Australia	100	-
Residences Fund No. 6 Pty Ltd	Australia	100	-

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 34. Subsidiaries (continued)

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

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets	788	1,321	28,104	35,206
Non-current assets	1,605,511	1,032,113	1,264,379	892,225
<b>Total assets</b>	<b>1,606,299</b>	<b>1,033,434</b>	<b>1,292,483</b>	<b>927,431</b>
Current liabilities	6,522	1,895	113,591	60,351
Non-current liabilities	469,290	248,847	959,317	764,135
<b>Total liabilities</b>	<b>475,812</b>	<b>250,742</b>	<b>1,072,908</b>	<b>824,486</b>
<b>Net assets/equity</b>	<b>1,130,487</b>	<b>782,692</b>	<b>219,575</b>	<b>102,945</b>
Revenue	45,512	33,061	240,094	201,676
Expenses	(40,611)	(5,487)	(172,122)	(192,539)
<b>Profit after tax</b>	<b>4,901</b>	<b>27,574</b>	<b>67,972</b>	<b>9,137</b>
<b>Total comprehensive income</b>	<b>4,901</b>	<b>27,574</b>	<b>67,972</b>	<b>9,137</b>

## 35. Notes to cashflow statement

Reconciliation of profit to net cash flow from operating activities:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Net profit for the year</b>	<b>100,587</b>	<b>72,781</b>
Adjustments for:		
Share of joint venture profit	(8,109)	(840)
Share of associate loss	250	-
Impairment of goodwill	1,436	-
Net (gain)/loss on change in fair value of:		
Investment properties	(52,876)	3,270
Financial liabilities	4,255	5,135
Investments and other financial instruments	(3,880)	(1,702)
Business combination transaction costs	18,000	-
Income tax expense	32,777	10,230
Other	175	516
<b>Operating profit before tax</b>	<b>92,615</b>	<b>89,390</b>
Depreciation and amortisation	4,085	3,863
Share-based payments expense	2,555	2,066
GST recoverable on investing activities	11,703	5,604
Finance costs	1,491	(1,058)
Other	(1,854)	-
<b>Operating cash flow before changes in working capital</b>	<b>110,595</b>	<b>99,865</b>
Changes in working capital:		
(Increase)/decrease in receivables	(7,623)	1,928
(Increase)/decrease in inventory	(1,857)	22,651
Increase in other payables and provisions	13,787	13,202
<b>Net cash provided by operating activities</b>	<b>114,902</b>	<b>137,646</b>



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 36. Subsequent events

### Final FY22 distribution

On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

### Acquisition of Big 4 Wagga Wagga

On 4 August 2022, the Group completed the acquisition of Big 4 Wagga Wagga, located in regional NSW, for \$13.2 million.

For personal use only

# Directors' Declaration

For the year ended 30 June 2022

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 2022 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of its financial position as at 30 June 2022 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, 24 August 2022

# Independent Auditor's Report

For the year ended 30 June 2022



**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

## 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 2022, 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 2022 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.

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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



Building a better  
working world

## 1. Valuation of Investment Property

### Why significant

Approximately 91% of the Group's total assets comprise investment properties (both those recorded as investment properties and those included within 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.

The Group has three categories of investment properties as disclosed in Note 11 to the financial report.

- The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key judgements include capitalisation rates, market and contractual rents 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.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed 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 qualifications, 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 qualifications, competence 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;
- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate; and
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



## Why significant

The key judgements in the valuations include assumptions related to the long term and short-term rental income, 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 of costs between investment property and inventory, discount rates, projected property growth rates and operating profit margins.

Accordingly, the valuation of investment properties was considered a key audit matter.

## How our audit addressed the key audit matter

- We assessed the appropriateness of disclosures included in Note 11 of the financial report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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:

- 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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 45 to 62 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2022, 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.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

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

Yvonne Barnikel  
Partner  
Sydney  
24 August 2022

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation



# Ingenia Communities Fund & Ingenia Communities Management Trust Annual Reports

For the year ended 30 June 2022

## Contents

Directors' Report.....	120
Auditor's Independence Declaration.....	125
Consolidated Statement of Comprehensive Income.....	126
Consolidated Balance Sheet.....	127
Consolidated Cash Flow Statement.....	129
Consolidated Statement of Changes in Equity.....	130
Notes to the Financial Statements.....	131
1. Summary of significant accounting policies.....	131
2. Accounting estimates and judgements.....	138
3. Segment information.....	139
4. Earnings per unit.....	143
5. Income tax expense.....	143
6. Trade and other receivables.....	144
7. Inventories.....	144
8. Assets held for sale.....	144
9. Investment properties.....	145
10. Plant and equipment.....	146
11. Intangibles.....	146
12. Right-of-use assets.....	147
13. Investment in a joint venture.....	147
14. Other financial assets.....	148
15. Business combinations and asset acquisitions.....	148
16. Deferred tax assets and liabilities.....	150
17. Trade and other payables.....	150
18. Borrowings.....	151
19. Other financial liabilities.....	151
20. Issued units.....	152
21. Accumulated losses and retained earnings.....	152
22. Commitments.....	153
23. Contingent liabilities.....	153
24. Capital management.....	153
25. Financial instruments.....	153
26. Fair value measurement.....	158
27. Auditor's remuneration.....	159
28. Related parties.....	160
29. Parent entity financial information.....	162
30. Subsidiaries.....	163
31. Notes to the cash flow statements.....	165
32. Subsequent events.....	165
Directors' Declaration.....	166
Independent Auditor's Report.....	167

For personal use only

# Directors' Report

For the year ended 30 June 2022

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 2022 (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	
John McLaren	(appointed, effective 6 December 2021. Previously alternate Director to Gary Shiffman)
Gregory Hayes	
Sally Evans	
Gary Shiffman	(resigned, effective 6 December 2021)

### 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))
Charisse Nortje	(appointed, effective 1 July 2022)
Nhu Nguyen	(resigned, effective 15 October 2021)

## 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 owns, manages and develops a portfolio of lifestyle, rental and holiday communities across Australia's East Coast and Western Australia. The Group's real estate assets at 30 June 2022 were valued at \$1.9 billion, comprising 72 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 27 seniors rental communities (Ingenia Gardens). The Group manages a further 11 communities through its development JV and funds management platform.

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.

Creating Australia's best lifestyle communities



Lead with  
INTEGRITY



RESPECT  
for all



Build  
COMMUNITY



Continuous  
IMPROVEMENT

# Directors' Report

For the year ended 30 June 2022 | continued

## Strategy

The Group's focus is on maintaining sector leadership whilst delivering growth opportunities across the business through enhancing operational performance and developing new communities.

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

The immediate business priorities of the Group are:

- Improve resident and guest experience and satisfaction;
- Enhance sustainable competitive advantage through recruiting, retaining and developing industry leading talent;
- Improve performance of existing communities through rental growth, active cost management and investment in new rental and tourism cabins;
- Continue to progress development pipeline across the Group and JV projects to deliver new rental contracts;
- Build on the Group's sustainability program, enhancing disclosures as initiatives are progressed;
- Maintain focus on employee, resident and guest health and safety; and
- Expand the funds management platform and deliver compelling performance for investors.

## Transformational growth

During the period the Group undertook over \$560.0 million of strategic transformational acquisitions, growing Ingenia's market leading position in the lifestyle and holidays sectors and enhancing the Group's growth profile. During the period, the Group acquired 12 Lifestyle communities, 11 Holiday communities, an additional Ingenia Gardens Village and 4 greenfield developments.

The growth in the portfolio was materially driven by the acquisition of the Seachange group, Caravan Parks of Australia and the Federation Villages portfolios.

The Seachange group is a high-quality portfolio of six lifestyle communities and development sites in South East QLD and was acquired for \$270.0 million. The Seachange acquisition extends Ingenia's presence in the strong South East QLD market via a complementary, well established premium brand with an established operating and development platform, providing Ingenia with additional management capabilities to contribute to the growth of the Group.

The Caravan Parks of Australia portfolio, a portfolio of seven lifestyle and holiday communities in VIC and NSW, was acquired for \$110.0 million. The Federation Villages portfolio consisted of three established lifestyle communities in Melbourne's outer suburbs which added 504 homes and was acquired for \$87.0 million.

In addition to these portfolios the Group acquired seven holiday communities, a partially complete lifestyle community in QLD, an established seniors rental community and four additional development opportunities

(two in the Joint Venture with Sun Communities), bringing the total potential development sites across the business to 6,580.

## FY22 financial results

The year to 30 June 2022 delivered total revenue of \$338.1 million, up 14% on the prior year. The Group settled 409<sup>1</sup> turnkey homes (30 Jun 2021: 380<sup>1</sup> homes) and grew Lifestyle and Holidays rental income from permanent, annual and tourism clients to \$140.8 million (30 Jun 2021: \$99.3 million).

Statutory profit of \$100.6 million was up 38% 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 the settlement of new homes.

Underlying profit from continuing operations was \$87.9 million, which represents an increase of \$10.6 million (14%) on the prior year. The underlying result was adversely impacted by industry wide supply and labour challenges which significantly impacted the EBIT contribution from Lifestyle Development (down 24% on prior year). The Holidays segment EBIT was up 23% on the prior year from increased demand and new acquisitions despite forced COVID-19 associated closures. Ingenia Lifestyle Rental EBIT of \$26.8 million, was up 62% with Ingenia Gardens EBIT of \$11.5 million, up 6% from the prior year both segments benefited from acquisitions and inflation linked rent increases.

Operating cash flow for the period was \$114.9 million, down 17% from the prior year, reflecting lower available opening inventory than prior year and lower development profit.

