# APPENDIX 4E

## Annual Financial Report

## Year ended 30 June 2023

**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 2022 - 30 June 2023 |
| Previous corresponding period: | 1 July 2021 - 30 June 2022 |

**Results for announcement to the market**

| | 30 June 2023 | 30 June 2022 Restated | Change | Change |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | % |
| Revenue | 394,468 | 338,146 | 56,322 | 17% |
| Net profit for the year attributable to members[1] | 64,368 | 95,798 | (31,430) | (33%) |
| Underlying profit | 84,653 | 87,856 | (3,203) | (4%) |
| Net asset value per security ($)[1] | $3.77 | $3.72 | $0.05 | 1% |
| Net tangible assets per security ($)[1,2] | $3.52 | $3.46 | $0.06 | 2% |
| **Distributions - (cents)** | | | | |
| Final Distribution (payable 21 September 2023) | 5.8 | 5.8 | - | - |
| Interim Distribution (paid 23 March 2023) | 5.2 | 5.2 | - | - |
| **Total Distributions** | **11.0** | **11.0** | **-** | **-** |

| | |
|---|---|
| **FY23 Final distribution dates** | |
| Ex-dividend date | 25 August 2023 |
| Record date | 5pm 28 August 2023 |
| Payment date | 21 September 2023 |
| The Dividend and Distribution Reinvestment Plan is not operational for this distribution. | |

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

Control gained: None
Control lost: None

**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 2023 Annual Financial Report for further detail.

[1] FY22 restated for recognition of deferred taxes and a non-current liability. Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.
[2] Net tangible asset per security includes right-of-use assets.

**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 2023 Annual Financial Report.

**Audit status**

This report is based on the consolidated 30 June 2023 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 2023 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
22 August 2023

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

# FINANCIAL REPORT
# YEAR ENDED 30 JUNE 2023

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 2023

Contents

# Directors' Report

Ingenia Communities Holdings Limited
For the year ended 30 June 2023

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 2023 (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
Gregory Hayes
Sally Evans

**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)

**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 a director of Bendigo and Adelaide Bank Limited, and a Council Member and Pro-Chancellor of the University of South Australia. He is also a director of COTA Australia, the peak policy development, advocacy and representation organisation for older Australians. In addition, he is Chair of Barossa, Hills and Fleurieu Local Health Network.

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*
Nil

*Special responsibilities as at 30 June 2023*
Member of the Audit, Risk and Sustainability Committee

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 2023*
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 Heritage and People's Choice as well as Housing Choices Australia, and also 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 2023*
Member of the Audit, Risk and Sustainability Committee (1 December 2022 – present)
Member of the Remuneration and Nomination Committee (1 December 2022 – present)
Chair of the Remuneration and Nomination Committee (1 July 2022 - 1 December 2022)

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 boards of Australian Technology Innovators and Ms Downes is a member of the Australian Super Investment Committee as well as a member of the ASIC Consultative Panel.

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

Ms Downes holds a Masters in Applied Finance and a Bachelor of Science (Business Administration) and is a member of the Australian Institute of Company Directors, Chief Executive Women 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 2023*
Chair of the Audit, Risk and Sustainability 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 28 years of experience in executive and non-executive roles in financial and real estate public companies listed on the New York Stock Exchange.

Formerly President and Chief Operating Officer, Mr McLaren is currently the Strategic Advisor, Residential Communities 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 plus 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 2023*
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 Limited, 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, High Resolves and Alchemy Tribridge Pty Ltd, 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 also completed an Advanced Management Programme (Harvard Business School, Massachusetts).

*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

*Special responsibilities as at 30 June 2023*
Member of the Investment 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, Allianz Australia Life Holdings and Rest Superannuation, and is a member of the Aged Care Quality & Safety Commission Advisory Council. Ms Evans was previously also a member of the Australian Government's Aged Care Financing Authority.

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 2023*
Member of the Audit, Risk and Sustainability Committee
Member of the Remuneration and Nomination Committee (1 July 2022 – 1 December 2022)
Chair of the Remuneration and Nomination Committee (1 December 2022 – present)

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 2023.

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 30 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 2023*
Nil

*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 & Sustainability Committee | | Remuneration & Nomination Committee | | Investment Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Jim Hazel | 15 | 15 | 7 | 7 | - | - | - | - |
| Robert Morrison | 15 | 15 | - | - | 5 | 4 | 8 | 8 |
| Amanda Heyworth | 15 | 15 | 4 | 3 | 5 | 5 | - | - |
| Pippa Downes | 15 | 15 | 7 | 7 | - | - | 8 | 8 |
| Gregory Hayes | 15 | 15 | - | - | - | - | 8 | 7 |
| Sally Evans | 15 | 15 | 7 | 7 | 5 | 5 | - | - |
| John McLaren | 15 | 11 | - | - | - | - | - | - |
| Simon Owen | 15 | 15 | - | - | - | - | - | - |

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 2023 were:

| | Issued stapled securities | Rights |
|---|---|---|
| Jim Hazel | 439,445 | - |
| Robert Morrison | 254,528 | - |
| Amanda Heyworth | 224,736 | - |
| Pippa Downes | 40,868 | - |
| John McLaren(1) | 41,779,555 | - |
| Gregory Hayes | 20,000 | - |
| Sally Evans | 39,052 | - |
| Simon Owen | 1,392,976 | 1,283,045 |

(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.

**Company Secretaries**

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

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

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

Charisse Nortje
Ms Nortje has extensive company secretarial and governance experience, in both listed and private entity environments. Ms Nortje has worked mainly in the property and financial services sector for over 10 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. The Group's real estate assets at 30 June 2023 were valued at $2.0 billion, comprising 70 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 25 seniors rental communities (Ingenia Gardens). The Group also manages and has a co-investment in 11 assets through its development joint venture (JV) and funds management platform and provides management and development services to these entities. The Group was first included in the S&P/ASX 200 in December 2019 and has a market capitalisation of approximately $1.6 billion at 30 June 2023.

The Group's vision is to create Australia's best lifestyle and holiday communities, offering quality permanent and tourism accommodation with a focus on the seniors demographic. The Board is committed to delivering sustainable investments to support 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 services, to ensure they receive an amazing experience every day.


### Strategy

The Group is positioning for scale and long-term sector leadership while enhancing the operational performance of its investment properties and developing new sustainable communities.

Using a disciplined investment framework, the Group will: continue to refine its portfolio, with a focus on growing its lifestyle rental base; build out its existing development pipeline to improve asset quality and sustainability; expand development and revenue streams directly and via capital partnerships, including with Sun Communities, Inc (NYSE: SUI) and the Group's funds management platform; realise embedded growth and enhance returns from existing rental and holidays communities.

The immediate business priorities of the Group are:

- Improve resident and guest experience by investing in our systems and processes;
- Enhance competitive advantage through recruiting, retaining and developing industry leading talent;
- Improve performance of existing communities through maintainable rental growth, active cost management and investment in new rental and tourism cabins;
- Continue to build out the development pipeline across the Group and JV and integrate new building partners to support scale and settlement growth;
- Build on the Group's sustainability program through environmental, social and governance initiatives which include progressing the construction of three communities targeting a Green Star – Communities rating, delivering emissions reductions and expanding charitable giving;
- Maintain focus on employee, resident and guest health and safety; and
- Expand the Group's capital partnerships to leverage Ingenia's capability and established platform, while extending the Group's asset base through co-investment.

**Portfolio Refinement, Integration and Development Pipeline**

During the year, the Group divested two Ingenia Gardens rental communities (Horsham, VIC and Tamworth, NSW), one holiday park (Swan Reach, VIC) and one Lifestyle Rental community (Lake Munmorah, NSW) in line with a focus on divesting non-core assets and recycling capital into the Group's development pipeline.

Over FY23, the Group continued to build the development pipeline, acquiring two new development projects (Sunbury, VIC and Gordonvale, QLD) and securing land adjacent to the existing Plantations, NSW community. These projects extend the development opportunity in key markets and will contribute settlements in the short to medium term in line with a focus on expanding the Group's Ingenia Lifestyle portfolio.

The Group is well positioned for further expansion through development with 18 projects currently underway and 7 communities expected to commence over FY24-25 and a pipeline of future opportunities. The portfolio will also achieve incremental expansion by continuing to add sites within existing communities.

**FY23 Financial Results**

The year ended 30 June 2023 delivered total revenue of $394.5 million, up 17% on the prior year. Holidays and Mixed Use revenue increased by 31% driven by continued strong operational performance as a result of improved occupancy and rate coupled with the impact of acquisitions in FY22 and 1H23. Lifestyle Rental revenue increased 39% to $76.8 million attributable to high occupancy in the rental communities, increases in weekly rent and the full year impact of FY22 settlements and assets acquired. The Group settled 364[1] turnkey homes (30 Jun 2022: 409[1] homes).

Underlying profit of $84.7 million represents a decrease of $3.2 million (4%) on the prior year. Strong demand within the tourism platform, growth across the rentals business together with the integration of the FY22 acquisitions, increased the Group's recurring rental base. A significant increase in interest expense to support investment in development activity offset this growth.

Statutory profit of $64.4 million was down 33% on the prior year. The statutory result reflects a lower fair value uplift in the Group's investment property portfolio compared to the prior year.

Operating cash flow for the period was $82.5 million, down 28% from the prior year, predominantly driven by significant investment in inventory ahead of forecast settlements in FY24 and higher borrowing costs. Strong cashflows from the Lifestyle Rental and Holidays portfolios positively contributed to the operating cashflows for the year.

The Group's net asset value (NAV) of $3.77 per security was up by 1% (30 Jun 2022 restated[2]: $3.72) and net tangible assets per security (NTA) increased 2% to $3.52 (30 Jun 2022 restated[2]: $3.46).

[1] Including 46 settlements (30 Jun 2022: 56) at Ingenia Lifestyle Freshwater and Natura, the Group's joint venture projects with Sun Communities. Excludes 10 (30 Jun 2022: 18) settlements at Coastal Palms, part of the Funds Management business.
[2] Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

**Key metrics**

- Income generating sites across the Group of 14,558 sites as at 30 June 2023
- Statutory profit of $64.4 million, down 33% on the prior year
- Underlying profit of $84.7 million, down 4% on the prior year
- Basic earnings per security (Statutory) of 15.8 cps, down 38% on the prior year (30 Jun 2022 restated: 25.4 cps)
- Basic earnings per security (Underlying) of 20.8 cps, down 11% on the prior year (30 Jun 2022: 23.3 cps)
- Operating cash flows of $82.5 million, down 28% on the prior year
- Full year distribution of 11.0cps, inline with 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 2023 $'000 | 30 Jun 2022 Restated(2) $'000 |
|---|---|---|
| EBIT | 109,267 | 101,736 |
| Share of underlying joint venture profit | 3,098 | 5,078 |
| Share of associate loss | (514) | (250) |
| Net finance expense | (17,321) | (9,121) |
| Tax expense associated with underlying profit | (9,877) | (9,587) |
| **Underlying profit(1)** | **84,653** | **87,856** |
| | | |
| Net gain/(loss) on change in fair value of: | | |
| Investment properties | 4,906 | 72,170 |
| Acquisition costs | (4,383) | (24,083) |
| Financial liabilities | (2,723) | (4,255) |
| Investment and other financial instruments | 1,388 | 3,880 |
| Share of joint venture profit | (7,370) | 3,031 |
| Business combination transaction costs | 1,615 | (18,000) |
| Impairment of goodwill | - | (1,436) |
| Loss on disposal of investment properties | (2,840) | (175) |
| Tax expense associated with items below underlying profit | (10,878) | (23,190) |
| **Statutory profit** | **64,368** | **95,798** |

(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.

(2) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

**Segment performance and priorities**

***Residential***

Ingenia Lifestyle Development

The Group delivered 318 new turnkey settlements (30 Jun 2022: 353) with a further 46 (30 Jun 2022: 56) settlements in the JV due to extended construction times resulting from industry wide labour shortages which limited home completions. Settlement volume reflected deterioration in buyer sentiment in the second half of the financial year as successive interest rate rises and cost of living expenses impacted consumer confidence and increased days on market. While new home settlements declined by 10% on FY22, the Group achieved a 4% increase in the gross new home development profit from higher margin premium homes.

