

APPENDIX 4E
Annual Financial Report
Year ended 30 June 2022

Name of Entity: Ingenia Communities Group (“INA”), a stapled entity comprising Ingenia Communities Holdings Limited ACN 154 444 925, Ingenia Communities Fund ARSN 107 459 576, and Ingenia Communities Management Trust ARSN 122 928 410.

Current period:	1 July 2021 - 30 June 2022
Previous corresponding period:	1 July 2020 - 30 June 2021

Results for announcement to the market

	2022	2021	Change	Change
	\$'000	\$'000	\$'000	%
Revenue	338,146	295,578	42,568	14%
Net profit for the year attributable to members	100,587	72,781	27,806	38%
Underlying profit	87,856	77,234	10,622	14%
Net asset value per security (\$)	\$3.75	\$3.03	\$0.72	24%
Net tangible assets per security (\$)¹	\$3.50	\$3.00	\$0.50	17%
Distributions - (cents)				
Final Distribution (payable 22 September 2022)	5.8	5.5	0.3	5%
Interim Distribution (paid 24 March 2022)	5.2	5.0	0.2	4%
Total Distributions	11.0	10.5	0.5	5%
FY22 Final distribution dates				
Ex-dividend date	29 August 2022			
Record date	5pm 30 August 2022			
Payment date	22 September 2022			
The Dividend and Distribution Reinvestment Plan is operational for this distribution.				

Details of entities over which control has been gained or lost during the period

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.

Refer to Note 17 in the 30 June 2022 Annual Financial Report for further detail.

¹ Net tangible asset per security includes right-of-use assets.

On 2 March 2022, the Group acquired 80% the shares and units that it did not already own in Residences Fund No. 6 Pty Ltd, Eighth Gate Residences Fund No. 6 and Eighth Gate Federation Village Park Trust (collectively "Fund No. 6"). Fund No. 6 comprised of 3 lifestyle communities in Victoria with more than 500 sites and expanded the Groups presence in Victoria.

Refer to Note 11 in the 30 June 2022 Annual Financial Report for further detail.

Details of any associates and joint venture entities required to be disclosed

The Group has a 50% interest in the following joint venture entities and their wholly owned subsidiaries:

- Sungenia LandCo Pty Ltd
- Sungenia Land Trust
- Sungenia OpCo Pty Ltd
- Sungenia Operations Trust
- Sungenia Development Pty Ltd

Refer to Note 15 in the 30 June 2022 Annual Financial Report for further detail.

In the current year, the Group entered into a Subscription Agreement with LLHL Group Pty Limited ("LLHL"), a provider of lifestyle home finance to residents of land lease communities. As at 30 June 2022 the Group holds a 23.7% interest in the associate. For the year ended 30 June 2022, the investment in the associate had no material impact on the Group result.

Other significant information and commentary on results

Please refer to the Group's separate results presentation and announcement.

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the 30 June 2022 Annual Financial Report.

Audit status

This report is based on the consolidated 30 June 2022 Annual Financial Report of Ingenia Communities, which has been reviewed by Ernst & Young. The Auditor's Independence Declaration provided by Ernst & Young is included in the 30 June 2022 Annual Financial Report.

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

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



Charisse Nortje
Company Secretary
24 August 2022



INGENIA COMMUNITIES HOLDINGS LIMITED
A.C.N. 154 444 925

FINANCIAL REPORT
YEAR ENDED 30 JUNE 2022

www.ingeniacommunities.com.au
Registered Office: Level 3, 88 Cumberland Street, The Rocks NSW 2000

Annual Report

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

Contents

Directors' Report.....	2
Auditor's Independence Declaration.....	34
Consolidated Statement of Comprehensive Income.....	35
Consolidated Balance Sheet.....	36
Consolidated Cash Flow Statement.....	37
Consolidated Statement of Changes in Equity.....	38
1. Summary of significant accounting policies.....	39
2. Accounting estimates and judgements.....	49
3. Segment information.....	51
4. Earnings per security.....	53
5. Other revenue.....	53
6. Net finance expense.....	53
7. Income tax expense.....	54
8. Trade and other receivables.....	54
9. Inventories.....	55
10. Assets held for sale.....	55
11. Investment properties.....	55
12. Plant and equipment.....	61
13. Intangibles.....	61
14. Right-of-use assets.....	62
15. Investment in a joint venture.....	63
16. Other financial assets.....	63
17. Business combinations.....	64
18. Deferred tax assets and liabilities.....	65
19. Trade and other payables.....	65
20. Borrowings.....	66
21. Other financial liabilities.....	66
22. Issued securities.....	67
23. Reserves.....	67
24. Accumulated losses.....	67
25. Commitments.....	68
26. Contingent liabilities.....	68
27. Share based payment transactions.....	68
28. Capital management.....	70
29. Financial instruments.....	71
30. Fair value measurement.....	76
31. Auditor's remuneration.....	77
32. Related parties.....	77
33. Company financial information.....	79
34. Subsidiaries.....	80
35. Notes to cash flow statement.....	82
36. Subsequent events.....	83
Directors' Declaration.....	84
Independent Auditor's Report.....	85

Directors' Report

Ingenia Communities Holdings Limited
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

Jim Hazel – Chair/Independent Non-Executive Director

Experience and expertise

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

His retirement village operations experience includes being Managing Director of Primelife Corporation Limited (now part of Lend Lease).

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)

Special responsibilities as at 30 June 2022

Member of the Investment Committee

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

Robert Morrison – Independent Non-Executive Director and Deputy Chairman

Experience and expertise

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

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

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

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

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

Other current listed company directorships

Nil

Former listed company directorships in the last three years

Nil

Special responsibilities as at 30 June 2022

Chair of the Investment Committee

Member of the Remuneration and Nomination Committee

Amanda Heyworth – Independent Non-Executive Director

Experience and expertise

Ms Heyworth was appointed to the Board in April 2012. 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

Special responsibilities as at 30 June 2022

Chair of the Remuneration and Nomination Committee

Pippa Downes – Independent Non-Executive Director

Experience and expertise

Ms Downes was appointed to the Board on 4 December 2019. Ms Downes is a professional company director who has held executive and non-executive roles across listed, not-for-profit and government enterprises.

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

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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)

Special responsibilities as at 30 June 2022

Chair of the Audit and Risk Committee
Member of the Investment Committee

John McLaren – Non-Executive Director

Experience and expertise

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

Special responsibilities as at 30 June 2022

Nil

Gregory Hayes – Independent Non-Executive Director

Experience and expertise

Mr Hayes was appointed to the Board on 17 September 2020. 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 Prezzee 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

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

Special responsibilities as at 30 June 2022

Member of the Investment Committee
Member of the Audit and Risk Committee

Sally Evans – Independent Non-Executive Director

Experience and expertise

Ms Evans was appointed to the Board on 1 December 2020. 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

Special responsibilities as at 30 June 2022

Member of the Audit and Risk Committee
Member of the Remuneration and Nomination Committee.

Simon Owen – MD and CEO

Experience and expertise

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

He initiated the strategy to focus on developing and acquiring a leading portfolio of lifestyle and holiday communities which has seen the Group's market capitalisation grow from \$30 million to over \$1.6 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

Special responsibilities as at 30 June 2022

Nil

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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

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 ⁽¹⁾	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.

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

Our Values

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



Strategy

The Group'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.

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

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 409¹ turnkey homes (30 Jun 2021: 380¹ 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.

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

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

Group results summary

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

	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
EBIT	101,736	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)
Underlying profit⁽¹⁾	87,856	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
Statutory profit	100,587	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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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).

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).

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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).

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).

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

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	1.9	-	NM

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

Financial position

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

	30 Jun 2022	30 Jun 2021	Change
	\$'000	\$'000	\$'000
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)
Total assets	2,183,041	1,354,389	828,652
Borrowings	495,603	274,335	221,268
Other liabilities	131,713	87,021	44,692
Deferred tax liability	26,217	-	26,217
Total liabilities	653,533	361,356	292,177
Net assets /equity	1,529,508	993,033	536,475

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

Cash flow

	30 Jun 2022	30 Jun 2021	Change
	\$'000	\$'000	\$'000
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
Net change in cash and cash equivalents	(4,311)	8,046	(12,357)

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.