The Group's underlying earnings per security decreased by 1% from prior year driven by additional securities on issue from the November 2021 equity raise and adverse COVID-19 and supply chain impacts on the Holidays and Lifestyle Development

The Group's net asset value (NAV), of \$3.75 per security, was up 24% compared with 30 June 2021 NAV of \$3.03, driven by positive revaluations of the Group's assets and the impact of the November 2021 equity raise, where securities were issued at a premium to asset value. Net tangible assets (NTA) increased from \$3.00 to \$3.50 per security.

## Key metrics

- Net profit for the year for ICF \$4.9 million (30 Jun 2021: \$27.6 million)
- Net profit for the year for ICMT of \$68.0 million (30 Jun 2021: \$9.1 million)
- Full year distributions of 11.0 cents per unit by ICF, nil from ICMT.

## Segment performance and priorities

### Capital Partnerships

### Development Joint Venture

The Joint Venture with Sun Communities (NYSE: SUI) acquired two additional greenfield development sites at Nambour, QLD and Bobs Farm, NSW.

1 Including 56 settlements (30 Jun 2021: 30) at Ingenia Lifestyle Freshwater, the Group's joint venture project with Sun Communities.

# Directors' Report

For the year ended 30 June 2022 | continued

The Joint Venture delivered \$23.7 million (30 Jun 2021: \$11.4 million) of revenue from the settlement of 56 (30 Jun 2021: 30) new homes at its first greenfield project located at Burpengary, QLD, driving a 112% increase in revenue for the Joint Venture.

During FY22, fees generated by Ingenia from the Joint Venture relate to acquisition, asset development and sales management.

## Performance

	30 Jun 2022	30 Jun 2021	Change %
Greenfield properties (#)	5	3	67%
Investment carrying value (\$m)	66.1	32.8	102%
New home settlements (#)	56	30	87%
Fee income (\$m)	1.6	2.1	(24%)
Joint venture revenue (\$m)	24.2	11.4	112%
Joint venture operating profit (\$m)	12.2	5.0	144%
Share of profit from joint venture (\$m)	8.1	0.8	NM

## Strategic priorities

The strategic priorities for the Joint Venture are to expand in key markets and to progress the existing portfolio of new lifestyle communities under development. 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. 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 manages five funds that invest in lifestyle and holiday communities situated in NSW and QLD. The Group receives fees for the management and development of the assets and management of the funds. During the year, Ingenia acquired the Federation Village assets owned within one of the funds from investors. As part of this transaction, a performance fee and gain on the Group's co-investment in the fund were realised.

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

	30 Jun 2022	30 Jun 2021	Change %
Investment carrying value (\$m)	5.8	13.2	(56%)
Fee income (\$m)	4.9	2.2	123%
Distribution income (\$m)	0.7	0.7	NM
Realised gain on co-investment	1.9	-	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

During the year Ingenia raised \$475.0 million of equity via an accelerated non-renounceable entitlement offer to existing eligible securityholders at \$6.12 per security. The Group also increased its debt facilities by \$255.0 million, taking the Group's combined facility limit to \$780.0 million (30 June 2021: \$525.0 million). The weighted average term to maturity of the Group facilities is 4.4 years.

At 30 June 2022, the debt facilities were drawn to \$440.0 million and the Group's Loan to Value Ratio ("LVR") was 25.7%, gearing was 20.6% and the Group was 28.4% hedged at 30 June 2022. Hedging increased post 30 June 2022 to a pro-forma 51% with additional hedging placed in July 2022 and August 2022.

## Distributions

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

- On 22 February 2022, the Directors declared an interim distribution of 5.2 cps, amounting to \$21.1 million which was paid on 24 March 2022.
- On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

# Directors' Report

For the year ended 30 June 2022 | continued

## FY23 outlook

The Group is well placed to continue to deliver growth in the core Lifestyle business, with strong demand from downsizers, increased market awareness, and a strong pipeline of projects commencing development that will generate additional rental cash flows. Growth in rental cash flows will also be delivered through ongoing demand for affordable housing and ongoing high occupancy and rent growth across the Group's rental communities. Enhancing the performance of existing assets by delivering rent growth and investing in new homes remains a key priority for the Group.

Ingenia expects to continue to benefit from growth in domestic tourism with an extensive portfolio located in attractive holiday destinations. The priority for Ingenia Holidays is to enhance the customer experience and invest in new tourism cabins and refurbishment of existing cabins.

The Group will focus on increasing its assets under management through its capital partnerships including development in the Joint Venture through the commencement of developments in 1H23.

The Group's strong balance sheet and deal flow provides continuing capacity for growth and sector leadership.

Ingenia will continue to deliver on its environmental commitments as the Group targets a 30% reduction in scope 1 and 2 emissions over the next five years (against a base line portfolio owned since 2019) 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 financial report. Refer to Note 9 for investment properties acquired during the year, Note 15 for business combinations, Note 18 for details of debt facility and Note 20 for issued units.

## Events Subsequent to Reporting Date

### Final FY22 distribution

On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

### Acquisition of Big 4 Wagga Wagga

On 4 August 2022, the Group completed the acquisition of Big 4 Wagga Wagga, located in regional NSW, for \$13.2 million.

### Likely Developments

The Trusts 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 and development sites;
- 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 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 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 2022 | 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 2022 were:

	Issued stapled securities	Rights
Jim Hazel	439,445	-
Robert Morrison	254,594	-
Amanda Heyworth	224,736	-
Pippa Downes	40,868	-
John McLaren <sup>(1)</sup>	41,779,555	-
Gregory Hayes	20,000	-
Sally Evans	19,316	-
Simon Owen	1,512,976	1,008,893

(1) The securities held by Mr McLaren are beneficially owned by Sun Communities.

Mr McLaren 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. Prior to his appointment, Mr McLaren was the Alternate Director for Mr Shiffman, who was the previous appointed Nominee Director of Sun Communities before his resignation on 6 December 2021.

## 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 28 in the financial report.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 125.

## 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 27 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, 24 August 2022

# Auditor's Independence Declaration

For the year ended 30 June 2022



**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 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 2022, 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;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene 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.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

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

Yvonne Barnikel  
Partner  
24 August 2022

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	ICF		ICMT	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Lifestyle home sales		-	-	53,113	43,414
Residential rental income		-	-	82,605	64,103
Tourism rental income		-	-	73,350	53,828
Annuals rental income		-	-	9,472	4,646
Other revenue		25,978	13,819	49,981	35,685
<b>Revenue</b>		<b>25,978</b>	<b>13,819</b>	<b>268,521</b>	<b>201,676</b>
Cost of lifestyle homes sold		-	-	(28,079)	(26,226)
Employee expenses		-	-	(69,871)	(50,394)
Property expenses		(825)	(825)	(45,008)	(33,059)
Administrative expenses		(1,201)	(856)	(12,937)	(7,642)
Operational, marketing and selling expenses		-	-	(13,374)	(11,754)
Service station expenses		-	-	(10,680)	(8,477)
Responsible entity fee and expenses		(6,816)	(4,622)	(5,184)	(4,053)
Depreciation and amortisation expense	10, 11, 12	-	(2)	(25,774)	(15,463)
<b>Operating profit before interest and tax</b>		<b>17,136</b>	<b>7,514</b>	<b>57,614</b>	<b>44,608</b>
Net finance income/(expense)		19,534	19,244	(28,427)	(23,249)
<b>Operating profit before tax</b>		<b>36,670</b>	<b>26,758</b>	<b>29,187</b>	<b>21,359</b>
Share of joint venture profit/(loss)	13	3,208	(1,186)	16	(72)
Net (loss)/gain on change in fair value of:					
Investment properties	9(b)	(27,900)	1,767	80,776	(5,037)
Financial liabilities		-	-	(4,029)	(5,024)
Investments and other financial instruments		3,212	235	666	1,459
Business combination transaction costs		(10,289)	-	(6,495)	-
Other		-	-	(175)	(516)
<b>Profit before tax</b>		<b>4,901</b>	<b>27,574</b>	<b>99,946</b>	<b>12,169</b>
Income tax expense	5	-	-	(31,974)	(3,032)
<b>Net profit for the year</b>		<b>4,901</b>	<b>27,574</b>	<b>67,972</b>	<b>9,137</b>
<b>Total comprehensive income for the year net of income tax</b>		<b>4,901</b>	<b>27,574</b>	<b>67,972</b>	<b>9,137</b>
<b>Profit attributable to unit holders of:</b>					
Ingenia Communities Fund		4,658	27,574	-	-
Ingenia Communities Management Trust		243	-	67,972	9,137
		4,901	27,574	67,972	9,137
<b>Total comprehensive income attributable to unit holders of:</b>					
Ingenia Communities Fund		4,658	27,574	-	-
Ingenia Communities Management Trust		243	-	67,972	9,137
		4,901	27,574	67,972	9,137
<b>Earnings per unit:</b>		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	4	1.3	8.4	18.0	2.8
Diluted earnings per unit	4	1.3	8.4	17.9	2.8

Notes to the Consolidated Financial Statements are included on pages 131 to 165.