Development is currently underway at 18 communities and the Group has a strong development pipeline of 5,778 potential new home sites across 31 projects within Ingenia and the JV (30 Jun 2022: 6,580).

Demand remains resilient, with the lifestyle offering appealing to downsizers and positive responses to new project releases. Improved construction conditions and the availability of inventory supported a stronger second half and the ability to deliver settlements growth as residential market conditions improve.

Development and sales fees generated for services to the joint venture are reflected in other revenue. These fees increased materially in FY23 as new joint venture projects commenced.

The carrying value of the Ingenia Lifestyle Development investment property at 30 June 2023 is $275.3 million (30 Jun 2022: $272.9 million) with valuations moderating and home settlements resulting in the realisation of development value.

Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| New home settlements (#) | 318 | 353 | (10%) |
| Gross new home development profit ($m) | 65.5 | 62.7 | 4% |
| Other revenue ($m) | 2.1 | 0.7 | 200% |
| EBIT contribution ($m) | 33.3 | 35.8 | (7%) |
| EBIT margin (%) | 23.6 | 26.7 | (3%) |

*Strategic priorities*

The key strategic priorities for Ingenia Lifestyle Development include: progressing construction on existing and new projects to deliver additional revenue for Ingenia and the JV; securing further development approvals for new homes within the current pipeline and on new properties recently acquired; integrating new building partners to support scale and growth of settlements; launching new projects to provide further diversity and scale; securing land adjacent to the Group's existing communities; enhancing home and clubhouse designs to improve the sustainability of our communities; delivering an outstanding experience for new residents.

Ingenia Lifestyle Rental

At 30 June 2023, Ingenia Lifestyle Rental comprises 38 communities offering an attractive community lifestyle. Permanent rental income grew by 31% on the prior year driven by rental increases, acquisitions of new communities, new rental contracts from the settlement of new homes and investment in new rental cabins. Ingenia Lifestyle Rental EBIT increased 34% to $35.9 million.

During FY23, the Group continued to expand its rental assets by delivering 318 new settlements from its development business and benefited from the integration of assets acquired in FY22.

The Group added 62 new rental cabins across established communities at Chambers Pines, Durack and Eight Mile Plains.

The carrying value of the Lifestyle Rental investment property at 30 June 2023 is $868.4 million (30 Jun 2022: $827.1 million).

Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Permanent rental income ($m) | 62.3 | 47.4 | 31% |
| Tourism rental income ($m) | 2.6 | 1.5 | 73% |
| Other ($m) | 11.9 | 6.2 | 92% |
| EBIT contribution ($m) | 35.9 | 26.8 | 34% |
| Stabilised EBIT margin (%)(1) | 48.8 | 49.7 | (1%) |

(1) Excludes impact of one-off transactions and acquisitions/disposals during the periods.

*Strategic priorities*

The strategic priorities for Ingenia Lifestyle Rental are: increasing engagement and experience for new and current residents; maintaining high occupancy and sustainable rental growth; continued investment in new rental homes.

Ingenia Gardens

Ingenia Gardens comprises 25 rental communities located across the eastern seaboard and WA. Collectively, these communities offer 1,340 rental units.

The portfolio maintained high occupancy with demand for affordable seniors rental accommodation continuing across the portfolio. On a comparative portfolio basis, rental growth was achieved at a rate aligned to growth in the aged pension. EBIT was impacted by higher staff costs driven by award wage increases, and the divestment of two communities during the year.

The carrying value of Ingenia Gardens assets at 30 June 2023 is $168.0 million (30 Jun 2022: $167.2 million).

Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Rental communities (#) | 25 | 27 | (7%) |
| Occupancy (%) | 97.0 | 95.9 | 1% |
| Rental income ($m) | 24.8 | 24.4 | 2% |
| Catering income ($m) | 2.5 | 2.7 | (7%) |
| EBIT contribution ($m) | 10.5 | 11.5 | (9%) |
| EBIT margin (%) | 38.4 | 42.3 | (4%) |

*Strategic priorities*

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

***Tourism***

Ingenia Holidays and Mixed Use

At 30 June 2023, the Ingenia Holidays portfolio comprises 32 holiday communities that offer holiday accommodation, annual sites and permanent homes.

The Group continues to refine and consolidate the portfolio with the divestment of Ingenia Holidays Swan Reach, VIC; the installation of 38 new tourism cabins and the integration of 11 holiday parks acquired over FY22 and FY23. As part of the portfolio refinement, the Group has identified further non-core assets for sale (Lake Hume, NSW and Broulee, NSW).

Tourism rental income increased 36% and EBIT increased by 31%, driven by improved occupancy and rate together with the addition of new holiday parks to the portfolio. Tourism demand continues to perform at levels above pre-pandemic trading. The portfolio also benefitted from revenue growth from permanent and annual homes which provide diversity of revenue and a stable rent base within mixed use communities.

The carrying value of the Group's Holidays investment property at 30 June 2023 is $733.9 million (30 Jun 2022: $670.70 million).
Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Tourism rental income ($m) | 97.3 | 71.8 | 36% |
| Permanent rental income ($m) | 11.2 | 10.7 | 5% |
| Annuals rental income ($m) | 10.6 | 9.4 | 13% |
| Other ($m) | 7.3 | 4.7 | 55% |
| | | | |
| EBIT contribution ($m) | 46.4 | 35.3 | 31% |
| Stabilised EBIT margin (%)(1) | 36.7 | 39.7 | (3%) |

(1) Excludes impact of one-off transactions and acquisitions/disposals during the periods.

*Strategic priorities*

The strategic priorities for Ingenia Holidays are: growing tourism revenue by leveraging our customer database; improving guest experience; innovating our product and service offering; investing in new and upgraded accommodation to meet guest needs.

***Capital Partnerships***

Capital partnerships through co-investment and shared funding enables the Group to leverage the existing business platform, generate fee income and extend the Group's asset base. With a wide pipeline of opportunities before the Group, there is potential to expand and extend capital partnering to support future acquisitions, enhance development, and enable portfolio refinement and growth.

Development Joint Venture

The JV with Sun Communities (NYSE: SUI) leverages Ingenia's capability to generate fees for the Group's services and expand its development exposure via co-investment. As at 30 June 2023, the JV has invested in five projects with four under active development.

The JV delivered $26.9 million (30 Jun 2022: $24.2 million) of revenue, which includes the settlement of 46 (30 Jun 2022: 56) new homes at Burpengary, QLD and Bobs Farm, NSW. Construction of homes has commenced at Fullerton Cove, NSW the JV's third project which will launch in FY24.

During FY23, fees generated by Ingenia from the Joint Venture relate to acquisition and management. Development and sales fees are reflected in the Lifestyle Development segment.

Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Greenfield properties (#) | 5 | 5 | - |
| Investment carrying value ($m) | 61.8 | 66.1 | (7%) |
| New home settlements (#) | 46 | 56 | (18%) |
| Fee income ($m) | 1.1 | 0.9 | 22% |
| Joint venture revenue ($m) | 26.9 | 24.2 | 11% |
| Joint venture operating profit ($m) | 8.5 | 12.2 | (30%) |
| Share of (loss)/profit from joint venture ($m) | (4.3) | 8.1 | (153%) |

*Strategic priorities*

The strategic priority for the JV is to progress the development of its existing projects, delivering increased home settlements and rental cash flows. The JV leverages the expertise and local market knowledge of Ingenia to identify, acquire and develop sites. Once homes are sold, Ingenia provides operational services to the communities. At completion of development, Ingenia has the right to acquire the communities at market value.

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.

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

The decline in fee income is due to the divestment of the assets within one of the funds in FY22. The assets were acquired by Ingenia following approval from the Fund's shareholders. This transaction generated a performance fee and a gain on the Group's co-investment.

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Investment carrying value ($m) | 6.3 | 5.8 | 9% |
| Fee income ($m) | 1.6 | 4.9 | (67%) |
| Distribution income ($m) | 0.5 | 0.7 | (29%) |
| 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 maximise investor returns and deliver an income stream for the Group.

***Food, Fuel & Beverage***

The Group's investment in service station and food & beverage operations form part of the asset base and service offering for key Ingenia Holiday communities. The growth in FY23 EBIT is aligned to the strong performance in the Ingenia Holidays portfolio, with the offering contributing to an enhanced guest experience and providing a service to the greater local community.

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Total revenue ($m) | 19.3 | 18.5 | 4% |
| EBIT contribution ($m) | 1.1 | 0.9 | 22% |
| EBIT Margin (%) | 5.9 | 6.7 | (1%) |

**Capital management of the Group**

At 30 June 2023, the Group had a combined facility limit of $780.0 million, with drawn debt of $609.1 million and a weighted average term to maturity of 3.4 years. Interest rate exposure on 53.4% of the drawn debt is managed through a combination of fixed rate debt and interest rate derivatives.

The Group's Loan to Value Ratio ("LVR") was 31.4% (covenant 55%).

**Financial position**

The following table provides a summary of the Group's financial position as at 30 June 2023:

| | 30 Jun 2023 $'000 | 30 Jun 2022 Restated(1) $'000 | Change $'000 |
|---|---|---|---|
| Cash and cash equivalents | 45,716 | 14,486 | 31,230 |
| Inventories | 54,147 | 19,535 | 34,612 |
| Investment properties | 2,045,630 | 1,937,888 | 107,742 |
| Intangibles and goodwill | 102,584 | 103,203 | (619) |
| Other assets | 105,864 | 103,779 | 2,085 |
| Assets held for sale | 24,190 | 4,150 | 20,040 |
| **Total assets** | **2,378,131** | **2,183,041** | **195,090** |
| Borrowings | 661,668 | 495,603 | 166,065 |
| Other liabilities | 126,397 | 136,502 | (10,105) |
| Deferred tax liability | 53,279 | 36,359 | 16,920 |
| **Total liabilities** | **841,344** | **668,464** | **172,880** |
| **Net assets/equity** | **1,536,787** | **1,514,577** | **22,210** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Investment property book value increased by $107.7 million from 30 June 2022 as a result of the investment in capital works within communities under development and new acquisitions, offset by disposals of $53.0 million and the transfer of assets held for sale.

Borrowings increased by $166.1 million as the Group rebuilt its inventory, acquired development sites and invested in additional rental and tourism cabins across the portfolio.

**Cash flow**

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | Change $'000 |
|---|---|---|---|
| Operating cash flow | 82,497 | 114,902 | (32,405) |
| Investing cash flow | (168,053) | (731,714) | 563,661 |
| Financing cash flow | 116,786 | 612,501 | (495,715) |
| **Net change in cash and cash equivalents** | **31,230** | **(4,311)** | **35,541** |

Operating cash flow for the Group was down 28% to $82.5 million, due to the impact of increased construction timeframes from industry wide related shortages and lower home settlements rate. Additionally, the Group continued to invest in inventory to support FY24 settlements. This was offset by strong performance in the tourism portfolio and growth in the rental portfolio.

**Distributions**

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

- On 21 February 2023, the Directors declared an interim distribution of 5.2 cps, amounting to $21.2 million which was paid on 23 March 2023.
- On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

**FY24 outlook**

The Group's lifestyle rental business remains well placed for ongoing expansion with strong demand from an ageing population and growing demand for affordable community based living. Residents are increasingly seeking quality community living and affordable rental accommodation in metro, coastal and regional markets which the Group is well positioned to deliver, with 18 communities under construction and additional sites in planning or under review. Accelerated development activity, acquisitions over FY22 and FY23 which increased the rental base and investment in inventory capitalises on this demand, enabling the long-term sustainable generation of rental cash flows. Ingenia will continue to grow its Lifestyle business through its development pipeline, generating attractive returns, stable, resilient cashflows and increased scale. Investing in new rental homes also remains a key priority for the Group to build out cash flows in established communities.

Demand for domestic tourism is expected to continue and Ingenia is positioned to benefit with an extensive portfolio located in attractive holiday destinations. The priority for Ingenia Holidays is to enhance the customer experience by refurbishing existing cabins, investing in new accommodation and targeting growth in non-peak occupancy.

The Group's strong balance sheet and focus on recycling capital through the sale of non-core assets provide continuing capacity for growth and sector leadership. The Group will also increase its asset base through capital partnerships, including the ongoing development activity in the JV as new projects contribute settlements and fees. Co-investment via capital partnership will remain a driver for growth, enabling a wider exposure to asset acquisitions and opportunities.