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 34.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
Homes, cabins & sites¹	# units	2,265	1,750	3,932	4,435	5,337	6,999	7,170	7,775	10,195	11,990	15,627
Settlements - INA & JV	# units	-	2	12	52	107	211	287	336	325	380	409
Development Sites - INA & JV	# sites	-	629	917	1,135	1,484	2,473	3,244	3,713	3,015	4,220	6,580
Tourism nights available	mill. per annum	-	-	0.3	0.4	0.5	0.8	0.8	0.9	1.0	1.3	1.7
Funds management	# properties	-	-	-	-	-	-	-	-	10	9	6
Property portfolio¹	\$ B	\$0.5	\$0.5	\$0.5	\$0.5	\$0.7	\$0.7	\$0.7	\$0.9	\$1.1	\$1.4	\$2.1
People	# FTEs	159	279	303	417	472	552	561	685	745	940	1,260
Residents	#	- ²	- ²	- ²	>3,000	>3,000	>4,000	>4,700	>5,100	>6,800	>8,800	>10,800

(1) Including assets owned by the Joint Venture and the Group's managed funds.
(2) Data not available for this period.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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.

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

Principles	Remuneration Component	Measure
Fixed remuneration should be fair, competitive and benchmarked to comparable market roles.	<p>Total Fixed Remuneration (TFR) Annual salary, calculated on a total cost basis to include salary-packaged benefits grossed up for FBT, employer superannuation contributions, Fixed Remuneration Rights (FRR) and other non-cash benefits that may be agreed from time to time.</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>A significant portion of remuneration should be 'at risk' and awarded to executives based on the achievement of agreed objectives and hurdles.</p> <p>Remuneration should be aligned to the interests of all security holders and build ownership and alignment.</p> <p>The Board maintains sole discretion over the granting of equity rights as remuneration to employees.</p>	<p>Short-Term Incentive (STIs) For achievement of STIs in relation to executive KMP, the payment is:</p> <ul style="list-style-type: none"> CEO: 33% cash and 67% deferred equity rights CFO and CIO & GC: 50% cash and 50% deferred equity rights <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>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>Long-Term Incentive (LTIs) LTI equity rights are granted to executive KMP to align their focus with the Group's strategy and overall financial outcomes.</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"> Relative Total Security holder Return (TSR) measured over three financial years. Return on Equity (ROE) performance measured in the third year following the LTI grant. Underlying Earnings per Security (EPS) growth over three financial years. Group settlements growth measured in the third year following the LTI grant.
Other Employee Ownership Schemes		
The Ingenia Valued Employees Share Take up Plan (INVEST Plan)	The purpose of the INVEST Plan is to recognise and reward the contribution of staff by granting employees an ownership interest in Ingenia, in the form of INA securities. Eligible employees include full time or part-time employees of the Group, with at least 12 months service as at the date of invitation. Any employee, other than an employee who participates in a Group long term incentive plan, may participate in the Plan. The INVEST Plan has been offered to eligible employees for four consecutive years.	
Talent Rights Grant (TRG)	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.	

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

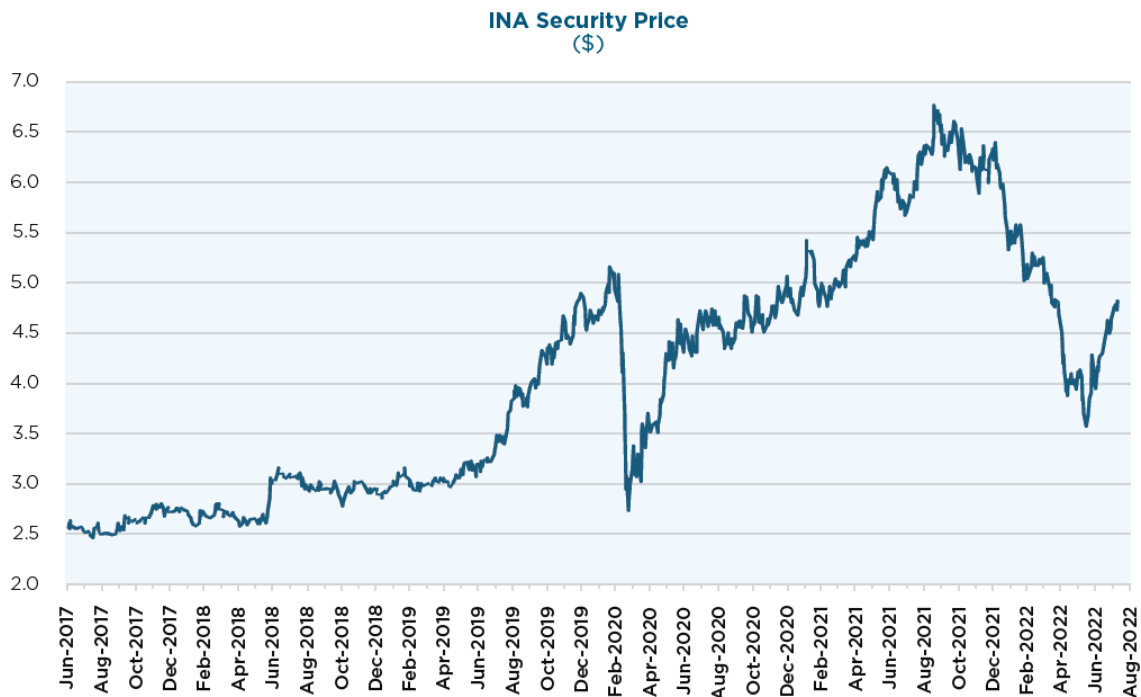
2.1. Financial performance over the past five years

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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022



Source: IRESS

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

(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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
Non-Executive KMP		
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 ⁽¹⁾	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021
Executive KMP		
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.

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 ⁽¹⁾	\$724,000	\$769,250	\$2,398,250
Natalie Kwok (CIO & GC)	\$450,000	\$202,500	\$202,500	\$855,000
Scott Noble (CFO)	\$450,000	\$265,500	\$225,000	\$940,500

(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) ⁽¹⁾	\$905,000	\$735,000	23.1%
Natalie Kwok (CIO & GC)	\$450,000	\$440,000	2.3%
Scott Noble (CFO)	\$450,000	\$425,000	5.9%
Nicole Fisher (COO) ⁽²⁾	-	\$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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
Financial & Value creation objectives:			
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
Strategic & Operational objectives:			
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
Behaviours:	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
Directors					
Simon Owen	91,418	43,488	(93,070)	-	41,836
Executives					
Natalie Kwok	-	12,026	-	-	12,026
Scott Noble	17,489	13,405	(17,805)	-	13,089
Total	108,907	68,919	(110,875)	-	66,951

Directors' Report (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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
Total		66,951			\$423,130		\$48,990

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.

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:

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

	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%

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 LTIs to remove the dilutive impact of the capital raise undertaken at the start of the pandemic in June 2020 increasing the LTI 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 ⁽¹⁾	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%
	100.0%			86.7%

(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.

Unvested LTIP Rights held by KMP during the year were:

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

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 ⁽¹⁾	\$540,807	1-Oct-24	\$405,186
	FY21	148,889	\$2.61	10-Nov-20 ⁽²⁾	\$388,600	1-Oct-23	\$291,329
	FY20	146,052	\$1.61	12-Nov-19 ⁽³⁾	\$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
Total		600,894			\$1,733,736		\$1,191,481

(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.