# Consolidated Balance Sheet

As at 30 June 2022

	Note	ICF		ICMT	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current assets</b>					
Cash and cash equivalents		492	1,104	12,831	16,485
Trade and other receivables	6	295	217	6,310	2,835
Inventories	7	-	-	4,814	6,286
Assets held for sale	8	-	-	4,150	9,600
<b>Total current assets</b>		<b>787</b>	<b>1,321</b>	<b>28,105</b>	<b>35,206</b>
<b>Non-current assets</b>					
Trade and other receivables	6	1,727	1,315	144	-
Receivable from related party	28(e)	652,519	641,217	-	-
Investment properties	9	895,037	362,105	932,656	798,468
Investment in a joint venture	13	52,443	26,774	-	-
Other financial assets	14	3,785	699	16,599	13,203
Plant and equipment	10	-	3	6,121	5,123
Intangibles	11	-	-	98,438	2,258
Right-of-use-assets	12	-	-	210,421	65,211
Deferred tax asset	16	-	-	-	7,962
<b>Total non-current assets</b>		<b>1,605,511</b>	<b>1,032,113</b>	<b>1,264,379</b>	<b>892,225</b>
<b>Total assets</b>		<b>1,606,298</b>	<b>1,033,434</b>	<b>1,292,484</b>	<b>927,431</b>
<b>Current liabilities</b>					
Trade and other payables	17	4,768	1,895	82,825	40,415
Borrowings	18	1,754	-	24,875	16,603
Employee liabilities		-	-	4,688	3,218
Other financial liabilities	19	-	-	1,188	115
Provision for income tax		-	-	15	-
<b>Total current liabilities</b>		<b>6,522</b>	<b>1,895</b>	<b>113,591</b>	<b>60,351</b>
<b>Non-current liabilities</b>					
Payable to related party	28(e)	-	-	707,590	673,926
Borrowings	18	466,795	247,165	211,264	72,311
Other financial liabilities	19	-	-	15,421	13,092
Employee liabilities		-	-	1,013	806
Other payables	17	2,495	1,682	17	4,000
Deferred tax liability	16	-	-	24,012	-
<b>Total non-current liabilities</b>		<b>469,290</b>	<b>248,847</b>	<b>959,317</b>	<b>764,135</b>
<b>Total liabilities</b>		<b>475,812</b>	<b>250,742</b>	<b>1,072,908</b>	<b>824,486</b>
<b>Net assets</b>		<b>1,130,486</b>	<b>782,692</b>	<b>219,576</b>	<b>102,945</b>

# Consolidated Balance Sheet

As at 30 June 2022 | continued

	Note	ICF		ICMT	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Equity</b>					
Issued units	20(a)	1,473,464	1,102,443	138,806	90,147
(Accumulated losses)/Retained earnings	21	(354,260)	(319,751)	81,470	13,498
<b>Unit holders interest</b>		<b>1,119,204</b>	782,692	<b>220,276</b>	103,645
Non-controlling interest		11,282	-	(700)	(700)
<b>Total equity</b>		<b>1,130,486</b>	782,692	<b>219,576</b>	102,945
Attributable to unit holders of:					
Ingenia Communities Fund		1,119,204	782,692	(700)	(700)
Ingenia Communities Management Trust		11,282	-	220,276	103,645
		<b>1,130,486</b>	782,692	<b>219,576</b>	102,945

Notes to the Consolidated Financial Statements are included on pages 131 to 165.

# Consolidated Cash Flow Statement

For the year ended 30 June 2022

	Note	ICF		ICMT	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Cash flows from operating activities</b>					
Rental and other property income		-	-	200,811	156,064
Property and other expenses		(721)	(2,266)	(120,796)	(100,960)
Proceeds from sale of lifestyle homes		-	-	57,988	47,368
Purchase of lifestyle homes		-	-	(29,063)	(19,610)
Proceeds from sale of service station inventory		-	-	13,264	10,761
Purchase of service station inventory		-	-	(11,717)	(9,368)
Interest received		18	3	9	12
Borrowing costs paid		(8,113)	(5,861)	(92)	(40)
Net movement in resident loans		-	-	-	(137)
Government subsidy		-	-	-	4,819
	31	(8,816)	(8,124)	110,404	88,909
<b>Cash flows from investing activities</b>					
Payments for investment properties		(329,873)	(131,217)	(15,169)	(78,652)
Additions to investment properties		(8,127)	(19,476)	(59,457)	(23,944)
Purchase and additions of plant and equipment		-	-	(2,589)	(2,330)
Purchase and additions of intangible assets		-	-	(145)	(1,221)
Proceeds from sale of investment properties		-	-	9,409	16,502
Net payments for acquisition of Seachange	15	(151,810)	-	(92,606)	-
Business combination transaction costs		-	-	(1,436)	-
Investment in joint venture		(22,225)	(16,000)	-	-
Payments for acquisition of financial assets		-	-	(887)	-
Other		-	-	-	2,105
		(512,035)	(166,693)	(162,880)	(87,540)
<b>Cash flows from financing activities</b>					
Proceeds from issue of stapled securities		380,562	8,793	49,907	1,133
Payments for security issue costs		(9,541)	(46)	(1,248)	(11)
Distributions to unit holders		(39,167)	(30,657)	-	-
Proceeds from related party borrowings		1,538	21,425	2,917	8,106
Proceeds from borrowings		454,000	249,500	-	-
Repayment of borrowings		(264,000)	(72,500)	-	-
Payments for debt issue costs		(1,506)	(1,938)	-	-
Payment for derivatives and financial instruments		-	(343)	-	-
Other		(1,647)	-	(2,754)	(2,177)
		520,239	174,234	48,822	7,051
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(612)</b>	<b>(583)</b>	<b>(3,654)</b>	<b>8,420</b>
Cash and cash equivalents at the beginning of the year		1,104	1,687	16,485	8,065
<b>Cash and cash equivalents at the end of the year</b>		<b>492</b>	<b>1,104</b>	<b>12,831</b>	<b>16,485</b>

Notes to the Consolidated Financial Statements are included on pages 131 to 165.



# Notes to the Financial Statements

For the year ended 30 June 2022

## 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 2022 was authorised for issue by the Directors on 24 August 2022.

### (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.

At 30 June 2022, the ICF recorded a net current asset deficiency of \$5,735,000. ICF has access to \$310,200,000 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 2022, ICMT recorded a net current asset deficiency of \$85,486,000. This deficiency is due to an increase in advanced deposits and payables compared to prior year. 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.

### (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.

### (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 2022 | 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 be impaired. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount, calculated as the higher of fair value less costs of disposal and the value in use. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

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

### (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.

### (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.

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

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

In calculating the present value of lease payments, the Trusts 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 18). 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.

### (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 and included in the statement of comprehensive income in the period they arise, including the corresponding tax effect.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

### (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.

### (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.



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

### 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 contracts with customers is recognised when performance obligations have been met and control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The following specific recognition criteria must also be met before revenue is recognised:

#### Rental income

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.

#### Sale of homes

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.

#### Management and other fee income

Revenue from rendering of services is recognised in accordance with performance obligations under the terms and conditions of the service agreements. The Group recognises management and other fee income over time because the customer simultaneously receives and consumes the benefits provided to them.

#### Distribution income

Distribution income is recognised when the Trusts right to receive the payment is established.

#### Interest income

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

#### Service station sales

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

### (y) Income tax

#### Current income tax

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

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

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

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 determine 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 26.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at 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.

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 26).

### (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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 1. Summary of significant accounting policies (continued)

A liability is current when:

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

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

### (ff) Government grants

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

## 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.

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 2022 | 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 - 2022

	Residential		Tourism	Other	Total
	Lifestyle	Gardens			
	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Corporate & Other \$'000	Total \$'000
<b>Segment revenue</b>					
Rental income	9,460	12,745	3,773	-	25,978
<b>Total revenue</b>	<b>9,460</b>	<b>12,745</b>	<b>3,773</b>	<b>-</b>	<b>25,978</b>
<b>Segment underlying profit</b>					
Rental income	9,460	12,745	3,773	-	25,978
Property expenses	(26)	(3)	(19)	(777)	(825)
Administrative expenses	-	-	(6)	(1,195)	(1,201)
Depreciation and amortisation expense	-	-	-	-	-
<b>Earnings before interest and tax</b>	<b>9,434</b>	<b>12,742</b>	<b>3,748</b>	<b>(1,972)</b>	<b>23,952</b>
Share of loss of a joint venture					(81)
Net finance income					19,534
<b>Total underlying profit</b>					<b>43,405</b>
Net (loss)/gain on change in fair value of:					
Investment properties					(27,900)
Investments and other financial instruments					3,212
Share of joint venture profit					3,289
Business combination transaction costs					(10,289)
Responsible entity fees					(6,816)
<b>Profit after tax</b>					<b>4,901</b>
Segment assets	611,894	167,200	154,038	673,166	1,606,298
<b>Total assets</b>	<b>611,894</b>	<b>167,200</b>	<b>154,038</b>	<b>673,166</b>	<b>1,606,298</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 3. Segment information (continued)

### (c) ICF - 2021

	Residential		Tourism	Other	Lifestyle
	Lifestyle	Gardens			
	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Corporate & Other \$'000	Total \$'000
<b>Segment revenue</b>					
Rental income	2,937	10,702	180	-	13,819
<b>Total revenue</b>	<b>2,937</b>	<b>10,702</b>	<b>180</b>	<b>-</b>	<b>13,819</b>
<b>Segment underlying profit</b>					
Rental income	2,937	10,702	180	-	13,819
Property expenses	-	-	-	(825)	(825)
Administrative expenses	-	-	-	(856)	(856)
Depreciation and amortisation expense	(2)	-	-	-	(2)
<b>Earnings before interest and tax</b>	<b>2,935</b>	<b>10,702</b>	<b>180</b>	<b>(1,681)</b>	<b>12,136</b>
Share of loss of a joint venture					(1,186)
Net finance income					19,244
<b>Total underlying profit</b>					<b>30,194</b>
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)
<b>Profit after tax</b>					<b>27,574</b>
Segment assets	204,292	173,643	(206,411)	861,910	1,033,434
<b>Total assets</b>	<b>204,292</b>	<b>173,643</b>	<b>(206,411)</b>	<b>861,910</b>	<b>1,033,434</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 3. Segment information (continued)