Ingenia will continue to deliver on its environmental commitments as the Group targets net zero emissions (Scope 1 and 2) by 2035 and the development of sustainable communities.

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

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### EVENTS SUBSEQUENT TO REPORTING DATE

Final FY23 distribution
On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

### LIKELY DEVELOPMENTS

The Group will continue to pursue strategies aimed at the longer term growth of its cash earnings, profitability and market share within the lifestyle, rental and tourism sectors through:

- Developing greenfield sites in identified growth corridors and expanding existing lifestyle and rental communities;
- Ongoing co-investment through the Group's capital partnerships to fund growth and leverage scale and capability; and
- Divesting non-core assets to further support investment in growth and portfolio refinement.

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 32.

**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, Risk and Sustainability 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, Risk and Sustainability 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, 22 August 2023

On behalf of the Board and the Remuneration and Nomination Committee ("RNC"), I am pleased to present our Remuneration Report for the year ended 30 June 2023

Sally Evans
Chair, Remuneration and Nomination Committee

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Ingenia has experienced a mixed year in which successive interest rate rises and construction industry delays impacted settlements while simultaneously the business experienced strong demand in our rental, core lifestyle and holidays segments. The management team demonstrated agility and resilience in the way they adapted to this situation with a range of initiatives to address the challenges leading to changes in the priorities for the second half of the year. These initiatives are ongoing in FY24 delivering increased certainty over build schedules and greater leverage of our operating scale. We also made good progress on our ESG agenda with a particular focus on developing our initial Reconciliation Action Plan, emission reduction plans and we continue to set the standard on executive and board gender diversity.


Ingenia is a pioneer of the land lease sector which is experiencing increased competition for experienced leaders as new competitors enter our market. This competition, combined with the broader war for experienced people, has warranted us taking a holistic approach to retention through investment in building capabilities, career development, and succession planning, in addition to ensuring we are remunerating our people competitively.

The health, wellbeing and engagement of our people will always be a key focus. During FY23 we recognised the increasing cost of living pressures faced by our people and made the decision to bring forward the Hospitality Award increase from October 2022 to July 2022. In addition, for the sixth year in a row, we awarded the majority of our people with Ingenia securities via the INVEST Plan at a value of $500. Furthermore, we have invested more into our Employee Assistance, Mental Health First Aid programs and Whistleblower Hotline. We are very pleased with the outcomes from the investment in leadership development and culture.

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. We ranked third 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. We produced our first Climate Disclosure Report and continued to implement our solar strategy. To support our focus on waste reduction we have implemented recycling stations at the majority of our holiday parks. Through an upgrade to hot water systems, we have seen a reduction in running costs for residents. In addition, we are delighted to report we have commenced construction at three communities targeting a Green star rating, including Beveridge which will be our first Green Star Homes Community.

### Remuneration framework

The remuneration framework remains fit for purpose. The only change will be from FY24, when we will cease to issue performance rights which attract a distribution entitlement. 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 asset levels. The Board has 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 FY23

The Board made FY23 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 below the peer group benchmark and as such received a 9% increase through a cash adjustment and an equity grant of Fixed Remuneration Rights. His STI opportunity moved to 95% (previously 80%) and LTI opportunity remained at 85% of fixed remuneration. The equity grants were approved by unit holders at the November 2022 Annual General Meeting. The CIO & GC fixed remuneration was below the peer group benchmark and as such received an 11% increase. Her STI opportunity moved to 60% (previously 45%) and LTI opportunity remained at 60% of fixed remuneration.

STI outcomes are aligned to operational and strategic business objectives and demonstrated leadership behaviours. Whilst formulaic KPI targets and requirements remained unchanged, discretion was applied to KPI weightings to reflect the mid-year changes in priorities responding to market conditions. FY23 Short-Term Incentives were awarded to KMPs in the range of 65% to 75% of maximum. STIs are deferred 67% for the CEO and 50% for CIO & GC. The Board determined that the profit sustainability threshold had been met to allow FY22 deferred STIs to vest in full.

As foreshadowed in last year's report, and approved at our November 2022 AGM, the non-executive director fee pool increased for the first time in ten years to $1,600,000. Board fees were increased in FY23 to align with the benchmark peer group and total cost of fees was $980,708.

Our FY20 LTI award vested at 40%, with the relative TSR tranche at maximum and underlying EPS growth and ROE tranches at zero. The Board did not apply any discretion on this outcome. The FY21 LTI awards will be formally tested on 30 September 2023 and disclosed in the FY24 Remuneration Report, however our forecast indication is these will not vest.

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.

### Executive Changes and Succession Planning

In December, Chief Financial Officer (CFO) Scott Noble left Ingenia although he remained available as required. During the year, as part of building depth and breadth in the executive team, we appointed a new CFO, Justin Mitchell, who commenced in early July 2023.

In addition, we appointed a Chief Customer Officer and Chief Information and Technology Officer with the purpose of positioning the leadership team for significant scale growth and effective business operation. We have also commenced a planned transition process for Non-Executive Directors as part of normal board governance.

### Looking ahead

The RNC continues to review our people practices, remuneration framework and metrics to ensure we focus on growth and development of our people, building strong capable leaders and to ensure it remains fit for purpose. In doing so, we are mindful of feedback from investors, the material increase in the scale and scope of the business and growing competition for experienced people with the entry of new competitors into the land lease sector. Some areas of focus for FY24:

- Evaluation of our LTI design, to apply from FY25, giving consideration to our evolving business focus.
- Assessment of our operating model, placing greater focus on net operating income as a value driver.
- Further investment in our people development to grow internal talent and reduce reliance on external recruitment.

**REMUNERATION REPORT (AUDITED)**

**INTRODUCTION**
The Board is pleased to present the Remuneration Report for the Group for the year ended 30 June 2023, 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.

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

| Principles | Remuneration Component | Measure |
|---|---|---|
| Fixed remuneration should be fair, competitive and benchmarked to comparable market roles. | Total Fixed Remuneration (TFR)<br>Annual salary, calculated on a total cost basis to include salary-packaged benefits grossed up for FBT, employer superannuation contributions, Fixed Remuneration Rights (FRR) and other non-cash benefits that may be agreed from time to time. | External benchmarking is reviewed by independent remuneration specialists Guerdon Associates.<br><br>The RNC reviews and makes recommendations to the Board in relation to TFR levels for executive KMP at least annually. |
| A significant portion of remuneration should be 'at risk' and awarded to executives based on the achievement of agreed objectives and hurdles.<br><br>Remuneration should be aligned to the interests of all security holders and build ownership and alignment.<br><br>The Board maintains sole discretion over the granting of equity rights as remuneration to employees. | Short-Term Incentive (STIs)<br>For achievement of STIs in relation to executive KMP, the payment is:<br>• CEO: 33% cash and 67% deferred equity rights<br>• CIO & GC: 50% cash and 50% deferred equity rights<br><br>STI equity rights are deferred for 12 months. The deferral element is rights to INA stapled securities.<br><br>STI equity rights vest subject to a Board assessment and a malus provision during the deferral period where Rights may be forfeited if underlying earnings growth is not sustainable or circumstances set out in the Rights Plan Rules occur (such as fraud, dishonesty, a breach of obligations or material misstatement of Ingenia's financial position). | STIs are awarded to executive KMP whose achievements, behaviour and focus meet the Group's business plan and individual Key Performance Indicators (KPI's) measured over the financial year.<br><br>KPIs comprise financial and non-financial metrics and overall behaviours. |
| | Long-Term Incentive (LTIs)<br>LTI equity rights are granted to executive KMP to align their focus with the Group's strategy and overall financial outcomes.<br><br>LTI grants are made in equity rights to ensure alignment with security holders' interests. | LTI performance conditions are as follows:<br>• Relative Total Security holder Return (TSR) measured over three financial years.<br>• Return on Equity (ROE) performance measured in the third year following the LTI grant.<br>• Underlying Earnings per Security (EPS) growth over three financial years.<br>• 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 our people 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 since 2017. |
| Talent Rights Grant (TRG) | The purpose of the TRG is retaining and incentivising 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 Group's Rights Plan, employees remaining in service and their satisfactory performance. |

### 1.3. Rights Plan

The current Rights Plan was approved by security holders at the AGM held on 17 November 2022. 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 when the Rights Plan is submitted for security holder approval in November 2023.

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. Rights issued from FY24 will no longer receive this distribution adjustment.

## 2. REMUNERATION OUTCOMES

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

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 2023:

| | FY19 | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|---|
| **Financial results** | | | | | |
| Revenue ($'000) | 228,708 | 244,209 | 295,578 | 338,146 | 394,468 |
| EBIT ($'000) | 61,490 | 71,892 | 94,351 | 101,736 | 109,267 |
| Underlying profit ($'000) | 47,221 | 59,109 | 77,234 | 87,856 | 84,653 |
| Statutory profit ($'000)(1) | 29,313 | 31,452 | 62,639 | 95,798 | 64,368 |
| **Security based metrics** | | | | | |
| Underlying (Basic) EPS(2) (cents) | 21.0 | 22.1 | 23.6 | 23.3 | 20.8 |
| Statutory (Basic) EPS(1) (2) (cents) | 13.0 | 11.8 | 19.2 | 25.4 | 15.8 |
| Underlying ROE (%)(3) | 8.1 | 7.9 | 8.0 | 6.8 | 5.5 |
| Statutory ROE (%)(1) | 5.0 | 4.2 | 6.5 | 7.4 | 4.2 |
| Net asset value per security ($)(1) | 2.65 | 2.90 | 3.00 | 3.72 | 3.77 |
| Security price at 30 June ($) | 3.24 | 4.49 | 6.14 | 3.98 | 3.98 |
| Distributions (cents) | 11.20 | 10.0 | 10.5 | 11.0 | 11.0 |
| **Remuneration awards** | | | | | |
| Average STI awarded to KMP (%) | 80.0 | 66.3 | 76.9 | 79.3 | 68.3 |
| Average LTI awarded to KMP (%) | 66.3 | 79.8 | 70.0 | 86.7 | 40.0 |

(1) FY21 and FY22 figures have been restated. Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

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

(3) 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.

### 2.2. Details of KMP

KMP for the year ended 30 June 2023 are those persons identified as having direct or indirect authority and responsibility for planning, directing, and controlling the activities of the Group, and include Executive Directors or NEDs of the Group.

KMP of the Group for the year ended 30 June 2023 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 | Director | Full year |
| **Executive KMP** | | |
| Simon Owen | CEO & Managing Director | Full year |
| Natalie Kwok | CIO & General Counsel | Full year |
| Scott Noble | Chief Financial Officer | Resigned, effective 30 December 2022 |

As at 30 June 2023, the remuneration mix for Executive KMPs was:

| Maximum Potential Total Remuneration | TFR | STI | LTI | Total |
|---|---|---|---|---|
| Simon Owen (CEO) | $990,000(1) | $940,500 | $841,500 | **$2,772,000** |
| Natalie Kwok (CIO & GC) | $500,000 | $300,000 | $288,000 | **$1,088,000** |
| Scott Noble (CFO)(2) | $250,000 | $150,000 | $300,000 | **$700,000** |

(1) Inclusive of 55,335 FRR's that were granted in lieu of $225,000 cash.

(2) Mr Noble was deemed to be a KMP for the period 1 Jul 2022 to 30 December 2022. The FY23 maximum remuneration disclosed in the above table is for the 6 month period that he was KMP. The above table does not include the 4 month ex-gratia payment and 6 month in lieu of notice payment that was granted to Mr Noble, refer to section 4.1 for additional information.

### 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 appropriately for each individual taking 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 2023 financial year, TFR increases are shown in the table below. The increase in CEO remuneration was partly in the form of 55,335 (30 Jun 2022: 34,628) Fixed Remuneration Rights (FRR's) which were issued following investor approval at the 2022 AGM.

| KMP | FY23 TFR | FY22 TFR | Movement |
|---|---|---|---|
| Simon Owen (CEO) (1) | $990,000 | $905,000 | 9.4% |
| Natalie Kwok (CIO & GC) | $500,000 | $450,000 | 11.1% |
| Scott Noble (CFO) (2) | $250,000 | $450,000 | NM |

(1) Inclusive of 55,335 FRR's (FY22: 34,628) that were granted in lieu of $225,000 cash (FY22: $205,000).