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 ⁽¹⁾	Superannuation Benefits	FRR	STI Deferred ⁽¹⁾	LTI & TRG ⁽²⁾		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 ⁽³⁾	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 ⁽⁴⁾	2022	-	-	-	-	-	-	-	-	-
	2021	62,405	-	5,928	-	46,080	39,710	154,123	56	26
Total	2022	1,529,296	373,866	70,704	205,000	440,930	548,894	3,168,690	43	17
Total	2021	1,353,170	303,155	60,163	35,000	525,825	430,223	2,707,536	47	16

(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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

Reported remuneration - Actual amounts received or realised

Name	Financial Year	TFR (\$)	FRR (\$)	STI awarded and received as cash ⁽¹⁾ (\$)	Previous years' STI that vested ⁽²⁾ (\$)	Previous years' LTI that vested ⁽²⁾ (\$)	Total remuneration realised (\$)	Awards which lapsed or were forfeited ⁽³⁾ (\$)
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 ⁽⁴⁾	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 ⁽⁵⁾	2022	-	-	-	-	-	-	-
	2021	68,333	-	-	113,225	150,714	332,272	58,550
Total	2022	1,600,000	205,000	373,866	730,198	1,487,371	4,396,435	210,732
Total	2021	1,424,180	35,000	303,155	612,816	1,028,273	3,403,424	399,497

(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.

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

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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 ⁽¹⁾	-	-	Yes ⁽²⁾
Former Non-Executive Directors			
Gary Shiffman ⁽¹⁾	-	-	N/A
Andrew McEvoy	-	26,025	N/A
Total	887,646	760,835	

(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.

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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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.

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
Non-Executive KMP					
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 ⁽¹⁾	33,208,510	8,571,045	-	-	41,779,555
Executive KMP					
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.

Directors' Report (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

Other contract terms are noted below:

	CEO & MD	CIO & GC	CFO
Fixed remuneration	Total fixed remuneration includes cash salary, superannuation, FRR and other non-cash benefits.		
Variable remuneration⁽¹⁾	<ul style="list-style-type: none"> 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. Eligible for LTI of up to 85% for any one year of fixed annual remuneration. 	<ul style="list-style-type: none"> 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. Eligible for LTI of up to 45% for any one year of fixed annual remuneration. 	<ul style="list-style-type: none"> 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. Eligible for LTI of up to 50% for any one year of fixed annual remuneration.
Non-compete period		12 months	
Non-solicitation period		12 months	

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

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



**Building a better
working world**

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

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

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

As lead auditor for the audit of the financial report of Ingenia Communities Holdings Limited for the financial year ended 30 June 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 Holdings Limited 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

Consolidated Statement of Comprehensive Income

Ingenia Communities Holdings Limited
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
Revenue		338,146	295,578
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)
Operating profit before interest and tax		101,736	94,351
Net finance expense	6	(9,121)	(4,961)
Operating profit before tax		92,615	89,390
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)
Profit before income tax		133,364	83,011
Income tax expense	7	(32,777)	(10,230)
Net profit for the year		100,587	72,781
Total comprehensive income for the year net of income tax		100,587	72,781
		30 Jun 2022	30 Jun 2021
		Cents	Cents
Distributions per security paid⁽¹⁾		10.7	9.4
Earnings/(loss) per security:			
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 39 to 83.

Consolidated Balance Sheet

Ingenia Communities Holdings Limited

As at 30 June 2022

	Note	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets			
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	-
Total current assets		52,652	48,281
Non-current assets			
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
Total non-current assets		2,130,389	1,306,108
Total assets		2,183,041	1,354,389
Current liabilities			
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
Total current liabilities		117,162	69,883
Non-current liabilities			
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	-
Total non-current liabilities		536,371	291,473
Total liabilities		653,533	361,356
Net assets		1,529,508	993,033
Equity			
Issued securities	22(a)	1,704,230	1,229,730
Reserves	23	(4,312)	(4,867)
Accumulated losses	24	(170,410)	(231,830)
Total equity		1,529,508	993,033
Net asset value per security (\$)		\$ 3.75	\$ 3.03

Notes to the Consolidated Financial Statements are included on pages 39 to 83.

Consolidated Cash Flow Statement

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

	30 Jun 2022	30 Jun 2021
Note	\$'000	\$'000
Cash flows from operating activities		
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
Cash flows from investing activities		
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	(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)
Cash flows from financing activities		
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
	(4,311)	8,046
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	18,797	10,751
Cash and cash equivalents at the end of the year	14,486	18,797

Notes to the Consolidated Financial Statements are included on pages 39 to 83.

Consolidated Statement of Changes in Equity

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

		Attributable to security holders				
		Ingenia Communities Holdings Limited			ICF & ICMT	Total Equity
Note	Issued Capital	Reserves	Retained Earnings	Total	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	37,140	(4,867)	74,423	106,696	886,337	993,033
	-	-	27,714	27,714	72,873	100,587
	-	-	27,714	27,714	72,873	100,587
<i>Transactions with security holders in their capacity as security holders:</i>						
	54,820	-	-	54,820	419,680	474,500
	-	2,555	-	2,555	-	2,555
	-	-	-	-	(39,167)	(39,167)
	-	(2,000)	-	(2,000)	-	(2,000)
	91,960	(4,312)	102,137	189,785	1,339,723	1,529,508

		Attributable to security holders				
		Ingenia Communities Holdings Limited			ICF & ICMT	Total Equity
Note	Issued Capital	Reserves	Retained Earnings	Total	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	36,187	(1,933)	38,353	72,607	870,414	943,021
	-	-	36,070	36,070	36,711	72,781
	-	-	36,070	36,070	36,711	72,781
<i>Transactions with security holders in their capacity as security holders:</i>						
	953	-	-	953	9,869	10,822
	-	2,066	-	2,066	-	2,066
	-	-	-	-	(30,657)	(30,657)
	-	(5,000)	-	(5,000)	-	(5,000)
	37,140	(4,867)	74,423	106,696	886,337	993,033

Notes to the Consolidated Financial Statements are included on pages 39 to 83.

Notes to the Financial Statements

Ingenia Communities Holdings Limited
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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Principles of consolidation

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

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

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

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

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

(e) Business combinations and goodwill

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

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

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

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

Goodwill is tested annually for impairment, or more frequently if changes in circumstances indicate that it might 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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (continued)

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Intangible assets (continued)

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

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

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

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

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

(s) Trade and other payables

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

(t) Provisions, including employee benefits

General

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

Wages, salaries, annual leave and sick leave

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

Long service leave

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

(u) Resident loans

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Resident loans (continued)

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Share-based payment transactions

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

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

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

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

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

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

(z) Income tax

Current income tax

The Company, ICMT and their 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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Income tax (continued)

Tax consolidation

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

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

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

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

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

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

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

(bb) Investment in a joint venture

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Investment in a joint venture (continued)

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.

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).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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.

(b) 2022

	Residential						Total \$'000
	Lifestyle		Gardens	Tourism	Other		
	Lifestyle Development \$'000	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Fuel, Food & Beverage \$'000	Corporate & Other \$'000	
Segment revenue							
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
Total revenue	131,774	55,096	27,234	96,595	18,469	8,978	338,146
Segment underlying profit							
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)
Earnings before interest and tax	35,147	26,791	11,540	35,347	925	(8,014)	101,736
Share of profit of a joint venture							5,078
Share of associate loss							(250)
Net finance expense							(9,121)
Income tax expense							(9,587)
Total underlying profit							87,856
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)
Profit after tax							100,587
Segment assets							
Segment assets	293,222	963,049	170,672	677,246	325	74,377	2,178,891
Assets held for sale	-	4,150	-	-	-	-	4,150
Total assets	293,222	967,199	170,672	677,246	325	74,377	2,183,041

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

(c) 2021

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

4. EARNINGS PER SECURITY

	30 Jun 2022	30 Jun 2021
(a) Per security		
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
Weighted average number of issued and dilutive potential securities outstanding (thousands)	379,935	328,872
Basic earnings per security (cents)	26.6	22.3
Dilutive earnings per security (cents)	26.5	22.1

	30 Jun 2022	30 Jun 2021
(b) Per security attributable to parent		
(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
Weighted average number of issued and dilutive potential securities outstanding (thousands)	379,935	328,872
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	30 Jun 2021
	\$'000	\$'000
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
Total other revenue	40,945	29,901

6. NET FINANCE EXPENSE

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

(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).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

7. INCOME TAX EXPENSE

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
(a) Income tax expense		
Current tax benefit/(expense)	398	(2,940)
Decrease in deferred tax asset	(33,175)	(7,290)
Income tax expense	(32,777)	(10,230)
(b) Reconciliation between tax expense and pre-tax profit		
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
Income tax expense	(32,777)	(10,230)

(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.