### (d) ICMT - 2022

	Residential		Tourism	Other			Total \$'000
	Lifestyle	Gardens		Fuel, Food & Beverage Services	Corporate & Other		
	Lifestyle Development \$'000	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Fuel, Food & Beverage Services \$'000	Corporate & Other \$'000	
<b>Segment revenue</b>							
Lifestyle home sales	53,113	-	-	-	-	-	53,113
Residential rental income	-	47,421	24,442	10,742	-	-	82,605
Tourism rental income	-	1,545	-	71,805	-	-	73,350
Annuals rental income	-	88	-	9,384	-	-	9,472
Other revenue	4,196	6,042	2,792	4,664	18,469	13,818	49,981
<b>Total revenue</b>	<b>57,309</b>	<b>55,096</b>	<b>27,234</b>	<b>96,595</b>	<b>18,469</b>	<b>13,818</b>	<b>268,521</b>
<b>Segment underlying profit</b>							
External segment revenue	57,309	55,096	27,234	96,595	18,469	13,818	268,521
Cost of lifestyle homes sold	(28,079)	-	-	-	-	-	(28,079)
Employee expenses	(15,888)	(11,649)	(6,611)	(32,038)	(3,617)	(68)	(69,871)
Property expenses	(1,038)	(12,680)	(7,095)	(19,070)	(774)	(4,351)	(45,008)
Administrative expenses	(2,774)	(3,054)	(931)	(5,599)	(79)	(500)	(12,937)
Operational, marketing and selling expenses	(5,039)	(475)	(957)	(3,521)	(2,474)	(908)	(13,374)
Service station expenses	-	-	-	(132)	(10,548)	-	(10,680)
Depreciation and amortisation expense	(677)	(425)	(98)	(862)	(52)	(23,660)	(25,774)
<b>Earnings before interest and tax</b>	<b>3,814</b>	<b>26,813</b>	<b>11,542</b>	<b>35,373</b>	<b>925</b>	<b>(15,669)</b>	<b>62,798</b>
Share of profit of a joint venture							42
Net finance expense							(28,427)
Income tax expense							(9,100)
<b>Total underlying profit</b>							<b>25,313</b>
Net (loss)/gain on change in fair value of:							
Investment properties							80,776
Financial liabilities							(4,029)
Investments and other financial instruments							666
Share of joint venture loss							(26)
Business combination transaction costs							(6,495)
Other							(175)
Income tax expense							(22,874)
Responsible entity fees							(5,184)
<b>Profit after tax</b>							<b>67,972</b>
<b>Segment assets</b>							
Segment assets	23,372	495,140	3,473	523,207	325	242,817	1,288,334
Assets held for sale	-	4,150	-	-	-	-	4,150
<b>Total assets</b>	<b>23,372</b>	<b>499,290</b>	<b>3,473</b>	<b>523,207</b>	<b>325</b>	<b>242,817</b>	<b>1,292,484</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 3. Segment information (continued)

### (e) ICMT - 2021

	Residential		Tourism	Other		Total \$'000
	Lifestyle	Gardens		Fuel, Food & Beverage Services	Corporate & Other	
	Lifestyle Development \$'000	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000		
<b>Segment revenue</b>						
Lifestyle home sales	43,414	-	-	-	-	43,414
Residential rental income	-	31,245	23,106	9,568	-	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
<b>Total revenue</b>	<b>43,414</b>	<b>34,679</b>	<b>25,837</b>	<b>70,210</b>	<b>16,356</b>	<b>11,180</b>
<b>Segment underlying profit</b>						
External segment revenue	43,414	34,679	25,837	70,210	16,356	11,180
Cost of lifestyle homes sold	(26,226)	-	-	-	-	-
Employee expenses	(12,390)	(8,482)	(6,038)	(20,118)	(3,270)	(96)
Property expenses	(803)	(7,488)	(6,727)	(15,138)	(810)	(2,093)
Administrative expenses	(1,404)	(1,837)	(988)	(3,000)	(66)	(347)
Operational, marketing and selling expenses	(4,347)	(59)	(994)	(2,702)	(2,422)	(1,230)
Service station expenses	-	-	-	(25)	(8,452)	-
Depreciation and amortisation expense	(689)	(361)	(167)	(574)	(56)	(13,616)
<b>Earnings before interest and tax</b>	<b>(2,445)</b>	<b>16,452</b>	<b>10,923</b>	<b>28,653</b>	<b>1,280</b>	<b>(6,202)</b>
Share of loss of a joint venture						(72)
Net finance expense						(23,249)
Income tax expense						(5,768)
<b>Total underlying profit</b>						<b>19,572</b>
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)
<b>Profit after tax</b>						<b>9,137</b>
<b>Segment assets</b>						
Segment assets	34,148	314,055	3,562	461,105	339	104,622
Assets held for sale	-	9,600	-	-	-	-
<b>Total assets</b>	<b>34,148</b>	<b>323,655</b>	<b>3,562</b>	<b>461,105</b>	<b>339</b>	<b>104,622</b>



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 4. Earnings per unit

	ICF		ICMT	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Profit attributable to security holders (\$'000)	4,901	27,574	67,972	9,137
Weighted average number of securities outstanding (thousands)				
Issued securities (thousands)	377,537	326,725	377,537	326,725
Dilutive securities (thousands)				
Long-term incentives	1,790	1,749	1,790	1,749
Short-term incentives	318	249	318	249
Talent Rights Grant	236	145	236	145
Fixed Remuneration Rights	54	4	54	4
<b>Weighted average number of issued and dilutive potential units outstanding (thousands)</b>	<b>379,935</b>	<b>328,872</b>	<b>379,935</b>	<b>328,872</b>
Basic earnings per unit (cents)	1.3	8.4	18.0	2.8
Dilutive earnings per unit (cents)	1.3	8.4	17.9	2.8

## 5. Income tax expense

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Income tax expense</b>				
Current tax expense	-	-	-	(1,373)
Decrease in deferred tax asset	-	-	(31,974)	(1,659)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>(31,974)</b>	<b>(3,032)</b>
<b>(b) Reconciliation between tax expense and pre-tax net profit</b>				
Profit before income tax	4,901	27,574	99,946	12,169
Less amounts not subject to Australian income tax	(4,901)	(27,574)	-	-
	-	-	99,946	12,169
Income tax at the Australian tax rate of 30% (30 June 2021: 30%)	-	-	(29,984)	(3,651)
Tax effect of amounts which impact tax expense:				
Prior period income tax return true-ups	-	-	(219)	-
Other	-	-	(1,771)	619
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>(31,974)</b>	<b>(3,032)</b>

### (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 2022 | continued

## 6. Trade and other receivables

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>				
Trade receivables	12	11	1,171	347
Prepayments	-	-	3,191	980
Deposits	-	-	1,311	1,055
Other receivables	283	206	637	453
<b>Total current trade and other receivables</b>	<b>295</b>	<b>217</b>	<b>6,310</b>	<b>2,835</b>
<b>Non-current</b>				
Other receivables	1,727	1,315	144	-
<b>Total non-current and other receivables</b>	<b>1,727</b>	<b>1,315</b>	<b>144</b>	<b>-</b>

## 7. Inventories

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Lifestyle homes</b>				
Completed	-	-	-	2,117
Display homes	-	-	584	1,162
Under construction	-	-	3,900	2,650
Fuel, food and beverage	-	-	330	357
<b>Total inventories</b>	<b>-</b>	<b>-</b>	<b>4,814</b>	<b>6,286</b>

The lifestyle home balance includes:

- No new completed homes (30 Jun 2021: 14)
- No refurbished/renovated/annuals completed homes (30 Jun 2021: 3)
- 5 display homes (30 Jun 2021: 10)
- Lifestyle homes under construction includes 106 partially completed homes at different stages of development (30 Jun 2021: 63). It also includes demolition, site preparation costs and buybacks on future development sites.

## 8. Assets held for sale

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Investment properties held for sale:				
Swan Reach, Swan Reach, VIC	-	-	4,150	-
Upper Coomera, Upper Coomera, QLD	-	-	-	9,600
<b>Total assets held for sale</b>	<b>-</b>	<b>-</b>	<b>4,150</b>	<b>9,600</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 9. Investment properties

### (a) Summary of carrying value

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Completed properties	751,404	286,409	914,139	770,696
Properties under development	143,633	75,696	18,517	27,772
<b>Total carrying value</b>	<b>895,037</b>	<b>362,105</b>	<b>932,656</b>	<b>798,468</b>

### (b) Movements in carrying value

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Carrying value at beginning of the year</b>	<b>362,105</b>	217,404	<b>798,468</b>	669,818
Acquisitions	542,679	135,104	21,245	83,092
Expenditure capitalised	18,153	7,830	36,317	48,584
Net (loss)/gain on change in fair value <sup>(1)</sup>	(27,900)	1,767	80,776	(3,026)
Transfer to assets held for sale	-	-	(4,150)	-
<b>Carrying value at the end of the year</b>	<b>895,037</b>	<b>362,105</b>	<b>932,656</b>	<b>798,468</b>

(1) Net of loss on change in fair value of acquisition costs: ICF \$18,261,000 (30 Jun 2021: \$8,624,000) and ICMT: \$1,033,000 (30 Jun 2021: \$5,661,000).