(2) Mr Noble was deemed to be a KMP for the period 1 July 2022 to 30 December 2022. The FY23 remuneration disclosed in the above table is for the 6 month period that he was KMP. The above table does not include the 4 month ex-gratia payment and 6 month in lieu of notice payment that was granted to Mr Noble, refer to section 4.1 for additional information.

### 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. The KPIs have been chosen to focus individuals on meeting the Group's business plan.

FY23 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 (weighting 40% to 50%):** | | | |
| EBIT | Below Target | Below Target | Below Target |
| Underlying profit | Threshold | Threshold | Threshold |
| Capital Management & Partnerships | Target | Target | Target |
| Acquisitions & Asset Recycling | N/A | Above Target | Above Target |
| **Strategic & Operational objectives (weighting 50% to 60%):** | | | |
| Safety & Risk | Target | Target | Target |
| People | Target | Above Target | Target |
| Settlements | Target | Target | Target |
| ESG | Above Target | Above Target | Above Target |
| Business Transformation | Target | Target | Target |
| **Behaviours:** | Strong | Exceptional | Strong |
| **STI % of maximum achieved** | 65% | 75% | 65% |
| **STI awarded $** | $611,325 | $225,000 | $97,500 |
| **STI Cash** | $203,775 | $112,500 | $97,500 |
| **STI Deferred Equity** | $407,550 | $112,500 | - |

In considering the STI outcomes equal weighting is given to both results and behaviours. Furthermore, whilst formulaic KPI targets and requirements remained unchanged, discretion was applied to KPI weightings to reflect the mid-year changes in priorities responding to market conditions.

FY23 Short-Term Incentives were awarded to KMPs in the range of 65% to 75% of the maximum. Under the STI Plan, 33% of the outcome for the CEO and 50% for the 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 the grant 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.

Unvested STIP Rights held by KMP during the year were:

| | Balance 1 July 2022 | Granted | Vested | Lapsed | Balance 30 June 2023 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Simon Owen | 41,836 | 93,615 | (42,863) | - | **92,588** |
| **Executives** | | | | | |
| Natalie Kwok | 12,026 | 21,462 | (12,322) | - | **21,166** |
| **Total** | **53,862** | **115,077** | **(55,185)** | **-** | **113,754** |

Mr Noble's opening STIP Rights holding at 1 July 2022 was 13,089 and in the period up until his resignation, the number of granted and vested STIP Rights were 24,808 and 13,411 respectively. Upon his resignation on

30 December 2022, 24,486 unvested STIP Rights remained on foot. These unvested Rights are subject to the profit sustainability and 'malus' provision during the deferral period.

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 2023.

| 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 | 92,588 | $3.62 | 1-Oct-22 | $335,261 | 1-Oct-23 | $41,831 |
| N. Kwok | FY22 | 21,166 | $3.62 | 1-Oct-22 | $76,642 | 1-Oct-23 | $9,563 |
| **Total** | | **113,754** | | | **$411,903** | | **$51,394** |

On 1 October 2022, Mr Noble was granted 24,486 STIP Rights with a fair value of $88,664. Upon his resignation, his unvested STIP Rights remained on foot with the expense recognised in full during FY23. Refer to section 2.6 for further detail.

**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 FY22 LTIP Performance Conditions can be found in the 30 June 2022 Remuneration Report, available on the Group's website.

FY23 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 2022 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 2022 to 30 September 2025). 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 FY23 LTIP Rights issue date and the FY23 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 FY23, the relevant metric is ROE achieved for FY25 on the following basis:

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

*EPS Performance Condition (25%)*
EPS is defined as underlying profit (as disclosed in annual reports) divided by the weighted average number of securities over the financial year. The Board has discretion to exclude the dilutive impact of acquisitions or capital raisings that are considered in the best interest of the company if these occur within the final 12 months of the performance period. Any discretion applied will be disclosed. The relevant metric is Compound Underlying EPS Growth for the period FY22 to FY25 with the FY22 base year Underlying EPS being 23.3 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 2025, with 409 settlements from the base year ended 30 June 2022.

| | **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 2022) | 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 FY23 LTIP methodology determines security value as the VWAP of Ingenia securities in the 30-day trading period ending on 1 October 2022. The number of LTIP Rights granted in FY23 was calculated by dividing the LTIP award by the security value (as defined above).

From the vesting date, FY23 LTIP Rights grants may be exercised 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 Board aims to have executive KMP incentivised to grow distributions to security holders. Executives do not receive distributions (cash or accrued) on securities underlying any Rights that do not vest or remain unexercised.

*LTIPs Awarded in FY23*

FY20 LTIP rights were tested on 1 October 2022 resulting in the combined vesting of 86,404 rights for Mr Owen, Ms Kwok, and Mr Noble.

The Board did not apply any discretion in this outcome.

| LTIP hurdles | Weighting | Threshold | Performance | LTIP % achieved |
|---|---|---|---|---|
| TSR (ASX-200 A-REIT) | 40.0% | Index +1% | Maximum achieved<br>INA TSR of 11.4% | 40.0% |
| ROE(1) | 30.0% | Equal to or greater than 8% | Nil achievement<br>Adjusted ROE at 7.0% | Nil |
| Underlying EPS | 30.0% | Equal to or greater than 5% | Nil achievement<br>EPS of 3.6% | Nil |
| | **100.0%** | | | **40.0%** |

(1) Underlying ROE performance hurdle for LTIPs adjusts ROE to remove the impact of investment property valuations on net assets over the vesting period.

Unvested LTIP Rights held by KMP during the year were:

| | Balance 1 July 2022 | Granted | Vested | Lapsed | Balance 30 June 2023 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Simon Owen | 411,746 | 211,188 | (62,659) | (87,631) | **472,644** |
| **Executives** | | | | | |
| Natalie Kwok | 83,415 | 71,325 | (7,341) | (10,266) | **137,133** |
| **Total** | **495,161** | **282,513** | **(70,000)** | **(97,897)** | **609,777** |

Mr Noble's opening LTIP Rights holding at 1 July 2022 was 105,733. In the period up until his resignation: he was granted 74,889 LTIP Rights; 16,404 Rights vested; 22,940 LTIP Rights lapsed. Consequently, he held 141,278 unvested LTIP Rights at resignation. Mr Noble's unvested LTIP Rights remain on foot and are subject to natural performance conditions.

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

*Summary of LTIPs on issue to KMP*
The following table sets out all LTIPs granted to-date and not vested at 30 June 2023.

| 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 | FY23 | 206,950 | $2.94 | 17-Nov-22[1] | $607,771 | 1-Oct-25 | $415,613 |
| | FY22 | 116,805 | $4.63 | 11-Nov-21[2] | $540,807 | 1-Oct-24 | $225,103 |
| | FY21 | 148,889 | $2.61 | 10-Nov-20[3] | $388,600 | 1-Oct-23 | - |
| Natalie Kwok | FY23 | 70,828 | $2.60 | 1-Oct-22 | $184,022 | 1-Oct-25 | $142,242 |
| | FY22 | 30,749 | $4.63 | 1-Oct-21 | $142,368 | 1-Oct-24 | $59,259 |
| | FY21 | 35,556 | $2.61 | 1-Oct-20 | $92,801 | 1-Oct-23 | - |
| **Total** | | **609,777** | | | **$1,956,369** | | **$842,217** |

(1) Grant date following the 2022 AGM with price based on 30-day VWAP at 1 October 2022 to align with other executives.
(2) Grant date following the 2021 AGM with price based on 30-day VWAP at 1 October 2021 to align with other executives.
(3) Grant date following the 2020 AGM with price based on 30-day VWAP at 1 October 2020 to align with other executives.

On 1 October 2022, Mr Noble was granted 73,779 LTIP Rights with a fair value of $191,689. Upon his resignation, his unvested LTIP Rights remained on foot with the maximum remaining expense for future years, of, $214,011, recognised in full during FY23. Refer to section 2.6 for further detail.

In addition, Mr Owen and Ms Kwok hold 393,569 and 7,341 vested Rights, respectively, that they have not exercised. Vested rights expire 15 years from the grant date of the LTI Rights and STI Rights.

### 2.6. Executive Remuneration for FY23

The following tables outline the remuneration provided to executive KMP for FY22 and FY23. Separate to the numbers outlined below, the Group accrues annual leave and long service leave in accordance with statutory requirements.

*Reported Remuneration - Statutory presentation*

| | | Short-Term | | Post-employment | Share-based payments | | | | Performance related | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Financial Year** | **Salary** | **STI Cash[1]** | **Superannuation Benefits** | **FRR** | **STI Deferred[1]** | **LTI & TRG[2]** | **Total** | **STI, LTI & TRG** | **LTI & TRG** |
| | | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **(%)** | **(%)** |
| **S. Owen** | **2023** | **514,708** | **203,775** | **25,292** | **225,000** | **393,005** | **326,452** | **1,688,232** | **55** | **19** |
| | 2022 | 676,432 | 188,240 | 23,568 | 205,000 | 296,874 | 314,337 | 1,704,451 | 47 | 18 |
| **N. Kwok** | **2023** | **463,041** | **112,500** | **25,292** | **-** | **93,717** | **128,175** | **822,725** | **41** | **16** |
| | 2022 | 426,432 | 86,063 | 23,568 | - | 62,200 | 153,803 | 752,066 | 40 | 20 |
| **S. Noble** | **2023[3]** | **231,031** | **97,500** | **18,969** | **-** | **64,890** | **318,124** | **730,514** | **66** | **44** |
| | 2022 | 426,432 | 99,563 | 23,568 | - | 81,856 | 80,754 | 712,173 | 37 | 11 |
| **Total** | **2023** | **1,208,780** | **413,775** | **69,553** | **225,000** | **551,612** | **772,751** | **3,241,471** | **54** | **24** |
| Total | 2022 | 1,529,296 | 373,866 | 70,704 | 205,000 | 440,930 | 548,894 | 3,168,690 | 43 | 17 |

(1) Cash STIs were accrued in the year ended 30 June 2023. 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. Prior to her appointment as a KMP, Ms Kwok was granted 44,446 TRG Rights. 50% of Ms Kwok's TRG Rights vested on 31 July 2022, with the remaining 50% vesting on 31 July 2023.
(3) Mr Noble was deemed to be a KMP for the period 1 July 2022 to 30 December 2022. The FY23 remuneration disclosed in the above table is for the 6 month period that he was KMP. The above table does not include the 4 month ex-gratia payment $166,667 and 6 month notice payment $250,000 that was granted to Mr Noble, refer to section 4.1 for additional information. 100% of Mr Noble's pro-rated FY23 STI was received in cash. STI and LTI share-based payments refer to unvested Rights which remain on foot and for which the full accelerated expense has been recognised in FY23. The unvested Rights remain subject to natural performance conditions.

*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** | **2023** | **765,000** | **225,000** | **203,775** | **174,290** | **254,784** | **1,622,849** | **356,325** |
| | 2022 | 700,000 | 205,000 | 188,240 | 612,938 | 1,120,774 | 2,826,952 | 158,796 |
| **N. Kwok** | **2023** | **488,333** | **-** | **112,500** | **50,104** | **29,850** | **680,787** | **41,744** |
| | 2022 | 450,000 | - | 86,063 | - | 120,269 | 656,332 | 17,037 |
| **S. Noble** | **2023(4)** | **250,000** | **-** | **97,500** | **54,532** | **66,702** | **468,734** | **93,279** |
| | 2022 | 450,000 | - | 99,563 | 117,260 | 246,328 | 913,151 | 34,898 |
| **Total** | **2023** | **1,503,333** | **225,000** | **413,775** | **278,926** | **351,336** | **2,772,370** | **491,348** |
| Total | 2022 | 1,600,000 | 205,000 | 373,866 | 730,198 | 1,487,371 | 4,396,435 | 210,732 |

(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 FY23 based on the 30 day VWAP up to the 1 October 2022 vesting date of $4.07 (1 October 2021: $6.59).
(3) The value shown represents the value of any prior year LTI Rights that lapsed or were forfeited during the financial year. The FY23 values are based on the 30 day VWAP up to the 1 October 2022 vesting date of $4.07 (1 October 2021: $6.59).
(4) Mr Noble was deemed to be a KMP for the period 1 July 2022 to 30 December 2022. The FY23 remuneration disclosed in the above table is for the 6 month period that he was KMP. The above table does not include the 4 month ex-gratia payment $166,667 and 6 month notice payment $250,000 that was granted to Mr Noble, refer to section 4.1 for additional information. 100% of Mr Noble's pro-rated FY23 STI was received in cash.