8. TRADE AND OTHER RECEIVABLES

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
Total inventories	19,535	13,550

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
Total assets held for sale	4,150	9,600

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
Total carrying value	1,937,888	1,231,336

(b) Movements in carrying value

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

(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).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

11. INVESTMENT PROPERTIES (CONTINUED)

(c) Reconciliation of fair value

	Ingenia Gardens \$'000	Rental \$'000	Holidays & Mixed use \$'000	Total \$'000
Carrying value at the beginning of the year	150,220	591,049	490,067	1,231,336
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 ⁽¹⁾	3,596	23,645	25,635	52,876
Transfer to assets held for sale	-	-	(4,150)	(4,150)
Carrying value at the end of the year	167,200	1,077,773	692,915	1,937,888

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

(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
Wheeler's, 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	-
	167,200	150,220

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

11. INVESTMENT PROPERTIES (CONTINUED)

Completed properties

	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Ingenia Lifestyle Rental:</i>		
The Grange, Morisset, NSW	33,559	26,308
Ettalong Beach, Ettalong Beach, NSW ⁽¹⁾	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 ⁽²⁾	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	-
	827,134	436,177

(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 (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

11. INVESTMENT PROPERTIES (CONTINUED)

Completed properties

	Carrying value	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
<i>Ingenia Holidays and Mixed Use:</i>		
Nepean River, Emu Plains, NSW	12,700	12,714
Kingscliff, Kingscliff, NSW	14,000	16,250
One Mile Beach, One Mile, NSW ⁽¹⁾	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 ⁽¹⁾	24,132	23,650
Broulee, Broulee, NSW ⁽¹⁾	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 ⁽¹⁾	25,289	18,897
Middle Rock, One Mile, NSW	22,518	17,264
Inverloch, Inverloch, VIC ⁽¹⁾	36,464	34,855
Townsville, Deeragun, QLD	8,600	7,600
Merry Beach, Kioloa, NSW ⁽¹⁾	23,533	23,272
Noosa North, Tewantin, QLD ⁽¹⁾	14,805	-
Eden, Eden, NSW ⁽¹⁾	10,203	-
Torquay, Torquay, VIC ⁽¹⁾	19,534	-
Phillip Island, Newhaven, VIC ⁽¹⁾	13,132	-
Cape Paterson, Cape Paterson, VIC ⁽¹⁾	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	-
	670,673	470,898
Total completed properties	1,665,007	1,057,295

(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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
<i>Ingenia Lifestyle Rental and Ingenia Holidays:</i>		
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 ⁽¹⁾	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	-
Properties to be developed	272,881	174,041
Total investment properties	1,937,888	1,231,336

(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 (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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	
Ingenia Gardens	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.
Ingenia Tourism	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.
Ingenia Residential	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%	Discount rate has an inverse relationship to valuation.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

13. INTANGIBLES

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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
Balance Sheet		
Cash	43,530	10,283
Trade and other receivables	2,999	2,601
Inventory	1,152	1,897
Current assets	47,681	14,781
Investment property	98,683	61,548
Other non-current assets	424	148
Non-current assets	99,107	61,696
Trade and other payables	(5,999)	(2,424)
Borrowings	(8,587)	(8,519)
Current liabilities	(14,586)	(10,943)
Net assets	132,202	65,534
Equity	132,202	65,534
Group's share in equity - 50%	66,101	32,767
Group's carrying value in investment	66,101	32,767
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Statement of Comprehensive Income		
Revenue	24,216	11,386
Cost of sales	(9,434)	(4,620)
Operating costs	(2,494)	(1,659)
Depreciation	(88)	(83)
Operating profit before interest and tax	12,200	5,024
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)
Net profit for the year	16,218	1,680
Total comprehensive income for the year net of income tax	16,218	1,680
Group's share of profit for the year	8,109	840
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
16. OTHER FINANCIAL ASSETS		
Unlisted property funds	5,820	13,225
Derivatives	3,785	699
Total non-current	9,605	13,924

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

(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
Analysis of cash flows on acquisition:	
Net cash acquired	1,109
Cash paid	(263,615)
Net cash flow on acquisition	(262,506)

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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
Deferred tax assets		
Tax losses	14,323	22,842
Accruals	4,730	3,562
Other	2,917	-
Deferred tax liabilities		
DMF receivable	(37)	(45)
Investment properties	(44,464)	(18,294)
Other	(3,686)	(1,107)
Net deferred tax (liabilities)/assets	(26,217)	6,958
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	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.

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
Current		
Trade payables and accruals	81,778	42,592
Deposits	19,089	12,780
Other	6,024	981
Total current	106,891	56,353
Non-Current		
Other	2,512	5,682
Total non-current	2,512	5,682

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

20. BORROWINGS

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current		
Lease liabilities – Right-of-use assets	1,583	1,406
Lease liabilities – Ground leases	2,812	1,036
Total current	4,395	2,442
Non-current		
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
Total non-current	491,208	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
Current		
Financial liabilities	1,188	4,045
Total current	1,188	4,045
Non-current		
Financial liabilities	15,421	13,092
Total non-current	15,421	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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

22. ISSUED SECURITIES

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
(a) Carrying values		
Balance at beginning of the year	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)
Balance at end of the year	1,704,230	1,229,730
The closing balance is attributable to the security holders of:		
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
	1,704,230	1,229,730

	30 Jun 2022 '000	30 Jun 2021 '000
(b) Number of issued securities		
Balance at beginning of the year	327,877	325,553
Issued during the year:		
Distribution Reinvestment Plan ("DRP")	2,144	2,324
Entitlement offer	77,562	-
Balance at end of the year	407,583	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
Balance at the beginning of year	(4,867)	(1,933)
Payments to employee share trust	(2,000)	(5,000)
Share-based payment expense	2,555	2,066
Balance at the end of year	(4,312)	(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.

24. ACCUMULATED LOSSES

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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.

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).

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

27. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)

(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
(i) 30 June 2022				
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)	-	-
Outstanding at end of year	330	1,547	302	69
Weighted average remaining life of outstanding rights (years)	0.3	1.3	1.5	0.3
(ii) 30 June 2021				
Outstanding at beginning of year	169	1,660	-	-
Lapsed during the year	-	(164)	-	-
Granted during the year	130	429	275	8
Exercised during the year	(25)	(155)	-	-
Outstanding at end of year	274	1,770	275	8
Weighted average remaining life of outstanding rights (years)	0.3	1.3	1.6	-

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

27. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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%).

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk exposure

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

30 Jun 2022 \$'000	Fixed interest maturing in:				Total
	Floating interest rate	Less than 1 year	1 to 5 years	More than 5 years	
Financial assets					
Cash at bank	14,486	-	-	-	14,486
Financial liabilities					
Bank debt	365,000	-	-	75,000	440,000
Lease Liabilities – Right-of-use-asset	-	1,583	2,770	-	4,353
Lease Liabilities – Ground leases ⁽¹⁾	-	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	Fixed interest maturing in:				Total
	Floating interest rate	Less than 1 year	1 to 5 years	More than 5 years	
Financial assets					
Cash at bank	18,797	-	-	-	18,797
Financial liabilities					
Bank debt	175,000	-	-	75,000	250,000
Lease Liabilities – Right-of-use-asset	-	1,406	2,720	-	4,126
Lease liabilities – Ground leases ⁽¹⁾	-	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.

(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
Increase in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	(3,650)	(1,750)
Interest rate cap (AUD denominated)	500	295
Decrease in average interest rates of 100 bps:		
Variable interest rate bank debt (AUD denominated)	3,650	1,750
Interest rate cap (AUD denominated)	-	-

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

29. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign exchange risk

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

(f) Net foreign currency exposure

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

	Net foreign currency assets	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'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.