### (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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 10. Plant and equipment

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying value</b>				
Plant and equipment	-	10	10,186	8,044
Less: accumulated depreciation	-	(7)	(4,065)	(2,921)
<b>Total plant and equipment</b>	<b>-</b>	<b>3</b>	<b>6,121</b>	<b>5,123</b>
<b>(b) Movements in carrying value</b>				
<b>Carrying value at beginning of the year</b>	<b>3</b>	<b>5</b>	<b>5,123</b>	<b>4,323</b>
Additions	-	-	2,598	2,447
Disposals	(3)	-	(86)	(423)
Depreciation expense	-	(2)	(1,514)	(1,224)
<b>Carrying value at end of the year</b>	<b>-</b>	<b>3</b>	<b>6,121</b>	<b>5,123</b>

## 11. Intangibles

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying value</b>				
Software and development	-	-	5,048	4,917
Goodwill	-	-	96,647	-
Less: accumulated amortisation	-	-	(3,257)	(2,659)
<b>Total intangibles</b>	<b>-</b>	<b>-</b>	<b>98,438</b>	<b>2,258</b>
<b>(b) Movements in carrying value</b>				
<b>Carrying value at beginning of the year</b>	<b>-</b>	<b>-</b>	<b>2,258</b>	<b>1,772</b>
Additions	-	-	96,793	1,137
Disposals	-	-	(14)	(28)
Amortisation expense	-	-	(599)	(623)
<b>Carrying value at end of the year</b>	<b>-</b>	<b>-</b>	<b>98,438</b>	<b>2,258</b>

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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 12. Right-of-use assets

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>(a) Summary of carrying amounts</b>				
Plant and equipment	-	-	2,331	1,177
Land and buildings	-	-	256,271	88,573
Less: accumulated depreciation	-	-	(48,181)	(24,539)
<b>Carrying amount at end of the year</b>	-	-	<b>210,421</b>	65,211
<b>(b) Movements in carrying amount</b>				
<b>Carrying value at beginning of the year</b>	-	-	<b>65,211</b>	18,251
Additions	-	-	168,871	60,576
Depreciation expense	-	-	(23,661)	(13,616)
<b>Carrying amount at end of the year</b>	-	-	<b>210,421</b>	65,211

ICF has leased investment properties to ICMT in which it has been classified as operating leases. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2022 are as follows:

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Within one year	29,022	16,557	-	-
Later than one year but not later than five years	75,325	39,447	-	-
Later than five years	156,707	14,177	-	-
<b>Carrying amount at end of the year</b>	<b>261,054</b>	70,181	-	-

## 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:

<b>Balance Sheet</b>	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Cash	21,674	3,687	133	18
Trade and other receivables	2,803	2,383	47	28
<b>Current assets</b>	<b>24,477</b>	6,070	<b>180</b>	46
Investment property	85,988	52,780	-	-
Other non-current assets	-	-	210	266
<b>Non-current assets</b>	<b>85,988</b>	52,780	<b>210</b>	266
Trade and other payables	(318)	(41)	(123)	(45)
<b>Current liabilities</b>	<b>(318)</b>	(41)	<b>(123)</b>	(45)
Intercompany loans	(5,261)	(5,261)	(267)	(267)
<b>Non-current liabilities</b>	<b>(5,261)</b>	(5,261)	<b>(267)</b>	(267)
<b>Net assets</b>	<b>104,886</b>	53,548	-	-
<b>Equity</b>	<b>104,886</b>	53,548	-	-
Trusts' share in equity - 50%	52,443	26,774	-	-
<b>Group's carrying value in investment</b>	<b>52,443</b>	26,774	-	-

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 13. Investment in a joint venture (continued)

Statement of Comprehensive Income	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Revenue	190	169	670	362
Expenses	(357)	(226)	(568)	(519)
Depreciation	-	-	(17)	(16)
<b>(Loss)/profit before tax</b>	<b>(167)</b>	<b>(57)</b>	<b>85</b>	<b>(173)</b>
Interest income	3	10	-	-
Impairment	(928)	(505)	-	-
Net gain/(loss) on change in fair value of investment property	7,507	(1,819)	-	-
<b>Profit/(loss) before income tax</b>	<b>6,415</b>	<b>(2,371)</b>	<b>85</b>	<b>(173)</b>
Income tax (expense)/benefit	-	-	(53)	30
<b>Total comprehensive income/(loss) for the year</b>	<b>6,415</b>	<b>(2,371)</b>	<b>32</b>	<b>(143)</b>
<b>Group's share of profit/(loss) for the year</b>	<b>3,208</b>	<b>(1,186)</b>	<b>16</b>	<b>(72)</b>

## 14. Other financial assets

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Unlisted property funds	-	-	16,599	13,203
Derivatives	3,785	699	-	-
<b>Total non-current</b>	<b>3,785</b>	<b>699</b>	<b>16,599</b>	<b>13,203</b>

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

## 15. Business combinations and asset acquisitions

### Acquisition of Seachange Group

On 30 November 2021, the Group acquired 100% of the share capital of Seachange (Land) Pty Ltd, PPV Inlet Land Pty Ltd, PPV Coomera Land Pty Ltd, PPV Toowoomba Land Pty Ltd, PPV Victoria Point Land Pty Ltd, PPV Hervey Bay Land Pty Ltd, Seachange (Land) Unit Trust, PPV Inlet Land Unit Trust, PPV Coomera Land Unit Trust, PPV Toowoomba Land Unit Trust, PPV Victoria Point Land Unit Trust and PPV Hervey Bay Land Unit Trust (collectively "Seachange"), a portfolio of six lifestyle communities that comprise of two fully mature and income producing sites, two partially completed sites with development upside and two greenfield development sites.

The assets and liabilities acquired by ICF were recognised as individual identifiable assets and liabilities at their fair value at the date of purchase. The fair values of the identifiable assets and liabilities acquired by ICMT under AASB 3 *Business Combinations* at the date of acquisition were:

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 15. Business combinations and asset acquisitions (continued)

	ICF	ICMT
	Gross assets acquired on purchase \$'000	Fair value recognised on acquisition \$'000
<b>Assets</b>		
Cash	1,109	-
Trade and other receivables	621	-
Investment property	157,359	-
Property, plant and equipment	-	174
<b>Total assets</b>	<b>159,089</b>	<b>174</b>
<b>Liabilities</b>		
Trade and other payables	6,159	4,215
Deposit	11	-
<b>Total liabilities</b>	<b>6,170</b>	<b>4,215</b>
<b>Total identifiable net assets at fair value</b>	<b>152,919</b>	<b>(4,041)</b>
Goodwill arising on acquisition (provisional) <sup>(1)</sup>	-	96,647
<b>Purchase consideration paid and accrued on acquisition</b>	<b>152,919</b>	<b>92,606</b>

(1) The valuation of assets and liabilities acquired had not been completed by the date the financial statements were approved for issue by the Directors. Thus, the fair value of assets and liabilities may need to be subsequently adjusted, with a corresponding adjustment to goodwill prior to 1 December 2022 (one year after the transaction).

	ICF	ICMT
	Cash flow on acquisition \$'000	Cash flow on acquisition \$'000
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired	1,109	-
Cash paid	(152,919)	(92,606)
<b>Net cash flow on acquisition</b>	<b>(151,810)</b>	<b>(92,606)</b>

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

	Goodwill - ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Carrying value at the beginning of the period</b>	-	-
Acquisition of business	96,647	-
<b>Carrying value at the end of the period</b>	<b>96,647</b>	-

From the date of acquisition, Seachange contributed \$4,821,000 of revenue and \$338,000 of profit before tax from continuing operations of ICMT. If the combination had taken place at the beginning of FY22, ICMT's revenue would have increased by \$8,265,000 and the profit before tax would have increased by \$579,000.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 15. Business combinations and asset acquisitions (continued)

The goodwill recognised is primarily attributed to the expected synergies and benefits from combining the assets and activities of Seachange with those of ICMT, resulting in a new premium brand for the Group in the growth corridor of South East Queensland, integration of a highly-regarded and experienced management team and building development capacity in one of the Group's key market. The goodwill is not deductible for income tax purposes.

Transaction costs of \$10,289,000 in ICF and \$6,495,000 in ICMT, predominantly stamp duty and advisory costs, have been expensed and are included in business combination transaction costs in the statement of profit or loss and are part of investing cash flows in the statement of cash flows.

## 16. Deferred tax assets and liabilities

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Deferred tax assets</b>				
Tax losses	-	-	14,323	22,739
Accruals	-	-	4,246	2,639
Other	-	-	2,810	-
<b>Deferred tax liabilities</b>				
DMF receivable	-	-	(37)	(45)
Investment properties	-	-	(44,002)	(17,371)
Other	-	-	(1,352)	-
<b>Net deferred tax (liabilities)/assets</b>	-	-	(24,012)	7,962
<b>Tax effected carried forward tax losses for which no deferred tax asset has been recognised</b>	-	-	9,409	5,552

The availability of carried forward tax losses of \$9.4 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.

## 17. Trade and other payables

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>				
Trade payables and accruals	4,768	1,895	59,671	27,133
Deposits	-	-	17,130	12,301
Other unearned income	-	-	6,024	981
	4,768	1,895	82,825	40,415
<b>Non-current</b>				
Other	2,495	1,682	17	4,000



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 18. Borrowings

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>				
Lease liabilities – Right-of-use assets	-	-	23,817	15,567
Lease liabilities – Ground leases	1,754	-	1,058	1,036
	<b>1,754</b>	-	<b>24,875</b>	16,603
<b>Non-current</b>				
Bank debt	440,000	250,000	-	-
Prepaid borrowing costs	(3,639)	(2,835)	-	-
Lease liabilities – Right-of-use assets	-	-	189,627	50,303
Lease liabilities – Ground leases	30,434	-	21,637	22,008
	<b>466,795</b>	247,165	<b>211,264</b>	72,311

### (a) Bank debt

In October 2021, the Group entered into a \$200.0 million six-year debt facility with two major Australian banks and in May 2022, the Group entered into a \$55.0 million 5 year facility with a major bank increasing the Group's available debt to \$780.0 million as at 30 June 2022 (30 Jun 2021: \$525.0 million).

As at 30 June 2022, the facilities have been drawn to \$440.0 million (30 Jun 2021: \$250.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is \$1,811.4 million (30 Jun 2021: \$1,174.7 million).

The facility maturity dates are:

- 31 December 2025 (\$174.6 million);
- 30 September 2026 (\$175.4 million);
- 31 January 2027 (\$200.0 million);
- 21 February 2027 (\$100.0 million);
- 26 December 2027 (\$55.0 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 2022 were \$29.8 million (30 Jun 2021: \$22.2 million).