## 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 2022 | 1 Dec 2021 |
|---|---|---|
| Chairman | $252,000 | $240,000 |
| Non-Executive Director | $120,000 | $114,000 |
| Deputy Chairman | $23,000 | $22,000 |
| Committee Chair | $23,000 | $22,000 |
| Committee Member | $11,500 | $7,500 |

**3.2. Non-Executive Directors' Remuneration**

The maximum aggregate fee pool available to NEDs has increased to $1,600,000 on 1 July 2022 from $1,000,000 as approved at the November 2022 AGM. Total remuneration paid to Directors in FY23 was $980,708.

The following table outlines the remuneration provided to NEDs for FY23 and FY22, 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 | FY23 ($) | FY22 ($) | Compliance with security holding policy |
|---|---|---|---|
| Jim Hazel | 247,000 | 225,833 | Yes |
| Robert Morrison | 172,500 | 156,292 | Yes |
| Amanda Heyworth | 140,083 | 129,229 | Yes |
| Pippa Downes | 149,917 | 134,708 | Yes |
| Gregory Hayes | 127,333 | 120,792 | On track |
| Sally Evans | 143,875 | 120,792 | Yes |
| John McLaren(1) | - | - | Yes(2) |
| **Total** | **980,708** | **887,646** | |

(1) 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. As a nominee of Sun Communities Mr McLaren is not entitled to remuneration by ICH.

(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:

- Sally Evans (Chair);
- Robert Morrison;
- Amanda Heyworth.

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; monitor and oversee talent development and employee engagement initiatives.

The RNC is required to meet regularly throughout the year (a minimum of twice per year) and considers recommendations from management and external advisors.

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

**Use of discretion**

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

During FY23, the Board exercised its discretion in relation to Mr Noble's separation, paying his notice period of 6 months $250,000 and an ex-gratia payment of 4 months $166,667 in exchange for him being available as required. In addition, his unvested Rights remain on foot, subject to performance conditions. The maximum value of the unvested Rights is $214,011.

Discretion was applied to the KPI outcomes as they related to STI, with an overlay of performance factors not specifically captured in the scorecard and which reflected a change in priorities in the second half of the year.

No discretion was applied in relation to LTI outcome.

**External remuneration advisers**

Guerdon Associates, initially engaged in March 2014, provided independent remuneration advice during FY23 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.

### 4.2. 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 2.4 and 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 2022 | Acquisitions | Exercise of vested Rights | Disposals | Balance 30 June 2023 |
|---|---|---|---|---|---|
| **Non-Executive KMP** | | | | | |
| Jim Hazel | **439,445** | - | - | - | **439,445** |
| Robert Morrison | **254,594** | - | - | (66) | **254,528** |
| Amanda Heyworth | **224,736** | - | - | - | **224,736** |
| Pippa Downes | **40,868** | - | - | - | **40,868** |
| Gregory Hayes | **20,000** | - | - | - | **20,000** |
| Sally Evans | **19,316** | 19,736 | - | - | **39,052** |
| John McLaren(1) | **41,779,555** | - | - | - | **41,779,555** |
| **Executive KMP** | | | | | |
| Simon Owen | **1,512,976** | - | - | (120,000) | **1,392,976** |
| Natalie Kwok | **59,899** | - | - | - | **59,899** |

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

Mr Noble's opening security holding at 1 July 2022 was 40,208 and was unchanged in the period up until the date he ceased to be a KMP, 30 December 2022.

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

*Contract terms*

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

Other contract terms are noted below:

| | CEO & MD | CIO & GC | CFO |
|---|---|---|---|
| **Fixed remuneration** | Total fixed remuneration includes cash salary, superannuation, FRR and other non-cash benefits. | | |
| **Variable remuneration**(1) | • Eligible for STI of up to 95% for any one year of the fixed annual remuneration, of which 67% is in the form of deferred equity.<br>• Eligible for LTI of up to 85% for any one year of fixed annual remuneration. | • Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity.<br>• Eligible for LTI of up to 60% for any one year of fixed annual remuneration. | • Eligible for STI of up to 60% for any one year of fixed annual remuneration, of which 50% is in the form of deferred equity.<br>• Eligible for LTI of up to 60% for any one year of fixed annual remuneration. |
| **Notice period** | 12 months | 6 months | 6 months |
| **Non-compete period** | 12 months | 12 months | 12 months |
| **Non-solicitation period** | 12 months | 12 months | 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.

Sally Evans
Chair - Remuneration and Nomination Committee
Sydney, 22 August 2023

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# 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 2023, 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.

Ernst + Young

Ernst & Young

Yvonne Barnikel
Partner
22 August 2023

# Consolidated Statement of Comprehensive Income

Ingenia Communities Holdings Limited
For the year ended 30 June 2023

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 Restated[1] $'000 |
|---|---|---|---|
| Lifestyle homes sales | | 139,261 | 131,774 |
| Residential rental income | | 98,279 | 82,605 |
| Tourism rental income | | 99,896 | 73,350 |
| Annuals rental income | | 10,647 | 9,472 |
| Other revenue | 5 | 46,385 | 40,945 |
| **Revenue** | | **394,468** | **338,146** |
| Cost of lifestyle homes sold | | (73,757) | (68,820) |
| Employee expenses | | (98,501) | (78,715) |
| Property expenses | | (54,302) | (42,018) |
| Administrative expenses | | (26,375) | (18,658) |
| Operational, marketing and selling expenses | | (18,482) | (13,434) |
| Service station expenses | | (9,371) | (10,680) |
| Depreciation and amortisation expense | 12,13,14 | (4,413) | (4,085) |
| **Operating profit before interest and tax** | | **109,267** | **101,736** |
| Net finance expense | 6 | (17,321) | (9,121) |
| **Operating profit before tax** | | **91,946** | **92,615** |
| Share of joint venture (loss)/profit | 15 | (4,272) | 8,109 |
| Share of associate loss | | (514) | (250) |
| Net gain/(loss) on change in fair value of: | | | |
| Investment properties | 11(b) | 4,906 | 72,170 |
| Acquisition transaction costs | 11(b) | (4,383) | (24,083) |
| Financial liabilities | | (2,723) | (4,255) |
| Investments and other financial instruments | | 1,388 | 3,880 |
| Business combination transaction costs | 17 | 1,615 | (18,000) |
| Impairment of goodwill | 13 | - | (1,436) |
| Loss on disposal of investment properties | | (2,840) | (175) |
| **Profit before income tax** | | **85,123** | **128,575** |
| Income tax expense | 7 | (20,755) | (32,777) |
| **Net profit for the year** | | **64,368** | **95,798** |
| **Total comprehensive income for the year net of income tax** | | **64,368** | **95,798** |

| | Note | 30 Jun 2023 Cents | 30 Jun 2022 Restated[1] Cents |
|---|---|---|---|
| **Distributions per security paid[2]** | | **11.0** | **10.7** |
| **Earnings/(loss) per security:** | | | |
| Basic earnings/(loss) | | | |
| Per security | 4(a) | 15.8 | 25.4 |
| Per security attributable to parent | 4(b),33 | (2.2) | (0.3) |
| Diluted earnings/(loss) per security | | | |
| Per security | 4(a) | 15.7 | 25.2 |
| Per security attributable to parent | 4(b),33 | (2.1) | (0.3) |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

(2) Distributions relate to the amount paid during the financial year. A final FY23 distribution of 5.8 cps was declared on 22 August 2023 (payment due on 21 September 2023) resulting in a total FY23 distribution of 11.0 cps.

Notes to the Consolidated Financial Statements are included on pages 37 to 82.

# Consolidated Balance Sheet

Ingenia Communities Holdings Limited
As at 30 June 2023

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 Restated[(1)] $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 45,716 | 14,486 |
| Trade and other receivables | 8 | 18,010 | 13,194 |
| Inventories | 9 | 54,147 | 19,535 |
| Assets held for sale | 10 | 24,190 | 4,150 |
| Other financial assets | 16 | 3,234 | 1,110 |
| Tax receivable | | 29 | 1,287 |
| **Total current assets** | | **145,326** | **53,762** |
| **Non-current assets** | | | |
| Trade and other receivables | 8 | 787 | 1,524 |
| Investment properties | 11 | 2,045,630 | 1,937,888 |
| Investment in a joint venture | 15 | 61,829 | 66,101 |
| Other financial assets | 16 | 10,207 | 8,495 |
| Plant and equipment | 12 | 9,199 | 7,415 |
| Intangibles and goodwill | 13 | 102,584 | 103,203 |
| Right-of-use assets | 14 | 2,569 | 4,153 |
| Investment in associates | | - | 500 |
| **Total non-current assets** | | **2,232,805** | **2,129,279** |
| **Total assets** | | **2,378,131** | **2,183,041** |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 95,517 | 106,891 |
| Borrowings | 20 | 3,988 | 4,395 |
| Employee liabilities | | 5,050 | 4,688 |
| Other financial liabilities | 21 | 659 | 1,188 |
| Provision for income tax | | 333 | - |
| **Total current liabilities** | | **105,547** | **117,162** |
| **Non-current liabilities** | | | |
| Borrowings | 20 | 657,680 | 491,208 |
| Other financial liabilities | 21 | 16,941 | 15,421 |
| Employee liabilities | | 993 | 1,013 |
| Other payables | 19 | 6,904 | 7,301 |
| Deferred tax liability | 18 | 53,279 | 36,359 |
| **Total non-current liabilities** | | **735,797** | **551,302** |
| **Total liabilities** | | **841,344** | **668,464** |
| **Net assets** | | **1,536,787** | **1,514,577** |
| **Equity** | | | |
| Issued securities | 22(a) | 1,704,212 | 1,704,230 |
| Reserves | 23 | (2,010) | (4,312) |
| Accumulated losses | 24 | (165,415) | (185,341) |
| **Total equity** | | **1,536,787** | **1,514,577** |
| **Net asset value per security ($)** | | **$ 3.77** | **$ 3.72** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Notes to the Consolidated Financial Statements are included on pages 37 to 82.

# Consolidated Cash Flow Statement

Ingenia Communities Holdings Limited
For the year ended 30 June 2023

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Rental and other property income | | 259,216 | 205,072 |
| Property and other expenses | | (189,579) | (148,100) |
| Proceeds from sale of lifestyle homes | | 152,330 | 144,581 |
| Purchase of lifestyle homes | | (116,798) | (75,837) |
| Proceeds from sale of service station inventory | | 11,820 | 13,264 |
| Purchase of service station inventory | | (10,292) | (11,717) |
| Borrowing costs paid | | (22,294) | (7,661) |
| Income tax paid | | (2,277) | (4,731) |
| Interest received | | 371 | 31 |
| | 35 | **82,497** | **114,902** |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of investment properties | | (62,889) | (345,042) |
| Additions to investment properties | | (137,326) | (101,284) |
| Purchase and additions of plant and equipment | | (4,407) | (2,574) |
| Purchase and additions of intangible asset | | - | (145) |
| Proceeds from sale of investment properties | | 52,513 | 9,409 |
| Payments for acquisition of financial assets | | - | (887) |
| Net payments for acquisition of subsidiaries | | (16,890) | (262,506) |
| Business combination transaction costs | | - | (1,750) |
| Investment in joint venture | | - | (25,725) |
| Other | | 946 | (1,210) |
| | | **(168,053)** | **(731,714)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of stapled securities | | - | 486,698 |
| Payments for security issue costs | | (18) | (12,198) |
| Distributions to security holders | | (44,834) | (39,167) |
| Proceeds from borrowings | | 289,130 | 454,000 |
| Repayment of borrowings | | (120,000) | (264,000) |
| Payments for debt issue costs | | (198) | (1,506) |
| Payment for securities under security plan | | (150) | (2,000) |
| Other financial liabilities | | (5,742) | (9,326) |
| Payments for derivatives and financial instruments | | (1,402) | - |
| | | **116,786** | **612,501** |
| **Net increase/(decrease) in cash and cash equivalents** | | **31,230** | **(4,311)** |
| Cash and cash equivalents at the beginning of the year | | 14,486 | 18,797 |
| **Cash and cash equivalents at the end of the year** | | **45,716** | **14,486** |

Notes to the Consolidated Financial Statements are included on pages 37 to 82.