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

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

29. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Liquidity risk

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

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

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

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

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

	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2022				
Trade and other payables	106,891	2,512	-	109,403
Borrowings ⁽¹⁾	11,099	486,529	72,144	569,772
Right-of-use asset leases ⁽¹⁾	1,687	2,878	-	4,565
Ground leases (excluding perpetual leases)	2,866	12,265	60,923	76,054
Ground leases (perpetual leases) ⁽²⁾	260	1,041	-	1,301
	122,803	505,225	133,067	761,095
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2021				
Trade and other payables	56,353	5,682	-	62,035
Borrowings ⁽¹⁾	5,681	190,153	140,745	336,579
Right-of-use asset leases ⁽¹⁾	1,406	2,932	-	4,338
Ground leases (excluding perpetual leases)	1,059	4,493	28,422	33,974
Ground leases (perpetual leases) ⁽²⁾	260	1,041	-	1,301
	64,759	204,301	169,167	438,227

(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.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 Jun 2022				
Liabilities				
Other financial liabilities	1,188	15,421	-	16,609
	1,188	15,421	-	16,609
30 Jun 2021				
Liabilities				
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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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	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	
30 Jun 2022					
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
30 Jun 2021					
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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

30. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Liabilities measured at fair value

	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	
30 Jun 2022					
Resident loans	30-Jun-22	-	-	309	309
Other financial liabilities	30-Jun-22 Note 21	-	-	16,609	16,609
30 Jun 2021					
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 ⁽¹⁾ :		
Agreed upon procedures	17,716	-
Other	19,488	-
Technical advice	-	21,500
Total fees to Ernst & Young	646,108	585,944

(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
Non-Executive KMP		
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 ⁽¹⁾	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021
Executive KMP		
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.

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

32. RELATED PARTIES (CONTINUED)

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 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 ⁽¹⁾	LTIP	FY20	1,923	110,855
FY17 ⁽¹⁾	STIP	FY19	2,437	2,437
FY18 ⁽¹⁾	LTIP	FY21	171,777	243,726
FY18 ⁽¹⁾	STIP	FY20	34,300	34,300
FY19 ⁽¹⁾	LTIP	FY22	270,543	488,548
FY19 ⁽¹⁾	STIP	FY21	111,020	111,020
FY20	LTIP	FY23	372,439	442,547
FY20 ⁽¹⁾	STIP	FY22	111,092	126,609
FY21 ⁽¹⁾	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 ⁽¹⁾	FRR	FY22	42,819	-
FY22	FRR	FY23	18,876	-
FY22	LTIP	FY25	398,472	-
FY22	TRG	FY25	44,605	-
FY22	TRG	FY26	47,072	-
			2,249,677	2,317,767

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

(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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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

Closed Group disclosures

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

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

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

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited

For the year ended 30 June 2022

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
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

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

34. SUBSIDIARIES (CONTINUED)

	Country of residence	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
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
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 (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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
Total assets	1,606,299	1,033,434	1,292,483	927,431
Current liabilities	6,522	1,895	113,591	60,351
Non-current liabilities	469,290	248,847	959,317	764,135
Total liabilities	475,812	250,742	1,072,908	824,486
Net assets/equity	1,130,487	782,692	219,575	102,945
Revenue	45,512	33,061	240,094	201,676
Expenses	(40,611)	(5,487)	(172,122)	(192,539)
Profit after tax	4,901	27,574	67,972	9,137
Total comprehensive income	4,901	27,574	67,972	9,137

35. NOTES TO CASHFLOW STATEMENT

Reconciliation of profit to net cash flow from operating activities:

	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Net profit for the year	100,587	72,781
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
Operating profit before tax	92,615	89,390
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)	-
Operating cash flow before changes in working capital	110,595	99,865
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
Net cash provided by operating activities	114,902	137,646

Notes to the Financial Statements (continued)

Ingenia Communities Holdings Limited
For the year ended 30 June 2022

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.

Directors' Declaration

Ingenia Communities Holdings Limited
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



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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated balance sheet as at 30 June 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.

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.



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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.

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.

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.



**Building a better
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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 33 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.

Ernst & Young

Yvonne Barnikel
Partner
Sydney
24 August 2022

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

**FINANCIAL REPORT
YEAR ENDED 30 JUNE 2022**

www.ingeniacommunities.com.au
Registered Office: Level 3, 88 Cumberland Street, The Rocks NSW 2000

Annual Report

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

Contents

Directors' Report.....	2
Auditor's Independence Declaration.....	8
Consolidated Statement of Comprehensive Income.....	9
Consolidated Balance Sheet.....	10
Consolidated Cash Flow Statement.....	11
Consolidated Statement of Changes in Equity.....	12
1. Summary of significant accounting policies.....	13
2. Accounting estimates and judgements.....	22
3. Segment information.....	24
4. Earnings per unit.....	28
5. Income tax expense.....	28
6. Trade and other receivables.....	29
7. Inventories.....	29
8. Assets held for sale.....	29
9. Investment properties.....	29
10. Plant and equipment.....	30
11. Intangibles.....	31
12. Right-of-use assets.....	31
13. Investment in a joint venture.....	32
14. Other financial assets.....	32
15. Business combinations and asset acquisitions.....	33
16. Deferred tax assets and liabilities.....	34
17. Trade and other payables.....	34
18. Borrowings.....	35
19. Other financial liabilities.....	35
20. Issued units.....	36
21. Accumulated losses and retained earnings.....	36
22. Commitments.....	37
23. Contingent liabilities.....	37
24. Capital management.....	37
25. Financial instruments.....	38
26. Fair value measurement.....	43
27. Auditor's remuneration.....	44
28. Related parties.....	44
29. Parent entity financial information.....	47
30. Subsidiaries.....	47
31. Notes to the cash flow statements.....	49
32. Subsequent events.....	49
Directors' Declaration.....	50
Independent Auditor's Report.....	51

Directors' Report

Ingenia Communities Fund and Ingenia Communities Management Trust
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
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.

Directors' Report (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022



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.

Directors' Report (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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 409¹ turnkey homes (30 Jun 2021: 380¹ 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.

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

	<u>30 Jun 2022</u>	<u>30 Jun 2021</u>	<u>Change %</u>
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

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

Directors' Report (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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.

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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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 ⁽¹⁾	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 8.

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



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

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

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.

Ernst & Young

Yvonne Barnikel
Partner
24 August 2022

Consolidated Statement of Comprehensive Income

Ingenia Communities Fund and Ingenia Communities Management Trust

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
Revenue		25,978	13,819	268,521	201,676
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)
Operating profit before interest and tax		17,136	7,514	57,614	44,608
Net finance income/(expense)		19,534	19,244	(28,427)	(23,249)
Operating profit before tax		36,670	26,758	29,187	21,359
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)
Profit before tax		4,901	27,574	99,946	12,169
Income tax expense	5	-	-	(31,974)	(3,032)
Net profit for the year		4,901	27,574	67,972	9,137
Total comprehensive income for the year net of income tax		4,901	27,574	67,972	9,137
Profit attributable to unit holders of:					
Ingenia Communities Fund		4,658	27,574	-	-
Ingenia Communities Management Trust		243	-	67,972	9,137
		4,901	27,574	67,972	9,137
Total comprehensive income attributable to unit holders of:					
Ingenia Communities Fund		4,658	27,574	-	-
Ingenia Communities Management Trust		243	-	67,972	9,137
		4,901	27,574	67,972	9,137
Earnings per unit:		30 Jun 2022 Cents	30 Jun 2021 Cents	30 Jun 2022 Cents	30 Jun 2021 Cents
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 13 to 49.