## 19. Other financial liabilities

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Current</b>				
Financial liabilities	-	-	1,188	115
<b>Total current</b>	-	-	<b>1,188</b>	115
<b>Non-current</b>				
Financial liabilities	-	-	15,421	13,092
<b>Total non-current</b>	-	-	<b>15,421</b>	13,092

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

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 20. Issued units

### (a) Carrying values

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Balance at beginning of the year</b>	<b>1,102,443</b>	1,093,696	<b>90,147</b>	89,025
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	<b>9,255</b>	8,793	<b>1,377</b>	1,128
Entitlement offer	<b>371,307</b>	-	<b>48,530</b>	-
Equity raising costs	<b>(9,541)</b>	(46)	<b>(1,248)</b>	(6)
<b>Balance at end of the year</b>	<b>1,473,464</b>	1,102,443	<b>138,806</b>	90,147
<b>The closing balance is attributable to the security holders of:</b>				
Ingenia Communities Fund	<b>1,473,464</b>	1,102,443	-	-
Ingenia Communities Management Trust	-	-	<b>138,806</b>	90,147
	<b>1,473,464</b>	1,102,443	<b>138,806</b>	90,147

### (b) Number of issued securities

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Balance at beginning of the year</b>	<b>327,877</b>	325,553	<b>327,877</b>	325,553
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	<b>2,144</b>	2,324	<b>2,144</b>	2,324
Entitlement offer	<b>77,562</b>	-	<b>77,562</b>	-
<b>Balance at end of the year</b>	<b>407,583</b>	327,877	<b>407,583</b>	327,877

### (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.

## 21. Accumulated losses and retained earnings

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Balance at beginning of the year</b>	<b>(319,751)</b>	(316,668)	<b>13,498</b>	4,361
Net profit for the year	<b>4,901</b>	27,574	<b>67,972</b>	9,137
Distributions	<b>(39,167)</b>	(30,657)	-	-
Profit of NCI	<b>(243)</b>	-	-	-
<b>Balance at end of the year</b>	<b>(354,260)</b>	(319,751)	<b>81,470</b>	13,498
<b>The closing balance is attributable to the security holders of:</b>				
Ingenia Communities Fund	<b>(354,503)</b>	(319,751)	-	-
Ingenia Communities Management Trust	<b>243</b>	-	<b>81,470</b>	13,498
	<b>(354,260)</b>	(319,751)	<b>81,470</b>	13,498

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 22. Commitments

ICF has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of \$844,539 (30 Jun 2021: \$384,036). ICMT has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of \$15,648,202 (30 Jun 2021: \$26,177,739).

Ingenia committed to invest up to \$3.0 million to a special purpose vehicle (SPV) with Land Lease Home Loans (LLHL) a loan originator specifically focused on providing secured home loans to residents of land lease communities. The SPV funds loans to borrowers seeking to acquire a new lifestyle home and reside in an Ingenia Lifestyle community. The SPV benefits from an equitable assignment of the loans made by LLHL. LLHL takes a first loss risk on the loans up to 5%. As at 30 June 2022, Ingenia has invested \$1.0 million into the funding of resident loans (30 Jun 2021: nil). The amount was fully repaid on 16 August 2022 and the commitment was released following LLHL obtaining third party funding.

## 23. Contingent liabilities

The Trusts have the following contingent liabilities:

- Bank guarantees totalling \$29.8 million provided for under the \$780.0 million bank facility.

## 24. Capital management

The capital management of ICF and ICMT is managed at a consolidated Group level (ICH and subsidiaries).

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

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

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

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

One measure of the Group's capital position is through the Loan to Value Ratio (LVR) which is a key covenant (less than 55%) under the Group's \$780.0 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 2022, the LVR of 25.7% (30 June 2021: 22.2%).

In addition, the Group monitors Interest Cover Ratio (ICR) as defined under the common terms of the debt facilities. At 30 June 2022, the Total Interest Cover Ratio was 8.51x (30 Jun 2021: 16.59x) and the Core Interest Cover Ratio was 7.45x (30 Jun 2021: 12.86x). The covenant for total ICR and Core ICR is greater than 2x.

## 25. Financial instruments

### (a) Introduction

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

The main risks arising from the Trusts' financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Trusts manage the exposure to these risks primarily through the 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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 25. Financial instruments (continued)

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 2022, approximately 17% 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 28% of drawn debt (30 Jun 2021: 50%).

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

30 Jun 2022 \$'000	ICF				Total
	Floating interest rate	Fixed interest maturing in:			
		Less than 1 year	1 to 5 Years	More than 5 years	
<b>Financial assets</b>					
Cash at bank	492	-	-	-	492
<b>Financial liabilities</b>					
Bank debt	365,000	-	-	75,000	440,000
Lease liabilities - Ground leases	-	1,754	6,995	23,438	32,187
Interest rate cap; Group pays fixed rate when above cap rate	(50,000)	-	50,000	-	-
<b>30 Jun 2021 \$'000</b>					
<b>Financial assets</b>					
Cash at bank	1,104	-	-	-	1,104
<b>Financial liabilities</b>					
Bank debt	175,000	-	-	75,000	250,000
Interest rate cap; Group pays fixed rate when above cap rate	(50,000)	-	50,000	-	-

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 25. Financial instruments (continued)

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

30 Jun 2022 \$'000	ICMT				Total
	Floating interest rate	Fixed interest maturing in:			
		Less than 1 year	1 to 5 Years	More than 5 years	
<b>Financial assets</b>					
Cash at bank	12,831	-	-	-	12,831
<b>Financial liabilities</b>					
Lease liabilities – Right-of-use-asset	-	23,817	57,482	132,157	213,456
Lease liabilities – Ground leases <sup>(1)</sup>	-	1,058	4,068	14,645	19,771
<b>30 Jun 2021 \$'000</b>					
<b>Financial assets</b>					
Cash at bank	16,485	-	-	-	16,485
<b>Financial liabilities</b>					
Lease liabilities – Right-of-use-asset	-	17,275	36,930	11,653	65,858
Lease liabilities – Ground leases <sup>(1)</sup>	-	1,036	3,983	15,101	20,120

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

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 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Increase in average interest rates of 100 bps:</b>				
Variable interest rate bank debt (AUD denominated)	(3,650)	(1,750)	-	-
Interest rate cap (AUD denominated)	500	295	-	-
<b>Decrease in average interest rates of 100 bps:</b>				
Variable interest rate bank debt (AUD denominated)	3,650	1,750	-	-
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.

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 25. Financial instruments (continued)

### (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 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Net foreign currency exposure:				
United States dollars	1,023	1,013	-	-
New Zealand dollars	243	260	-	-

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.

### (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.

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 25. Financial instruments (continued)

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			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
<b>30 Jun 2022</b>				
Trade and other payables	4,768	2,495	-	7,263
Ground leases (excluding perpetual lease)	11,099	486,529	72,144	569,772
Borrowings <sup>(1)</sup>	1,782	7,666	33,690	43,138
	<b>17,649</b>	<b>496,690</b>	<b>105,834</b>	<b>620,173</b>
<b>30 Jun 2021</b>				
Trade and other payables	1,895	1,682	-	3,577
Borrowings <sup>(1)</sup>	5,681	190,153	140,745	336,579
	<b>7,576</b>	<b>191,835</b>	<b>140,745</b>	<b>340,156</b>

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

	ICMT			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
<b>30 Jun 2022</b>				
Trade and other payables	82,825	17	-	82,842
Right-of-use asset leases <sup>(1)</sup>	29,819	76,235	156,707	262,761
Ground leases (excluding perpetual lease)	1,084	4,599	27,233	32,916
Ground leases (perpetual lease) <sup>(2)</sup>	260	1,041	-	1,301
	<b>113,988</b>	<b>81,892</b>	<b>183,940</b>	<b>379,820</b>
<b>30 Jun 2021</b>				
Trade and other payables	40,415	4,000	-	44,415
Right-of-use asset leases <sup>(1)</sup>	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) <sup>(2)</sup>	260	1,041	-	1,301
	<b>59,009</b>	<b>49,532</b>	<b>42,599</b>	<b>151,140</b>

(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.

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 25. Financial instruments (continued)

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

	ICF			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
<b>30 Jun 2022</b>				
<b>Liabilities</b>				
Other financial liabilities	1,188	15,421	-	16,609
	1,188	15,421	-	16,609
<b>30 Jun 2021</b>				
<b>Liabilities</b>				
Other financial liabilities	115	13,092	-	13,207
	115	13,092	-	13,207

### (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 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Increase in market prices of investment properties of 10%	-	-	(43)	(43)
Decrease in market prices of investment properties of 10%	-	-	43	43

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.