# Consolidated Statement of Changes in Equity
Ingenia Communities Holdings Limited
For the year ended 30 June 2023

| | Note | Attributable to security holders: Ingenia Communities Holdings Limited: Issued Capital $'000 | Reserves $'000 | Retained Earnings $'000 | Total $'000 | ICF & ICMT $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|
| **Carrying value 1 Jul 2022 as previously reported** | | **91,960** | **(4,312)** | **102,137** | **189,785** | **1,339,723** | **1,529,508** |
| Restatement[(1)] | | - | - | (41,315) | (41,315) | 26,384 | (14,931) |
| **As restated at 1 July 2022** | | **91,960** | **(4,312)** | **60,822** | **148,470** | **1,366,107** | **1,514,577** |
| Net (loss)/profit | | - | - | (12,895) | (12,895) | 77,263 | 64,368 |
| **Total comprehensive income for the year** | | **-** | **-** | **(12,895)** | **(12,895)** | **77,263** | **64,368** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | | |
| Issue of securities | 22(a) | (2) | - | - | (2) | (16) | (18) |
| Share based payment transactions | 23 | - | 2,844 | - | 2,844 | - | 2,844 |
| Lapsed rights | 23,24 | - | (392) | 392 | - | - | - |
| Payment of distributions to security holders | 24 | - | - | - | - | (44,834) | (44,834) |
| Payments to employee share trust | 23 | - | (150) | - | (150) | - | (150) |
| **Carrying value 30 Jun 2023** | | **91,958** | **(2,010)** | **48,319** | **138,267** | **1,398,520** | **1,536,787** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

| | Note | Attributable to security holders: Ingenia Communities Holdings Limited: Issued Capital $'000 | Reserves $'000 | Retained Earnings $'000 | Total $'000 | ICF & ICMT $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|
| **Carrying value 1 Jul 2021 as previously reported** | | **37,140** | **(4,867)** | **74,423** | **106,696** | **886,337** | **993,033** |
| Restatement[(1)] | | - | - | (33,807) | (33,807) | 23,665 | (10,142) |
| **As restated at 1 July 2021** | | **37,140** | **(4,867)** | **40,616** | **72,889** | **910,002** | **982,891** |
| Net profit restated | | - | - | 20,206 | 20,206 | 75,592 | 95,798 |
| **Total comprehensive income for the year as restated** | | **-** | **-** | **20,206** | **20,206** | **75,592** | **95,798** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | | |
| Issue of securities | 22(a) | 54,820 | - | - | 54,820 | 419,680 | 474,500 |
| Share based payment transactions | 23 | - | 2,555 | - | 2,555 | - | 2,555 |
| Payment of distributions to security holders | 24 | - | - | - | - | (39,167) | (39,167) |
| Payments to employee share trust | 23 | - | (2,000) | - | (2,000) | - | (2,000) |
| **Carrying value 30 Jun 2022** | | **91,960** | **(4,312)** | **60,822** | **148,470** | **1,366,107** | **1,514,577** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Notes to the Consolidated Financial Statements are included on pages 37 to 82.

## 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 2023 was authorised for issue by the Directors on 22 August 2023.

### (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.

*Prior year restatement - correction of an error*
The prior year balances have been corrected for two errors:

1. *Restatement of deferred tax liabilities*
   Deferred tax liabilities have been adjusted against opening retained earnings resulting from not previously recognised deferred tax expenses associated with investment properties. This restatement has resulted in an increase of deferred tax liabilities and a reduction in the opening retained earnings of $10.1 million for the comparative year.

2. *Restatement related to the recognition of a non-current provision*
   In November 2021, the Group entered into an agreement to acquire an investment property. As part of this transaction a liability arose that would be paid over a period of two years. This liability was not recorded in the prior year financial statements. A restatement has been recorded to recognise a non-current liability of $4.8 million with a corresponding reduction to the fair value gain on investment property in the income statement.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation (continued)

| | As previously reported $'000 | Adjustment $'000 | Restated balance $'000 |
|---|---|---|---|
| Non-current other payables | 2,513 | 4,788 | 7,301 |
| Deferred tax liabilities | 26,217 | 10,142 | 36,359 |
| **Total non-current liabilities** | **536,372** | **14,930** | **551,302** |
| **Total liabilities** | **653,534** | **14,930** | **668,464** |
| **Net assets** | **1,529,507** | **(14,930)** | **1,514,577** |
| Retained earnings at 1 July 2021 | (231,830) | (10,142) | (241,972) |
| Fair value gain of investment property | 52,875 | (4,788) | 48,087 |
| **Profit before income tax** | **133,363** | **(4,788)** | **128,575** |
| **Net profit for the year** | **100,586** | **(4,788)** | **95,798** |
| Retained earnings at 30 June 2022 | (170,411) | (14,930) | (185,341) |
| **Total equity** | **1,529,507** | **(14,930)** | **1,514,577** |
| Basic earnings per share (cents) | 26.6 | - | 25.4 |
| Dilutive earnings per share (cents) | 26.5 | - | 25.2 |

The above changes did not have an impact on the Group's operating, investing and financing cash flows.

### (c) Adoption of new and revised accounting standards

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

### (d) Principles of consolidation

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

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Business combinations and goodwill

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

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

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

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

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

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

### (f) Assets held for sale

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

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

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

### (g) Dividends and distributions

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

### (h) Foreign currency

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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).

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### (m) Cash and cash equivalents

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

### (n) Trade and other receivables

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

### (o) Inventories

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

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

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

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

### (p) Derivative 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Investment property

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

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

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

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

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

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

### (r) Intangible assets

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

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

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

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

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

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

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

### (s) Trade and other payables

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Revenue

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

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

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

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

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

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

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

### (y) Share-based payment transactions

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

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Share-based payment transactions (continued)
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. Under current Australian income tax legislation, ICF is not liable for income tax provided it satisfies certain legislative requirements, which were met in the current and previous financial years.

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

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

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

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (bb) Investment in a joint venture

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

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

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

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

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

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

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

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

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

### (cc) Fair value measurement

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

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

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

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

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (cc) Fair value measurement (continued)

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, Risk and Sustainability 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, Risk and Sustainability Committee once approved. This includes a review of major assumptions used in the valuations.

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

### (dd) Earnings per share ("EPS")

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

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

### (ee) Adoption of new 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**2. ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

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

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

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 which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time of estimation, the amount the inventories are expected to realise and the estimated costs of completion. Key assumptions require the use of management judgement, and are continually reviewed.

iii. Fair value of derivatives
The fair value of derivative assets and liabilities is based on assumptions of future events, and involves significant estimates. Given the complex nature of these instruments, and various assumptions that are used in calculating mark-to-market values, the Group rely on counterparty valuations for derivative values. The counterparty valuations are usually based on mid-market rates, and calculates using the main variables of the forward market curve, time and volatility.

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

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

### 3. SEGMENT INFORMATION

#### (a) Description of segments

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

- Lifestyle Development – comprising the development and sale of lifestyle homes and fees from the management of development and sales in the joint venture;
- Lifestyle Rental – comprising long-term accommodation within lifestyle and rental communities;
- Ingenia Gardens – seniors rental villages;
- Holidays & Mixed Use – 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 and joint venture management 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) 2023 | Residential | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lifestyle | | Gardens | Tourism | Other | | |
| | Lifestyle Development | Lifestyle Rental | Ingenia Gardens | Holidays & Mixed Use | Fuel, Food & Beverage | Corporate & Other | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Segment revenue** | | | | | | | |
| Lifestyle home sales | 139,261 | - | - | - | - | - | 139,261 |
| Residential rental income | - | 62,258 | 24,846 | 11,175 | - | - | 98,279 |
| Tourism rental income | - | 2,593 | - | 97,303 | - | - | 99,896 |
| Annual rental income | - | 53 | - | 10,594 | - | - | 10,647 |
| Other revenue | 2,061 | 11,927 | 2,602 | 7,279 | 19,258 | 3,258 | 46,385 |
| **Total revenue** | **141,322** | **76,831** | **27,448** | **126,351** | **19,258** | **3,258** | **394,468** |
| **Segment underlying profit** | | | | | | | |
| External segment revenue | 141,322 | 76,831 | 27,448 | 126,351 | 19,258 | 3,258 | 394,468 |
| Cost of lifestyle homes sold | (73,757) | - | - | - | - | - | (73,757) |
| Employee expenses | (20,286) | (16,685) | (7,239) | (40,586) | (4,473) | (9,232) | (98,501) |
| Property expenses | (1,910) | (17,493) | (7,359) | (25,606) | (915) | (1,019) | (54,302) |
| Administrative expenses | (5,051) | (4,744) | (1,337) | (7,283) | (142) | (7,818) | (26,375) |
| Operational, marketing and selling expenses | (6,223) | (1,453) | (853) | (5,321) | (3,259) | (1,373) | (18,482) |
| Service station expenses | - | - | - | (91) | (9,280) | - | (9,371) |
| Depreciation and amortisation expense | (798) | (512) | (113) | (1,046) | (47) | (1,897) | (4,413) |
| **Earnings before interest and tax** | **33,297** | **35,944** | **10,547** | **46,418** | **1,142** | **(18,081)** | **109,267** |
| Share of profit of a joint venture | | | | | | | 3,098 |
| Share of associate loss | | | | | | | (514) |
| Net finance expense | | | | | | | (17,321) |
| Income tax expense | | | | | | | (9,877) |
| **Total underlying profit** | | | | | | | **84,653** |
| Net gain/(loss) on change in fair value of: | | | | | | | |
| Investment properties | | | | | | | 4,906 |
| Acquisition transaction costs | | | | | | | (4,383) |
| Financial liabilities | | | | | | | (2,723) |
| Investments and other financial instruments | | | | | | | 1,388 |
| Share of joint venture loss | | | | | | | (7,370) |
| Business combination transaction costs | | | | | | | 1,615 |
| Loss on disposal of investment properties | | | | | | | (2,840) |
| Income tax expense | | | | | | | (10,878) |
| **Profit after tax** | | | | | | | **64,368** |
| **Segment assets** | | | | | | | |
| Segment assets | 326,050 | 1,005,319 | 172,350 | 740,219 | 317 | 109,686 | 2,353,941 |
| Assets held for sale | - | 11,200 | - | 12,990 | - | - | 24,190 |
| **Total assets** | **326,050** | **1,016,519** | **172,350** | **753,209** | **317** | **109,686** | **2,378,131** |

## 3. SEGMENT INFORMATION (CONTINUED)

**(c) 2022 Restated**

| | Residential | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lifestyle | | Gardens | Tourism | Other | | |
| | Lifestyle Development $'000 | Lifestyle Rental $'000 | Ingenia Gardens $'000 | Holidays & Mixed Use $'000 | Fuel, Food & Beverage $'000 | Corporate & Other $'000 | Total $'000 |
| **Segment revenue** | | | | | | | |
| Lifestyle home sales | 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 | 664 | 6,042 | 2,792 | 4,664 | 18,469 | 8,314 | 40,945 |
| **Total revenue** | **132,438** | **55,096** | **27,234** | **96,595** | **18,469** | **8,314** | **338,146** |
| **Segment underlying profit** | | | | | | | |
| External segment revenue | 132,438 | 55,096 | 27,234 | 96,595 | 18,469 | 8,314 | 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** | **35,811** | **26,791** | **11,540** | **35,347** | **925** | **(8,678)** | **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 | | | | | | | 72,170 |
| Acquisition transaction costs | | | | | | | (24,083) |
| 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) |
| Loss on disposal of investment properties | | | | | | | (175) |
| Income tax expense | | | | | | | (23,190) |
| **Profit after tax** | | | | | | | **95,798** |
| **Segment assets** | | | | | | | |
| Segment assets | 298,054 | 958,217 | 170,585 | 677,332 | 325 | 74,378 | 2,178,891 |
| Assets held for sale | - | 4,150 | - | - | - | - | 4,150 |
| **Total assets** | **298,054** | **962,367** | **170,585** | **677,332** | **325** | **74,378** | **2,183,041** |