Consolidated Balance Sheet

Ingenia Communities Fund and Ingenia Communities Management Trust

As at 30 June 2022

	Note	ICF		ICMT	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current assets					
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
Total current assets		787	1,321	28,105	35,206
Non-current assets					
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
Total non-current assets		1,605,511	1,032,113	1,264,379	892,225
Total assets		1,606,298	1,033,434	1,292,484	927,431
Current liabilities					
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	-
Total current liabilities		6,522	1,895	113,591	60,351
Non-current liabilities					
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	-
Total non-current liabilities		469,290	248,847	959,317	764,135
Total liabilities		475,812	250,742	1,072,908	824,486
Net assets		1,130,486	782,692	219,576	102,945
Equity					
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
Unit holders interest		1,119,204	782,692	220,276	103,645
Non-controlling interest		11,282	-	(700)	(700)
Total equity		1,130,486	782,692	219,576	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
		1,130,486	782,692	219,576	102,945

Notes to the Consolidated Financial Statements are included on pages 13 to 49.

Consolidated Cash Flow Statement

Ingenia Communities Fund and Ingenia Communities Management Trust

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
Cash flows from operating activities				
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
Cash flows from investing activities				
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)
Cash flows from financing activities				
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
Net (decrease)/increase in cash and cash equivalents				
	(612)	(583)	(3,654)	8,420
Cash and cash equivalents at the beginning of the year	1,104	1,687	16,485	8,065
Cash and cash equivalents at the end of the year	492	1,104	12,831	16,485

Notes to the Consolidated Financial Statements are included on pages 13 to 49.

Consolidated Statement of Changes in Equity

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

		Attributable to security holders				
		ICF			Non-	Total
Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000	controlling interest \$'000	Equity \$'000	
	Carrying value 1 Jul 2021	1,102,443	(319,751)	782,692	-	782,692
	Net profit	-	4,658	4,658	243	4,901
	Total comprehensive income	-	4,658	4,658	243	4,901
<i>Transactions with security holders in their capacity as security holders:</i>						
	Issue of securities	371,021	-	371,021	-	371,021
20(a)						
	Payment of distributions to security holders	-	(39,167)	(39,167)	-	(39,167)
21						
	Acquisition of subsidiaries	-	-	-	11,039	11,039
	Carrying value 30 Jun 2022	1,473,464	(354,260)	1,119,204	11,282	1,130,486
	Carrying value 1 Jul 2020	1,093,696	(316,668)	777,028	-	777,028
	Net profit	-	27,574	27,574	-	27,574
	Total comprehensive income	-	27,574	27,574	-	27,574
<i>Transactions with security holders in their capacity as security holders:</i>						
	Issue of securities	8,747	-	8,747	-	8,747
20(a)						
	Payment of distributions to security holders	-	(30,657)	(30,657)	-	(30,657)
21						
	Carrying value 30 Jun 2021	1,102,443	(319,751)	782,692	-	782,692
		Attributable to security holders				
		ICMT			Non-	Total
Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000	controlling interest \$'000	Equity \$'000	
	Carrying value 1 Jul 2021	90,147	13,498	103,645	(700)	102,945
	Net profit	-	67,972	67,972	-	67,972
	Total comprehensive income	-	67,972	67,972	-	67,972
<i>Transactions with security holders in their capacity as security holders:</i>						
	Issue of securities	48,659	-	48,659	-	48,659
20(a)						
	Carrying value 30 Jun 2022	138,806	81,470	220,276	(700)	219,576
	Carrying value 1 Jul 2020	89,025	4,361	93,386	(700)	92,686
	Net profit	-	9,137	9,137	-	9,137
	Total comprehensive income	-	9,137	9,137	-	9,137
<i>Transactions with security holders in their capacity as security holders:</i>						
	Issue of securities	1,122	-	1,122	-	1,122
20(a)						
	Carrying value 30 Jun 2021	90,147	13,498	103,645	(700)	102,945

Notes to the Consolidated Financial Statements are included on pages 13 to 49.

Notes to the Financial Statements

Ingenia Communities Fund and Ingenia Communities Management Trust
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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Principles of consolidation

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

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

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

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

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

(e) Business combinations and goodwill

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

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

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

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

Goodwill is tested annually for impairment, or more frequently if changes in circumstances indicate that it might 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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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*.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

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

(t) Provisions, including for employee benefits

General

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

Wages, salaries, annual leave and sick leave

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

Long service leave

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

(u) Resident loans

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

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

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

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Income tax (continued)

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Investment in a joint venture (continued)

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

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

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

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

(bb) Fair value measurement

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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Fair value measurement (continued)

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.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

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				Total \$'000
	Lifestyle Rental \$'000	Gardens Ingenia Gardens \$'000	Tourism Holidays & Mixed Use \$'000	Other Corporate & Other \$'000	
Segment revenue					
Rental income	9,460	12,745	3,773	-	25,978
Total revenue	9,460	12,745	3,773	-	25,978
Segment underlying profit					
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	-	-	-	-	-
Earnings before interest and tax	9,434	12,742	3,748	(1,972)	23,952
Share of loss of a joint venture					(81)
Net finance income					19,534
Total underlying profit					43,405
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)
Profit after tax					4,901
Segment assets	611,894	167,200	154,038	673,166	1,606,298
Total assets	611,894	167,200	154,038	673,166	1,606,298

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

(c) ICF - 2021

	Residential				Lifestyle Total \$'000
	Lifestyle	Gardens	Tourism	Other	
	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Corporate & Other \$'000	
Segment revenue					
Rental income	2,937	10,702	180	-	13,819
Total revenue	2,937	10,702	180	-	13,819
Segment underlying profit					
Rental income	2,937	10,702	180	-	13,819
Property expenses	-	-	-	(825)	(825)
Administrative expenses	-	-	-	(856)	(856)
Depreciation and amortisation expense	(2)	-	-	-	(2)
Earnings before interest and tax	2,935	10,702	180	(1,681)	12,136
Share of loss of a joint venture					(1,186)
Net finance income					19,244
Total underlying profit					30,194
Net gain/(loss) on change in fair value of:					
Investment properties					1,767
Investments and other financial instruments					235
Other					-
Responsible entity fees					(4,622)
Profit after tax					27,574
Segment assets	204,292	173,643	(206,411)	861,910	1,033,434
Total assets	204,292	173,643	(206,411)	861,910	1,033,434

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

(d) ICMT - 2022

	Residential						Total \$'000
	Lifestyle		Gardens	Tourism	Other		
	Lifestyle Development \$'000	Lifestyle Rental \$'000	Ingenia Gardens \$'000	Holidays & Mixed Use \$'000	Fuel, Food & Beverage Services \$'000	Corporate & Other \$'000	
Segment revenue							
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
Total revenue	57,309	55,096	27,234	96,595	18,469	13,818	268,521
Segment underlying profit							
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)
Earnings before interest and tax	3,814	26,813	11,542	35,373	925	(15,669)	62,798
Share of profit of a joint venture							42
Net finance expense							(28,427)
Income tax expense							(9,100)
Total underlying profit							25,313
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)
Profit after tax							67,972
Segment assets							
Segment assets	23,372	495,140	3,473	523,207	325	242,817	1,288,334
Assets held for sale	-	4,150	-	-	-	-	4,150
Total assets	23,372	499,290	3,473	523,207	325	242,817	1,292,484