## 26. Fair value measurement

### (a) Ingenia Communities Fund

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

	Date of valuation	Fair value measurement using:			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>i. Assets measured at fair value</b>					
<b>30 Jun 2022</b>					
Investment properties	30-Jun-22 Note 9	-	-	895,037	895,037
Other financial assets	30-Jun-22 Note 14	-	3,785	-	3,785
<b>30 Jun 2021</b>					
Investment properties	30-Jun-21 Note 9	-	-	362,105	362,105
Other financial assets	30-Jun-21 Note 14	-	699	-	699

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



# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 26. Fair value measurement (continued)

### (b) Ingenia Communities Management Trust

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

	Date of valuation	Fair value measurement using:			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>i. Assets measured at fair value</b>					
<b>30 Jun 2022</b>					
Investment properties	30-Jun-22 Note 9	-	-	932,656	932,656
Assets held for sale - investment property	30-Jun-22 Note 8	-	-	4,150	4,150
Other financial assets	30-Jun-22 Note 14	-	-	16,599	16,599
<b>30 Jun 2021</b>					
Investment properties	30-Jun-21 Note 9	-	-	798,468	798,468
Assets held for sale - investment property	30-Jun-21 Note 8	-	-	9,600	9,600
Other financial assets	30-Jun-21 Note 14	-	-	13,203	13,203
<b>ii. Liabilities measured at fair value</b>					
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>30 Jun 2022</b>					
Resident loans	30-Jun-22	-	-	309	309
Other financial liabilities	30-Jun-22 Note 19	-	-	16,609	16,609
<b>30 Jun 2021</b>					
Resident loans	30-Jun-21	-	-	308	308
Other financial liabilities	30-Jun-21 Note 19	-	-	13,207	13,207

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

## 27. Auditor's remuneration

	ICF		ICMT	
	30 Jun 2022 \$	30 Jun 2021 \$	30 Jun 2022 \$	30 Jun 2021 \$
Fees for auditing the statutory financial report	184,378	174,889	184,378	174,889
Fees for assurance services that are required by legislation:				
Australian Financial Services Licence	11,300	11,000	11,300	11,000
Total fees to Ernst & Young	195,678	185,889	195,678	185,889

For personal use only

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 28. Related parties

### (a) Responsible entity

The Responsible Entity for both Trusts from 4 June 2012 is Ingenia Communities RE Limited ("ICRE"). ICRE is an Australian domiciled company and is a wholly owned subsidiary of ICH.

### (b) Fees of the responsible entity and its related parties

	ICF		ICMT	
	30 Jun 2022 \$	30 Jun 2021 \$	30 Jun 2022 \$	30 Jun 2021 \$
Ingenia Communities RE Limited:				
Asset management fees	6,815,740	4,622,046	5,184,074	4,052,794

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

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

	ICF		ICMT	
	30 Jun 2022 \$	30 Jun 2021 \$	30 Jun 2022 \$	30 Jun 2021 \$
Current trade payables	2,009,319	1,293,368	1,489,423	1,087,777

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 2022 and 30 June 2021.

### (d) Joint venture

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

	ICF		ICMT	
	30 Jun 2022 \$	30 Jun 2021 \$	30 Jun 2022 \$	30 Jun 2021 \$
Fee income from joint venture	-	-	900,000	1,604,000

### (e) Other related party transactions

ICF has leased its investment property to ICMT. Rental villages have been classified as operating leases.

Intercompany loans are subject to a loan deed, amended on and effective from 1 July 2015, encompassing ICH, ICF and ICMT and their respective subsidiaries. The revised deed stipulates that interest is calculated on the intercompany balances between ICH, ICF and ICMT for the preceding month. Interest is charged at a margin of 3.95% 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 \$6,129,000 (30 June 2021: \$6,952,000).

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 28. Related parties (continued)

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

	ICF		ICMT	
	30 Jun 2022 \$	30 Jun 2021 \$	30 Jun 2022 \$	30 Jun 2021 \$
Finance lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	-	343,691	-	(343,691)
Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT	24,695,001	13,818,875	(24,804,951)	(13,818,875)
Interest on intercompany loans received or accrued/(paid or payable) between stapled entities	28,087,331	24,949,386	(27,367,154)	(22,287,822)
Intercompany loan balances between stapled entities	652,518,582	641,217,461	(707,589,824)	(673,925,831)

### (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
<b>Non-Executive KMP</b>		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gregory Hayes	Director	Full year
Sally Evans	Director	Full year
John McLaren <sup>(1)</sup>	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021
<b>Executive KMP</b>		
Simon Owen	CEO & Managing Director	Full year
Scott Noble	Chief Financial Officer	Full year
Natalie Kwok	Chief Investment Officer & General Counsel	Full year

(1) Mr McLaren was appointed by Mr Shiffman as an alternate director in February 2019. Upon the resignation of Mr Shiffman, Mr McLaren was appointed as the Sun Communities Group (NYSE:SUI) subscriber nominee director.

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

	30 Jun 2022 \$	30 Jun 2021 \$
Directors fees	887,646	760,835
Salaries and other short-term benefits	1,529,296	1,353,169
Short-term incentives (payable in cash)	373,866	303,156
Superannuation benefits	70,704	60,163
Share-based payments	1,194,824	991,048
	4,056,336	3,468,371

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 2022 | continued

## 28. Related parties (continued)

The aggregate Rights of the Group held directly by KMP and other eligible staff are as follows:

Issue date	Right Type	Vesting date	Number outstanding	
			30 Jun 2022	30 Jun 2021
FY16	LTIP	FY19	-	91,068
FY17 <sup>(1)</sup>	LTIP	FY20	1,923	110,855
FY17 <sup>(1)</sup>	STIP	FY19	2,437	2,437
FY18 <sup>(1)</sup>	LTIP	FY21	171,777	243,726
FY18 <sup>(1)</sup>	STIP	FY20	34,300	34,300
FY19 <sup>(1)</sup>	LTIP	FY22	270,543	488,548
FY19 <sup>(1)</sup>	STIP	FY21	111,020	111,020
FY20	LTIP	FY23	372,439	442,547
FY20 <sup>(1)</sup>	STIP	FY22	111,092	126,609
FY21 <sup>(1)</sup>	FRR	FY21	7,778	7,778
FY21	LTIP	FY24	332,563	383,537
FY21	TRG	FY23	89,514	137,671
FY21	TRG	FY24	121,212	137,671
FY21	STIP	FY23	71,235	-
FY22 <sup>(1)</sup>	FRR	FY22	42,819	-
FY22	FRR	FY23	18,876	-
FY22	LTIP	FY25	398,472	-
FY22	TRG	FY25	44,605	-
FY22	TRG	FY26	47,072	-
			<b>2,249,677</b>	<b>2,317,767</b>

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

## 29. Parent entity financial information

Summary financial information about the parent of each Trust is:

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets	479	1,104	234	240
Total assets	1,544,582	996,175	28,356	38,905
Current liabilities	6	1,206	25,209	5,611
Total liabilities	436,369	248,373	62,704	76,399
<b>Net assets/(liabilities)</b>	<b>1,108,213</b>	<b>747,802</b>	<b>(34,348)</b>	<b>(37,494)</b>
Security holders' equity:				
Issued securities	1,473,464	1,102,443	138,806	90,147
Accumulated losses	(365,251)	(354,641)	(173,154)	(127,641)
<b>Total security holders' equity</b>	<b>1,108,213</b>	<b>747,802</b>	<b>(34,348)</b>	<b>(37,494)</b>
Profit/(loss) from continuing operations	28,558	27,929	(45,513)	(19,756)
<b>Net profit/(loss) attributable to security holders</b>	<b>28,558</b>	<b>27,929</b>	<b>(45,513)</b>	<b>(19,756)</b>
<b>Total comprehensive income/(loss)</b>	<b>28,558</b>	<b>27,929</b>	<b>(45,513)</b>	<b>(19,756)</b>

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 30. Subsidiaries

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

	Country of residence	30 Jun 2022 %	30 Jun 2021 %
<b>Subsidiaries of ICF</b>			
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	100
INA Subsidiary Trust No. 6	Australia	100	100
INA Subsidiary Trust No. 7	Australia	100	100
INA Subsidiary Trust No. 8	Australia	100	100
INA Lifestyle Landowner Trust	Australia	100	100
INA Community Living Subsidiary Trust No. 2	Australia	100	100
The Seachange (Land) Unit Trust	Australia	100	-
PPV Inlet Land Unit Trust	Australia	100	-
PPV Coomera Land Unit Trust	Australia	100	-
PPV Toowoomba Land Unit Trust	Australia	100	-
PPV Victoria Point Land Unit Trust	Australia	100	-
PPV Hervey Bay Land Unit Trust	Australia	100	-
Eighth Gate Residences Fund No. 6	Australia	100	-
Eighth Gate Federation Village Park Trust	Australia	100	-

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 30. Subsidiaries (continued)

	Country of residence	30 Jun 2022 %	30 Jun 2021 %
<b>Subsidiaries of ICMT</b>			
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	100
INA Operations Trust No. 11	Australia	100	100
Ridge Estate Trust	Australia	100	100
INA Subsidiary Trust No. 3	Australia	100	100
INA Latitude One Pty Ltd	Australia	100	100
INA Soldiers Point Pty Ltd	Australia	100	100
INA NZ Subsidiary Unit Trust No. 1	New Zealand	-	100
INA NZ Subsidiary Unit Trust No. 2	New Zealand	-	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
IDCF Land Trust No. 1	Australia	100	-
INA Operations Trust No. 12	Australia	100	-
Residences Fund No. 6 Pty Ltd	Australia	100	-
Ingenia Diversified Communities Trust	Australia	100	-
INA Operations Trust No. 13	Australia	100	-
Ingenia Diversified Communities Head Company Pty Limited	Australia	100	-

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

# Notes to the Financial Statements

For the year ended 30 June 2022 | continued

## 31. Notes to the cash flow statements

Reconciliation of profit to net cash flows from operations:

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<b>Net profit for the year</b>	<b>4,901</b>	27,574	<b>67,972</b>	9,137
Adjustments for:				
Share of joint venture (gain)/loss	<b>(3,208)</b>	1,186	<b>(16)</b>	72
Net (gain)/loss on change in fair value of:				
Investment properties - continuing	<b>27,900</b>	(1,767)	<b>(80,776)</b>	5,037
Financial liabilities	-	-	<b>4,029</b>	5,024
Investments and other financial instruments	<b>(3,212)</b>	(235)	<b>(666)</b>	(1,459)
Business combination transaction costs	<b>10,289</b>	-	<b>6,495</b>	-
Income tax expense	-	-	<b>31,974</b>	3,032
Other	-	-	<b>175</b>	516
<b>Operating profit before tax</b>	<b>36,670</b>	26,758	<b>29,187</b>	21,359
Depreciation and amortisation expense	-	2	<b>25,774</b>	15,463
Finance costs	<b>(27,629)</b>	(25,102)	<b>(83)</b>	(28)
<b>Operating cash flow before changes in working capital</b>	<b>9,041</b>	1,658	<b>54,878</b>	36,794
Changes in working capital:				
Decrease/(increase) in receivables	<b>(490)</b>	4,561	<b>(3,619)</b>	2,911
Decrease in inventory	-	-	<b>1,472</b>	11,260
Increase/(decrease) in other payables and provisions	<b>3,686</b>	(925)	<b>38,427</b>	12,693
(Decrease)/increase in loans to related parties	<b>(21,053)</b>	(13,418)	<b>19,246</b>	25,251
<b>Net cash provided by operating activities</b>	<b>(8,816)</b>	(8,124)	<b>110,404</b>	88,909

## 32. Subsequent events

### Final FY22 distribution

On 24 August 2022, the Directors declared a final distribution of 5.8 cps amounting to \$23.6 million, to be paid on 22 September 2022.