## 4. EARNINGS PER SECURITY

| | 30 Jun 2023 | 30 Jun 2022 Restated |
|---|---|---|
| **(a) Per security** | | |
| Profit attributable to security holders ($'000) | 64,368 | 95,798 |
| Weighted average number of securities outstanding (thousands): | | |
| Issued securities (thousands) | 407,583 | 377,537 |
| Dilutive securities (thousands): | | |
| Long-term incentives | 1,988 | 1,790 |
| Short-term incentives | 421 | 318 |
| Talent Rights Grant | 441 | 236 |
| Fixed Remuneration Rights | 89 | 54 |
| **Weighted average number of issued and dilutive potential securities outstanding (thousands)** | **410,522** | **379,935** |
| Basic earnings per security (cents) | 15.8 | 25.4 |
| Dilutive earnings per security (cents) | 15.7 | 25.2 |

| | 30 Jun 2023 | 30 Jun 2022 |
|---|---|---|
| **(b) Per security attributable to parent** | | |
| Loss attributable to security holders ($'000) | (8,783) | (1,248) |
| Weighted average number of securities outstanding (thousands): | | |
| Issued securities (thousands) | 407,583 | 377,537 |
| Dilutive securities (thousands): | | |
| Long-term incentives | 1,988 | 1,790 |
| Short-term incentives | 421 | 318 |
| Talent Rights Grant | 441 | 236 |
| Fixed Remuneration Rights | 89 | 54 |
| **Weighted average number of issued and dilutive potential securities outstanding (thousands)** | **410,522** | **379,935** |
| Basic loss per security (cents) | (2.2) | (0.3) |
| Dilutive loss per security (cents) | (2.1) | (0.3) |

## 5. OTHER REVENUE

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Ancillary guest and resident income | 18,173 | 11,753 |
| Service station sales | 10,644 | 11,907 |
| Food and beverage sales | 8,610 | 6,558 |
| Fee income | 4,781 | 6,653 |
| Other | 4,177 | 4,074 |
| **Total other revenue** | **46,385** | **40,945** |

## 6. NET FINANCE EXPENSE

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Interest income | (1,480) | (32) |
| Debt facility interest expense | 16,748 | 7,142 |
| Lease interest expense (1) | 2,053 | 2,011 |
| **Net finance expense** | **17,321** | **9,121** |

(1) Lease interest expense relates to lease of right-of-use assets and certain ground leases for investment properties.

Interest costs of $9,107,859 have been capitalised into investment properties associated with development assets (30 Jun 2022: $3,078,056).

## 7. INCOME TAX EXPENSE

| | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax (expense)/benefit | (3,835) | 398 |
| Decrease in deferred tax asset | (16,920) | (33,175) |
| **Income tax expense** | **(20,755)** | **(32,777)** |
| | | |
| **(b) Reconciliation between tax expense and pre-tax profit** | | |
| Profit before income tax | 85,123 | 128,575 |
| Less amounts not subject to Australian income tax | (21,829) | (24,129) |
| | **63,294** | **104,446** |
| | | |
| Income tax expense at the Australian tax rate of 30% (30 Jun 2022: 30%) | (18,989) | (31,334) |
| Tax effect of amounts which impact tax expense: | | |
| Prior period income tax return true-ups | (5,425) | 215 |
| Recognition of previously unrecognised tax losses | 5,941 | - |
| Other | (2,282) | (1,658) |
| **Income tax expense** | **(20,755)** | **(32,777)** |

**(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.

## 8. TRADE AND OTHER RECEIVABLES

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 2,610 | 2,474 |
| Prepayments | 8,678 | 6,721 |
| Deposits | 4,106 | 1,311 |
| Other receivables | 2,616 | 2,688 |
| **Total current trade and other receivables** | **18,010** | **13,194** |
| | | |
| **Non-current** | | |
| Other receivables | **787** | **1,524** |

## 9. INVENTORIES

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Lifestyle homes: | | |
| Completed | 19,756 | - |
| Display homes | 3,368 | 4,236 |
| Under construction | 30,711 | 14,970 |
| Fuel, food and beverage supplies | 312 | 329 |
| **Total inventories** | **54,147** | **19,535** |

The lifestyle home balance includes:

- 65 completed homes (30 Jun 2022: Nil)
- 11 display homes (30 Jun 2022: 21)
- Lifestyle homes under construction includes 208 partially completed homes at different stages of development (30 Jun 2022: 156). It also includes demolition, site preparation costs, buybacks on future development sites and refurbished/renovated/annuals completed homes.

## 10. ASSETS HELD FOR SALE

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Investment properties held for sale: | | |
| Broulee, Broulee, NSW(1) | 7,698 | - |
| Lake Hume, Bowna, NSW | 5,292 | - |
| Seachange Hervey Bay, Urangan, QLD | 11,200 | - |
| Swan Reach, Swan Reach, VIC | - | 4,150 |
| **Total assets held for sale** | **24,190** | **4,150** |

(1) Includes a land component that is leased from the Crown and is recognised as investment property with an associated ground lease. The value of the capitalised lease carried within investment property is $0.6 million.

## 11. INVESTMENT PROPERTIES

### (a) Summary of carrying value

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Completed properties | 1,770,328 | 1,665,007 |
| Properties under development | 275,302 | 272,881 |
| **Total carrying value** | **2,045,630** | **1,937,888** |

### (b) Movements in carrying value

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|---|
| **Carrying value at the beginning of the year** | | **1,937,888** | **1,231,336** |
| Acquisitions | | 48,834 | 568,713 |
| Expenditure capitalised | | 135,549 | 93,902 |
| Net gain on change in fair value(1) | | 523 | 48,087 |
| Transfer to assets held for sale | 10 | (24,190) | (4,150) |
| Disposals | | (52,974) | - |
| **Carrying value at the end of the year** | | **2,045,630** | **1,937,888** |

(1) Net of acquisition transaction costs written off $4.4 million (30 Jun 2022 restated: $24.1 million).

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

## 11. INVESTMENT PROPERTIES (CONTINUED)

### (c) Reconciliation of fair value

| | Ingenia Gardens $'000 | Lifestyle Rental $'000 | Holidays & Mixed use $'000 | Total $'000 |
|---|---|---|---|---|
| **Carrying value at the beginning of the year** | **167,200** | **1,077,773** | **692,915** | **1,937,888** |
| Acquisitions | - | 35,022 | 13,812 | 48,834 |
| Expenditure capitalised | 2,130 | 107,209 | 26,210 | 135,549 |
| Net gain on change in fair value(1) | 9,258 | (46,295) | 37,560 | 523 |
| Transfer to assets held for sale | - | (11,200) | (12,990) | (24,190) |
| Disposals | (10,578) | (42,396) | - | (52,974) |
| **Carrying value at the end of the year** | **168,010** | **1,120,113** | **757,507** | **2,045,630** |

(1) Net of acquisition transaction costs written off $4.4 million.

### (d) Individual property carrying value

| **Completed properties** | Carrying value 30 Jun 2023 $'000 | Carrying value 30 Jun 2022 $'000 |
|---|---|---|
| *Ingenia Gardens:* | | |
| Brooklyn, Brookfield, VIC | 5,450 | 6,080 |
| Carey Park, Bunbury, WA | 6,040 | 5,750 |
| Jefferis, Bundaberg North, QLD | 5,170 | 4,990 |
| Oxley, Port Macquarie, NSW | 6,550 | 6,150 |
| Townsend, St Albans Park, VIC | 6,000 | 5,720 |
| Yakamia, Yakamia, WA | 5,770 | 5,250 |
| Goulburn, Goulburn, NSW | 6,120 | 5,750 |
| Coburns, Brookfield, VIC | 5,540 | 5,670 |
| Hertford, Sebastopol, VIC | 5,000 | 5,120 |
| Seascape, Erskine, WA | 6,500 | 5,610 |
| Seville Grove, Seville Grove, WA | 5,400 | 4,610 |
| St Albans Park, St Albans Park, VIC | 6,900 | 6,920 |
| Taloumbi, Coffs Harbour, NSW | 7,000 | 6,840 |
| Wheelers, Dubbo, NSW | 6,900 | 5,820 |
| Taree, Taree, NSW | 6,480 | 6,020 |
| Grovedale, Grovedale, VIC | 6,350 | 5,750 |
| Marsden, Marsden, QLD | 15,600 | 12,750 |
| Swan View, Swan View, WA | 9,800 | 9,330 |
| Dubbo, Dubbo, NSW | 6,450 | 6,330 |
| Ocean Grove, Mandurah, WA | 4,910 | 4,590 |
| Sovereign, Ballarat, VIC | 5,890 | 5,400 |
| Wagga, Wagga Wagga, NSW | 5,950 | 5,580 |
| Bathurst, Bathurst, NSW | 6,100 | 5,550 |
| Warrnambool, Warrnambool, VIC | 5,400 | 5,080 |
| Carrum Downs, Carrum Downs, VIC | 10,740 | 10,000 |
| Horsham, Horsham, VIC | - | 4,610 |
| Peel River, Tamworth, NSW | - | 5,930 |
| | **168,010** | **167,200** |

**11. INVESTMENT PROPERTIES (CONTINUED)**

| **Completed properties** | **Carrying value** | |
|---|---|---|
| | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| *Ingenia Lifestyle Rental:* | | |
| The Grange, Morisset, NSW | 33,859 | 33,559 |
| Ettalong Beach, Ettalong Beach, NSW(1) | 1,557 | 4,092 |
| Stoney Creek, Marsden Park, NSW | 29,695 | 32,140 |
| Chambers Pines, Chambers Flat, QLD | 72,146 | 62,177 |
| Bethania, Bethania, QLD | 50,179 | 28,406 |
| Lara, Lara, VIC | 47,573 | 36,350 |
| Latitude One, Port Stephens, NSW(2) | 44,000 | 41,523 |
| Blueys Beach, Blueys Beach, NSW | 1,050 | 1,250 |
| Durack, Durack, QLD | 44,300 | 40,775 |
| Eight Mile Plains, Eight Mile Plains, QLD | 47,000 | 42,132 |
| Plantations, Woolgoolga, NSW | 28,250 | 24,886 |
| Hervey Bay (Lifestyle), Hervey Bay, QLD | 26,846 | 20,692 |
| Brisbane North, Aspley, QLD | 44,659 | 41,800 |
| Bevington Shores, Halekulani, NSW | 29,000 | 28,934 |
| Taigum, Taigum, QLD | 23,333 | 22,500 |
| Sunnylake Shores, Halekulani, NSW | 15,648 | 13,893 |
| Redlands, Thornlands, QLD | 7,000 | 6,726 |
| Natures Edge, Buderim, QLD | 29,894 | 33,756 |
| Anna Bay, Anna Bay, NSW | 4,331 | 4,400 |
| Arundel, Arundel, QLD | 69,639 | 65,000 |
| Emerald Lakes, Carrara, QLD | 23,119 | 22,500 |
| Coomera, Upper Coomera, QLD | 20,123 | 14,669 |
| Toowoomba, Harristown, QLD | 8,771 | 4,974 |
| Carrum Downs (Rentals), Carrum Downs, VIC | 25,920 | 23,000 |
| Chelsea, Bonbeach, VIC | 25,457 | 26,000 |
| Frankston, Carrum Downs, VIC | 25,606 | 24,000 |
| Glenroy, Glenroy, VIC | 31,461 | 31,432 |
| Sunshine, Albion, VIC | 23,911 | 24,560 |
| Werribee, Werribee, VIC | 30,868 | 31,008 |
| Parkside, Lucas, VIC | 3,216 | - |
| Lake Munmorah, Lake Munmorah, NSW | - | 40,000 |
| | **868,411** | **827,134** |

(1) Includes a land component that is leased from the local municipality and is recognised as investment property with an associated ground lease. The value of the capitalised lease carried within investment property is $1.0 million (30 June 2022: $0.1 million).