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

3. SEGMENT INFORMATION (CONTINUED)

(e) ICMT - 2021

	Residential		Gardens	Tourism	Other		Total
	Lifestyle	Lifestyle			Fuel, Food & Beverage Services	Corporate & Other	
	Lifestyle Development	Lifestyle Rental	Ingenia Gardens	Holidays & Mixed Use	Fuel, Food & Beverage Services	Corporate & Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue							
Lifestyle home sales	43,414	-	-	-	-	-	43,414
Residential rental income	-	31,245	23,106	9,568	-	185	64,104
Tourism rental income	-	564	-	53,264	-	-	53,828
Annuals rental income	-	-	-	4,646	-	-	4,646
Other revenue	-	2,870	2,731	2,732	16,356	10,995	35,684
Total revenue	43,414	34,679	25,837	70,210	16,356	11,180	201,676
Segment underlying profit							
External segment revenue	43,414	34,679	25,837	70,210	16,356	11,180	201,676
Cost of lifestyle homes sold	(26,226)	-	-	-	-	-	(26,226)
Employee expenses	(12,390)	(8,482)	(6,038)	(20,118)	(3,270)	(96)	(50,394)
Property expenses	(803)	(7,488)	(6,727)	(15,138)	(810)	(2,093)	(33,059)
Administrative expenses	(1,404)	(1,837)	(988)	(3,000)	(66)	(347)	(7,642)
Operational, marketing and selling expenses	(4,347)	(59)	(994)	(2,702)	(2,422)	(1,230)	(11,754)
Service station expenses	-	-	-	(25)	(8,452)	-	(8,477)
Depreciation and amortisation expense	(689)	(361)	(167)	(574)	(56)	(13,616)	(15,463)
Earnings before interest and tax	(2,445)	16,452	10,923	28,653	1,280	(6,202)	48,661
Share of loss of a joint venture							(72)
Net finance expense							(23,249)
Income tax expense							(5,768)
Total underlying profit							19,572
Net (loss)/gain on change in fair value of:							
Investment properties							(5,037)
Financial liabilities							(5,024)
Investments and other financial instruments							1,459
Other							(516)
Income tax benefit							2,736
Responsible entity fees							(4,053)
Profit after tax							9,137
Segment assets							
Segment assets	34,148	314,055	3,562	461,105	339	104,622	917,831
Assets held for sale	-	9,600	-	-	-	-	9,600
Total assets	34,148	323,655	3,562	461,105	339	104,622	927,431

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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
Weighted average number of issued and dilutive potential units outstanding (thousands)	379,935	328,872	379,935	328,872
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
(a) Income tax expense				
Current tax expense	-	-	-	(1,373)
Decrease in deferred tax asset	-	-	(31,974)	(1,659)
Income tax expense	-	-	(31,974)	(3,032)
(b) Reconciliation between tax expense and pre-tax net profit				
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
Income tax expense	-	-	(31,974)	(3,032)

(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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

6. TRADE AND OTHER RECEIVABLES

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

7. INVENTORIES

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

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
Total assets held for sale	-	-	4,150	9,600

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
Total carrying value	895,037	362,105	932,656	798,468

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

9. INVESTMENT PROPERTIES (CONTINUED)

(b) Movements in carrying value	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Carrying value at beginning of the year	362,105	217,404	798,468	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 ⁽¹⁾	(27,900)	1,767	80,776	(3,026)
Transfer to assets held for sale	-	-	(4,150)	-
Carrying value at the end of the year	895,037	362,105	932,656	798,468

(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.

10. PLANT AND EQUIPMENT

(a) Summary of carrying value	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Plant and equipment	-	10	10,186	8,044
Less: accumulated depreciation	-	(7)	(4,065)	(2,921)
Total plant and equipment	-	3	6,121	5,123

(b) Movements in carrying value	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Carrying value at beginning of the year	3	5	5,123	4,323
Additions	-	-	2,598	2,447
Disposals	(3)	-	(86)	(423)
Depreciation expense	-	(2)	(1,514)	(1,224)
Carrying value at end of the year	-	3	6,121	5,123

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

11. INTANGIBLES

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

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.

12. RIGHT-OF-USE ASSETS

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
(a) Summary of carrying amounts				
Plant and equipment	-	-	2,331	1,177
Land and buildings	-	-	256,271	88,573
Less: accumulated depreciation	-	-	(48,181)	(24,539)
Carrying amount at end of the year	-	-	210,421	65,211
(b) Movements in carrying amount				
Carrying value at beginning of the year	-	-	65,211	18,251
Additions	-	-	168,871	60,576
Depreciation expense	-	-	(23,661)	(13,616)
Carrying amount at end of the year	-	-	210,421	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	-	-
Carrying amount at end of the year	261,054	70,181	-	-

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

13. INVESTMENT IN A JOINT VENTURE

Together, ICF and ICMT hold a 50% interest in a joint venture with Sun Communities for the development of greenfield communities. The Trusts' interest in the Joint Venture is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Trusts investment in the joint venture entities:

Balance Sheet	ICF		ICMT	
	30 Jun 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
Current assets	24,477	6,070	180	46
Investment property	85,988	52,780	-	-
Other non-current assets	-	-	210	266
Non-current assets	85,988	52,780	210	266
Trade and other payables	(318)	(41)	(123)	(45)
Current liabilities	(318)	(41)	(123)	(45)
Intercompany loans	(5,261)	(5,261)	(267)	(267)
Non-current liabilities	(5,261)	(5,261)	(267)	(267)
Net assets	104,886	53,548	-	-
Equity	104,886	53,548	-	-
Trusts' share in equity - 50%	52,443	26,774	-	-
Group's carrying value in investment	52,443	26,774	-	-
Statement of Comprehensive Income	ICF	ICMT	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)
(Loss)/profit before tax	(167)	(57)	85	(173)
Interest income	3	10	-	-
Impairment	(928)	(505)	-	-
Net gain/(loss) on change in fair value of investment property	7,507	(1,819)	-	-
Profit/(loss) before income tax	6,415	(2,371)	85	(173)
Income tax (expense)/benefit	-	-	(53)	30
Total comprehensive income/(loss) for the year	6,415	(2,371)	32	(143)
Group's share of profit/(loss) for the year	3,208	(1,186)	16	(72)
14. OTHER FINANCIAL ASSETS	ICF	ICMT	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	-	-
Total non-current	3,785	699	16,599	13,203

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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

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:

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

(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
Analysis of cash flows on acquisition:		
Net cash acquired	1,109	-
Cash paid	(152,919)	(92,606)
Net cash flow on acquisition	(151,810)	(92,606)

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	30 Jun 2021
	\$'000	\$'000
Carrying value at the beginning of the period	-	-
Acquisition of business	96,647	-
Carrying value at the end of the period	96,647	-

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

15. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (CONTINUED)

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.

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
Deferred tax assets				
Tax losses	-	-	14,323	22,739
Accruals	-	-	4,246	2,639
Other	-	-	2,810	-
Deferred tax liabilities				
DMF receivable	-	-	(37)	(45)
Investment properties	-	-	(44,002)	(17,371)
Other	-	-	(1,352)	-
Net deferred tax (liabilities)/assets	-	-	(24,012)	7,962
Tax effected carried forward tax losses for which no deferred tax asset has been recognised	-	-	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
Current				
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
Non-current				
Other	2,495	1,682	17	4,000

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

18. BORROWINGS

	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current				
Lease liabilities – Right-of-use assets	-	-	23,817	15,567
Lease liabilities – Ground leases	1,754	-	1,058	1,036
	1,754	-	24,875	16,603
Non-current				
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
	466,795	247,165	211,264	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
Current				
Financial liabilities	-	-	1,188	115
Total current	-	-	1,188	115
Non-current				
Financial liabilities	-	-	15,421	13,092
Total non-current	-	-	15,421	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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

20. ISSUED UNITS

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

	ICF		ICMT	
	30 Jun 2022 '000	30 Jun 2021 '000	30 Jun 2022 '000	30 Jun 2021 '000
(b) Number of issued securities				
Balance at beginning of the year	327,877	325,553	327,877	325,553
Issued during the year:				
Dividend Reinvestment Plan ("DRP")	2,144	2,324	2,144	2,324
Entitlement offer	77,562	-	77,562	-
Balance at end of the year	407,583	327,877	407,583	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
Balance at beginning of the year	(319,751)	(316,668)	13,498	4,361
Net profit for the year	4,901	27,574	67,972	9,137
Distributions	(39,167)	(30,657)	-	-
Profit of NCI	(243)	-	-	-
Balance at end of the year	(354,260)	(319,751)	81,470	13,498
The closing balance is attributable to the security holders of:				
Ingenia Communities Fund	(354,503)	(319,751)	-	-
Ingenia Communities Management Trust	243	-	81,470	13,498
	(354,260)	(319,751)	81,470	13,498

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

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.