### Acquisition of Big 4 Wagga Wagga

On 4 August 2022, the Group completed the acquisition of Big 4 Wagga Wagga, located in regional NSW, for \$13.2 million.

# Directors' Declaration

For the year ended 30 June 2022

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 2022 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 2022.

On behalf of the Board



Jim Hazel  
Chairman  
Adelaide, 24 August 2022



# Independent Auditor's Report

For the year ended 30 June 2022



**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

## 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 2022, 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 2022 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.

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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



Building a better  
working world

## 1. Valuation of Investment Properties

### Why significant

Approximately 59% of the Group's total assets comprise investment properties (both those recorded as investment properties and those included within equity accounted investments). These assets are carried at fair value, which was assessed by the directors with reference to either external independent valuations or internal valuations and is based on market conditions existing at reporting date.

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 key judgements in the valuations include assumptions related to the long term rental income, capitalisation rates, discount rates, market and contractual rents, forecast 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 of costs between investment property and inventory, discount rates, projected property growth rates and operating profit margins.

Accordingly, the valuation of investment properties was considered a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed 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 qualifications, 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 qualifications, competence 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;
- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate; and
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets.
- We assessed the appropriateness of disclosures included in Note 9 of the financial report.

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



**Building a better  
working world**

## 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 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



**Building a better  
working world**

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

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

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

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

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Yvonne Barnikel".

Yvonne Barnikel  
Partner  
Sydney  
24 August 2022

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



**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

## 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 2022, 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 2022 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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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

## 1. Valuation of Investment Property

### Why significant

Approximately 72% of the Group's total assets comprise investment properties. These assets are carried at fair value, which was assessed by the directors with reference to either external independent valuations or internal valuations, based on market conditions existing at reporting date.

The Group has two categories of investment properties as disclosed in Note 9 of the financial report.

- 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.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed 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 qualifications, 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 qualifications, competence 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;
- Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were appropriate; and
- We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



## Why significant

The key judgements in the valuations include assumptions related to the long term and short-term rental income, 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 of costs between investment property and inventory, discount rates, projected property growth rates and operating profit margins.

Accordingly, this was considered a key audit matter

## How our audit addressed the key audit matter

- We assessed the appropriateness of disclosures included in Note 9 of the financial report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 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.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation



# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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, actions taken to eliminate threats or safeguards applied.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report

For the year ended 30 June 2022 | continued



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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

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

Yvonne Barnikel  
Partner  
Sydney  
24 August 2022

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Security Holder Information

For the year ended 30 June 2022

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 31 August 2022.

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	167,631,177	41.13
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	64,722,493	15.88
SUN INA EQUITY LLC	41,779,555	10.25
CITICORP NOMINEES PTY LIMITED	36,634,421	8.99
BNP PARIBAS NOMS PTY LTD	13,858,498	3.40
BRAHMAN PURE ALPHA PTE LTD	12,851,223	3.15
NATIONAL NOMINEES LIMITED	10,341,004	2.54
BNP PARIBAS NOMINEES PTY LTD	8,326,121	2.04
CITICORP NOMINEES PTY LIMITED	3,940,226	0.97
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,861,645	0.95
BNP PARIBAS NOMS (NZ) LTD	3,034,017	0.74
ONE MANAGED INVESTMENT FUNDS LTD	3,000,000	0.74
CUSTODIAL SERVICES LIMITED	1,381,282	0.34
PACIFIC CUSTODIANS PTY LIMITED	1,372,800	0.34
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	951,175	0.23
BOND STREET CUSTODIANS LIMITED	783,731	0.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	781,510	0.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	706,305	0.17
BROADGATE INVESTMENTS PTY LTD	688,961	0.17
BOND STREET CUSTODIANS LIMITED	652,546	0.16
<b>Total</b>	<b>377,298,690</b>	<b>92.57</b>
<b>Total Quoted Equity Securities</b>	<b>407,583,264</b>	<b>100.00</b>

## Less than marketable parcels of ordinary securities

There are 519 security holders with unmarketable parcels totalling 14,872 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	57	385,881,580	94.68
10,001 to 100,000	602	14,137,859	3.47
5,001 to 10,000	468	3,373,610	0.83
1,001 to 5,000	1,410	3,613,949	0.89
1 to 1,000	1,662	576,266	0.14
<b>Total</b>	<b>4,199</b>	<b>407,583,264</b>	<b>100.00</b>

# Security Holder Information

For the year ended 30 June 2022 | 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	2	848,389	54.82
10,001 to 100,000	20	636,630	41.13
5,001 to 10,000	5	42,218	2.73
1,001 to 5,000	6	20,480	1.32
1 to 1,000	-	-	-
<b>Total</b>	<b>33</b>	<b>1,547,717</b>	<b>100.00</b>

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	223,202	67.62
10,001 to 100,000	4	106,882	32.38
5,001 to 10,000	-	-	-
1,001 to 5,000	-	-	-
1 to 1,000	-	-	-
<b>Total</b>	<b>5</b>	<b>330,084</b>	<b>100.00</b>

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	10	304,930	100.00
5,001 to 10,000	-	-	-
1,001 to 5,000	-	-	-
1 to 1,000	-	-	-
<b>Total</b>	<b>10</b>	<b>304,930</b>	<b>100.00</b>

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	1	43,035	67.48
5,001 to 10,000	3	18,876	29.60
1,001 to 5,000	1	1,864	2.92
1 to 1,000	-	-	-
<b>Total</b>	<b>5</b>	<b>63,775</b>	<b>100.00</b>

The Fixed Remuneration Rights on issue are unquoted and issued under the Ingenia Rights Plan.

# Security Holder Information

For the year ended 30 June 2022 | continued

## Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 31 August 2022.

33 holders of long term incentive rights issued as part of an incentive scheme	1,547,717
5 holders of short term incentive rights issued as part of an incentive scheme	330,084
10 holders of Talent Rights issued as part of an incentive scheme	304,930
5 holder of Fixed Remuneration Rights issued as part of Total Fixed Remuneration package	63,775

## Substantial Security Holders

The names of the Substantial Security Holders pursuant to notices released to the ASX as at 31 August 2022:

Security holder	Number of securities	Percentage of issued capital
Sun INA Equity LLC	31,873,650	10.040
The Vanguard Group Inc	25,007,362	9.233
BlackRock Group	17,616,306	5.370
Cohen & Steers Inc	25,425,126	6.238

## Restricted Securities

There are no restricted securities on issue as at 31 August 2022.

## 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 2022

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 2021/2022 financial year. A history of distribution payments made since 2005 is available from the Group's website [www.ingeniacommunities.com.au](http://www.ingeniacommunities.com.au).

Period Ended	Date Paid	Total Amount
June 2022	22 September 2022	\$0.058
December 2021	24 March 2022	\$0.052

\* Information on the tax components of distributions can be found on the Ingenia Communities Group website or the Attribution Managed Investment.

## 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 17 November 2022. The Group will hold a hybrid 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.

## 2022/2023 Security Holder Calendar

22 September 2022	Final FY22 distribution paid
22 September 2022	AMMA Statement dispatched
17 November 2022	Annual General Meeting
February 2023	1H23 Result announced
March 2023	Interim FY23 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](http://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](mailto: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](http://www.afca.org.au)

## Corporate Governance Statement

The Corporate Governance Statement was approved by the Board of Directors on 15 September 2022 and can be found at: [ingeniacommunities.com.au/investor-centre/corporate-governance/](http://ingeniacommunities.com.au/investor-centre/corporate-governance/)

# Corporate Directory

For the year ended 30 June 2022

## 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](mailto:investor@ingeniacommunities.com.au)

Website: [www.ingeniacommunities.com.au](http://www.ingeniacommunities.com.au)

## Directors of Ingenia Communities Group (as at 31 August 2022)

J Hazel (Chairman)  
R Morrison (Deputy Chairman)  
S Owen (Managing Director)  
P Downes  
S Evans  
G Hayes  
A Heyworth  
J McLaren

## Secretary

C Nortje  
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](mailto: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.

For personal use only



**Ingenia**

**Disclaimer**

Disclaimer This report was prepared by Ingenia Communities Holdings Limited (ACN 154 444 925) and Ingenia Communities RE Limited (ACN 154 464 990) as responsible entity for Ingenia Communities Fund (ARSN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410) (together Ingenia Communities Group, INA or the Group). Information contained in this report is current as at 30 June 2022. This report is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this report constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this report, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This report does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.





For personal use only



**Ingenia Communities Group**  
Level 3, 88 Cumberland St, The Rocks NSW 2000  
**T.** 1300 132 946  
**E.** [investor@ingeniacommunities.com.au](mailto:investor@ingeniacommunities.com.au)

[www.ingeniacommunities.com.au](http://www.ingeniacommunities.com.au)