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk exposure

30 Jun 2022 \$'000	Floating interest rate	ICF Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 Years	More than 5 years	
Financial assets					
Cash at bank	492	-	-	-	492
Financial liabilities					
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	-	-
30 Jun 2021 \$'000					
Financial assets					
Cash at bank	1,104	-	-	-	1,104
Financial liabilities					
Bank debt	175,000	-	-	75,000	250,000
Interest rate cap; Group pays fixed rate when above cap rate	(50,000)	-	50,000	-	-

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

25. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Interest rate sensitivity analysis

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

	Effect on profit after tax higher/(lower)			
	ICF		ICMT	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Increase in average interest rates of 100 bps:				
Variable interest rate bank debt (AUD denominated)	(3,650)	(1,750)	-	-
Interest rate cap (AUD denominated)	500	295	-	-
Decrease in average interest rates of 100 bps:				
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.

(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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

(h) Liquidity risk

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

25. FINANCIAL INSTRUMENTS (CONTINUED)

	ICMT			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
30 Jun 2022				
Trade and other payables	82,825	17	-	82,842
Right-of-use asset leases ⁽¹⁾	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) ⁽²⁾	260	1,041	-	1,301
	113,988	81,892	183,940	379,820
30 Jun 2021				
Trade and other payables	40,415	4,000	-	44,415
Right-of-use asset leases ⁽¹⁾	17,275	39,998	14,177	71,450
Ground leases (excluding perpetual lease)	1,059	4,493	28,422	33,974
Ground leases (perpetual lease) ⁽²⁾	260	1,041	-	1,301
	59,009	49,532	42,599	151,140

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

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

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

	ICF			Total \$'000
	Less than 1 year \$'000	1 to 5 Years \$'000	More than 5 years \$'000	
30 Jun 2022				
Liabilities				
Other financial liabilities	1,188	15,421	-	16,609
	1,188	15,421	-	16,609
30 Jun 2021				
Liabilities				
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) 30 Jun 2022 \$'000	Higher/(lower) 30 Jun 2021 \$'000	Higher/(lower) 30 Jun 2022 \$'000	Higher/(lower) 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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust

For the year ended 30 June 2022

26. FAIR VALUE MEASUREMENT

(a) Ingenia Communities Fund

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

i. Assets measured at fair value

	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)	
30 Jun 2022					
Investment properties	30-Jun-22 Note 9	-	-	895,037	895,037
Other financial assets	30-Jun-22 Note 14	-	3,785	-	3,785
30 Jun 2021					
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.

(b) Ingenia Communities Management Trust

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

i. Assets measured at fair value

	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)	
30 Jun 2022					
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
30 Jun 2021					
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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

26. FAIR VALUE MEASUREMENT (CONTINUED)

ii. Liabilities measured at fair value

	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)	
30 Jun 2022					
Resident loans	30-Jun-22	-	-	309	309
Other financial liabilities	30-Jun-22 Note 19	-	-	16,609	16,609
30 Jun 2021					
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

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

28. RELATED PARTIES (CONTINUED)

(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).

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.

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

28. RELATED PARTIES (CONTINUED)

The names of the directors and KMP of ICRE, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

KMP	Position	Term
Non-Executive KMP		
Jim Hazel	Chairman	Full year
Robert Morrison	Deputy Chairman	Full year
Amanda Heyworth	Director	Full year
Pippa Downes	Director	Full year
Gregory Hayes	Director	Full year
Sally Evans	Director	Full year
John McLaren ⁽¹⁾	Director	Appointed, effective 6 December 2021
Gary Shiffman	Director	Resigned, effective 6 December 2021
Executive KMP		
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.

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 ⁽¹⁾	LTIP	FY20	1,923	110,855
FY17 ⁽¹⁾	STIP	FY19	2,437	2,437
FY18 ⁽¹⁾	LTIP	FY21	171,777	243,726
FY18 ⁽¹⁾	STIP	FY20	34,300	34,300
FY19 ⁽¹⁾	LTIP	FY22	270,543	488,548
FY19 ⁽¹⁾	STIP	FY21	111,020	111,020
FY20	LTIP	FY23	372,439	442,547
FY20 ⁽¹⁾	STIP	FY22	111,092	126,609
FY21 ⁽¹⁾	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 ⁽¹⁾	FRR	FY22	42,819	-
FY22	FRR	FY23	18,876	-
FY22	LTIP	FY25	398,472	-
FY22	TRG	FY25	44,605	-
FY22	TRG	FY26	47,072	-
			2,249,677	2,317,767

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

Notes to the Financial Statements (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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
Net assets/(liabilities)	1,108,213	747,802	(34,348)	(37,494)
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)
Total security holders' equity	1,108,213	747,802	(34,348)	(37,494)
Profit/(loss) from continuing operations	28,558	27,929	(45,513)	(19,756)
Net profit/(loss) attributable to security holders	28,558	27,929	(45,513)	(19,756)
Total comprehensive income/(loss)	28,558	27,929	(45,513)	(19,756)

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
		%	%
Subsidiaries of ICF			
Bridge Street Trust	Australia	100	100
Browns Plains Road Trust	Australia	100	100
Casuarina Road Trust	Australia	100	100
Edinburgh Drive Trust	Australia	100	100
INA Community Living Subsidiary Trust	Australia	100	100
INA Kiwi Communities Subsidiary Trust No. 1	Australia	100	100
INA Sunny Trust	Australia	100	100
Jefferis Street Trust	Australia	100	100
Lovett Street Trust	Australia	100	100
Settlers Subsidiary Trust	Australia	100	100
Settlers Property Trust	Australia	-	100
SunnyCove Gladstone Unit Trust	Australia	100	100
SunnyCove Rockhampton Unit Trust	Australia	100	100
Taylor Street (2) Trust	Australia	100	100
INA Subsidiary Trust No.1	Australia	100	100
INA Community Living LLC	USA	100	100
INA Subsidiary Trust No.4	Australia	100	100
INA Subsidiary Trust No.5	Australia	100	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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

30. SUBSIDIARIES (CONTINUED)

	Country of residence	30 Jun 2022 %	30 Jun 2021 %
Subsidiaries of ICMT			
Garden Villages Management Trust	Australia	100	100
INA Community Living Lynbrook Trust	Australia	100	100
Settlers Operations Trust	Australia	100	100
INA DMF Management Pty Ltd	Australia	100	100
INA Operations Trust No.1	Australia	100	100
INA Operations Trust No.2	Australia	100	100
INA Operations Trust No.3	Australia	100	100
INA Operations Trust No.4	Australia	100	100
INA Operations Trust No.6	Australia	100	100
INA Operations Trust No.7	Australia	100	100
INA Operations Trust No.8	Australia	100	100
INA Operations Trust No.9	Australia	100	100
INA Operations Trust No.10	Australia	100	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 (continued)

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2022

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
Net profit for the year	4,901	27,574	67,972	9,137
Adjustments for:				
Share of joint venture (gain)/loss	(3,208)	1,186	(16)	72
Net (gain)/loss on change in fair value of:				
Investment properties - continuing	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	-
Income tax expense	-	-	31,974	3,032
Other	-	-	175	516
Operating profit before tax	36,670	26,758	29,187	21,359
Depreciation and amortisation expense	-	2	25,774	15,463
Finance costs	(27,629)	(25,102)	(83)	(28)
Operating cash flow before changes in working capital	9,041	1,658	54,878	36,794
Changes in working capital:				
Decrease/(increase) in receivables	(490)	4,561	(3,619)	2,911
Decrease in inventory	-	-	1,472	11,260
Increase/(decrease) in other payables and provisions	3,686	(925)	38,427	12,693
(Decrease)/increase in loans to related parties	(21,053)	(13,418)	19,246	25,251
Net cash provided by operating activities	(8,816)	(8,124)	110,404	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

Ingenia Communities Fund and Ingenia Communities Management Trust
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



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ingenia Communities Fund (the "Trust") and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 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.



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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.



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Information Other than the Financial Report and Auditor's Report

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



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

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

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

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

Ernst & Young

Ernst & Young

yBarnikel

Yvonne Barnikel
Partner
Sydney
24 August 2022



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

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

Independent Auditor's Report to the 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.

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.



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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.

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.

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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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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



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

Ernst & Young

Yvonne Barnikel
Partner
Sydney
24 August 2022