(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 financial liability. Refer to Note 21 for further details.

## 11. INVESTMENT PROPERTIES (CONTINUED)

| Completed properties | Carrying value | |
|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| *Ingenia Holidays and Mixed Use:* | | |
| Nepean River, Emu Plains, NSW | 13,500 | 12,700 |
| Kingscliff, Kingscliff, NSW | 14,000 | 14,000 |
| One Mile Beach, One Mile, NSW(1) | 33,335 | 32,215 |
| Hunter Valley, Cessnock, NSW | 11,500 | 9,566 |
| White Albatross, Nambucca Heads, NSW | 37,530 | 38,200 |
| Noosa, Tewantin, QLD | 27,500 | 24,294 |
| Lake Macquarie (Holidays), Mannering Park, NSW | 13,700 | 13,150 |
| Sydney Hills, Dural, NSW | 17,500 | 14,649 |
| Conjola Lakeside, Lake Conjola, NSW | 64,700 | 53,515 |
| Soldiers Point, Port Stephens, NSW | 23,244 | 21,700 |
| South West Rocks, South West Rocks NSW(1) | 31,919 | 24,132 |
| Ocean Lake, Ocean Lake, NSW | 13,700 | 11,660 |
| Avina Van Village, Vineyard, NSW | 17,000 | 21,418 |
| Hervey Bay (Holidays), Hervey Bay, QLD | 13,750 | 13,750 |
| Cairns Coconut, Woree, QLD | 77,600 | 62,768 |
| Bonny Hills, Bonny Hills, NSW | 17,600 | 15,107 |
| Rivershore, Diddillibah, QLD | 24,850 | 24,770 |
| Byron Bay, Byron Bay, NSW(1) | 25,380 | 25,289 |
| Middle Rock, One Mile, NSW | 22,500 | 22,518 |
| Inverloch, Inverloch, VIC(1) | 41,603 | 36,464 |
| Townsville, Deeragun, QLD | 9,700 | 8,600 |
| Merry Beach, Kioloa, NSW(1) | 32,870 | 23,533 |
| Noosa North, Tewantin, QLD(1) | 14,551 | 14,805 |
| Eden, Eden, NSW(1) | 10,268 | 10,203 |
| Torquay, Torquay, VIC(1) | 20,536 | 19,534 |
| Phillip Island, Newhaven, VIC(1) | 13,273 | 13,132 |
| Cape Paterson, Cape Paterson, VIC(1) | 8,161 | 6,964 |
| Ulladulla, Ulladulla, NSW | 13,000 | 13,000 |
| Beacon, Queenscliff, VIC | 30,877 | 31,000 |
| Murray Bend, Koonoomoo, VIC | 15,600 | 15,600 |
| Swan Bay, Swan Bay, VIC | 9,260 | 9,300 |
| Broulee, Broulee, NSW(1) | - | 7,837 |
| Lake Hume, Bowna, NSW | - | 5,300 |
| Big 4 Wagga, Wagga Wagga, NSW | 13,400 | - |
| | **733,907** | **670,673** |
| **Total completed properties** | **1,770,328** | **1,665,007** |

(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 $51.2 million (30 June 2022: $52.8 million).

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.

**11. INVESTMENT PROPERTIES (CONTINUED)**

| **Properties under development** | **Carrying value** | |
|---|---|---|
| | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| *Ingenia Lifestyle Rental:* | | |
| Chambers Pines, Chambers Flat, QLD | 10,405 | 12,788 |
| Stoney Creek, Marsden Park, NSW | - | 3,098 |
| Bethania, Bethania, QLD | 1,574 | 11,767 |
| Lara, Lara, VIC | 15,451 | 20,848 |
| Latitude One, Port Stephens, NSW | 2,500 | 2,250 |
| Blueys Beach, Blueys Beach, NSW | 9,137 | 8,223 |
| Hervey Bay (Lifestyle), Hervey Bay, QLD | 21,191 | 16,027 |
| Sunnylake Shores, Halekulani, NSW | 1,685 | 2,221 |
| Parkside, Lucas, VIC | 15,974 | 18,421 |
| Redlands, Thornlands, QLD | 2,100 | 1,700 |
| Beveridge, Beveridge, VIC | 19,994 | 19,453 |
| Natures Edge, Buderim, QLD | 11,943 | 19,214 |
| Bargara, Innes Park, QLD | 13,159 | 9,134 |
| Rochedale, Rochedale, QLD | 25,284 | 24,000 |
| Coomera, Upper Coomera, QLD | 2,662 | 12,334 |
| Toowoomba, Harristown, QLD | 11,802 | 14,755 |
| Victoria Point, Victoria Point, QLD | 40,348 | 30,367 |
| Seachange Hervey Bay, Urangan, QLD | - | 9,000 |
| Beaudesert, Beaudesert, QLD | 8,459 | 9,238 |
| Branyan, Branyan, QLD | 5,860 | 5,800 |
| Sunbury, Sunbury, VIC | 12,500 | - |
| Gordonvale, Cairns, QLD | 19,674 | - |
| | **251,702** | **250,638** |
| *Ingenia Holidays and Mixed Use:* | | |
| Avina Van Village, Vineyard, NSW | 17,000 | 13,100 |
| Cairns Coconut, Woree, QLD | 2,400 | 4,588 |
| Rivershore, Diddillibah, QLD | 4,200 | 4,555 |
| | **23,600** | **22,243** |
| **Total properties under development** | **275,302** | **272,881** |
| **Total investment properties** | **2,045,630** | **1,937,888** |

Investment properties are carried at fair value in accordance with the Group's accounting policy 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.

## 11. INVESTMENT PROPERTIES (CONTINUED)

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

| | Valuation technique | Significant unobservable inputs | Range (weighted average) 30 Jun 2023 | Range (weighted average) 30 Jun 2022 | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| **Ingenia Gardens** | Capitalisation method | Stabilised occupancy | 88% - 99% (96.0%) | 88% - 98% (95.0%) | As costs are fixed in nature, occupancy has a direct correlation to valuation (i.e. the higher the occupancy, the greater the value). |
| | | Capitalisation rate | 7.2% - 9.5% (8.9%) | 7.2% - 9.5% (9.0%) | Capitalisation has an inverse relationship to valuation. |
| **Holidays & Mixed Use** | Capitalisation method (for existing rental streams) | Short-term occupancy | 20% - 80% for powered and camp sites; 30% - 80% for tourism and short term rental | 20% - 80% for powered and camp sites; 30% - 80% for tourism and short term rental | The higher the occupancy, the greater the value. |
| | | Residential occupancy | 100% | 100% | |
| | | Operating profit margin | 22% - 63% dependent upon short-term and residential accommodation mix | 22% - 64% dependent upon short-term and residential accommodation mix | The higher the adopted operating margin, the greater the value. |
| | | Capitalisation rate | 6.75% - 11.50% (7.6%) | 6.74% - 11.25% (7.4%) | Capitalisation has an inverse relationship to valuation. |
| **Lifestyle Rental** | 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% - 95% for tourism and short term rental | The higher the occupancy, the greater the value. |
| | | Residential occupancy | 100% | 100% | |
| | | Operating profit margin – Stabilised | 39% - 75% dependent upon short-term and residential accommodation mix | 48% - 75% dependent upon short-term and residential accommodation mix | The higher the adopted operating margin, the greater the value. |
| | | Capitalisation rate | 4.90% - 7.27% (5.3%) | 4.58% - 13.25% (5.2%) | Capitalisation has an inverse relationship to valuation. |
| **Lifestyle Development** | Home Sales profit | Profit margin | 27% - 50% (36%) | 31% - 53% (39%) | The higher the margin, the greater the contribution to overall development value. |
| | Discounted cash flow | Discount rate | 6.5% - 22.5% (16.8%) | 10.0% - 19.3% (14.8%) | Discount rate has an inverse relationship to valuation. |

**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 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **(a) Summary of carrying value** | | |
| Plant and equipment | 15,603 | 12,498 |
| Less: accumulated depreciation | (6,404) | (5,083) |
| **Total plant and equipment** | **9,199** | **7,415** |
| | | |
| **(b) Movements in carrying value** | | |
| **Carrying value at the beginning of the year** | **7,415** | **6,867** |
| Additions | 4,509 | 2,629 |
| Disposals | (503) | (130) |
| Depreciation expense | (2,222) | (1,951) |
| **Carrying value at the end of the year** | **9,199** | **7,415** |

**13. INTANGIBLES AND GOODWILL**

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **(a) Summary of carrying value** | | |
| Software & development | 5,025 | 5,241 |
| Goodwill | 101,319 | 101,319 |
| Less: accumulated amortisation | (3,760) | (3,357) |
| **Total intangibles and goodwill** | **102,584** | **103,203** |
| | | |
| **(b) Movements in carrying value** | | |
| **Carrying value at the beginning of the year** | **103,203** | **8,486** |
| Additions | - | 96,793 |
| Disposals | - | (14) |
| Amortisation expense | (619) | (626) |
| Impairment of goodwill | - | (1,436) |
| **Carrying value at the end of the year** | **102,584** | **103,203** |

### 13. INTANGIBLES AND GOODWILL (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 Gate 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 26% (30 Jun 2022: 18%) and a terminal growth rate of 3% (30 Jun 2022: 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, no impairment has been recognised in the current year against goodwill with a carrying amount of $4.7 million as at 30 June 2023 (30 June 2022: $4.7 million).

**Rental CGU**
The recoverable amount of the rental CGU has been determined based on a discounted cash flow basis. This method involves the projection of a series of cash flows of the Lifestyle Rental business. To this projected cash flow series, a pre-tax market-derived discount rate of 7% (30 Jun 2022: N/A) and a terminal growth rate of 3% (30 Jun 2022: N/A) was applied to establish the present value of the income stream associated with the CGU. A sensitivity analysis was then conducted on the discounted cash flow. As a result of this analysis, no impairment charge has been recognised in the current year for the rental CGU goodwill of $91.8 million (30 June 2022: $91.8 million).

**Development CGU**
The recoverable amount of the development CGU has been determined based on a discounted cash flow basis. This method involves the projection of a series of cash flows of the Lifestyle Development business. To this projected cash flow series, a pre-tax market-derived discount rate of 30% (30 Jun 2022: N/A) was applied to establish the present value of the income stream associated with the CGU. A sensitivity analysis was then conducted on the discounted cash flow. As a result of this analysis, no impairment charge has been recognised in the current year for the rental CGU goodwill of $4.8 million (30 June 2022: $4.8 million).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for ICH is most sensitive to the following assumptions:

- Discount Rates
- Net Operating Income
- Home Construction Costs
- Growth rates used to extrapolate cash flows beyond the forecast period

### 13. INTANGIBLES AND GOODWILL (CONTINUED)

*Discount rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in the pre-tax discount rate for the Lifestyle Rental CGU of 2% to 9% would result in an impairment. For the Lifestyle Development CGU, a 10% increase in the pre-tax discount rate would result in a $54.0 million reduction in headroom.

*Net Operating Income*

Net Operating Income (NOI) represents the aggregate total revenue less operating expenses at the property level for the respective CGU on an after tax basis. Tax rate applied reflects Ingenia's long-term corporate tax rate. In determining NOI, Management have utilised internally approved budgets and forecasts based on the FY24 budget and beyond. Further, contained within these forecasts is the projected settlement profile of new homes sold at each property. Changes to the settlement profile will impact the NOI utilised to calculate the respective CGU's value in use. A decline in NOI of approximately 24% and 37% would result in an impairment in the Lifestyle Rental CGU and Lifestyle Development CGU respectively.

*Home Construction costs*

Changes to the quantum and timing of construction costs will have an impact to the Lifestyle Development CGU's recoverable amount. In deriving the construction cost cashflows for each development project, management utilise a variety of information sources including, but not limited to, formal/estimated costs provided by home construction contractors, formal/estimated costs provided by home construction consultants (e.g. architects, surveyors, legal, etc.) and professional judgement. In addition to this, appropriate levels of contingency costs are determined and applied at the inception of the project to take into account construction risks. Management continually monitor and review development and construction costs throughout the project's life.

*Growth rate estimates*

The Reserve Bank of Australia's long-term inflation target is between 2% and 3%. Rental agreements with residents, which forms the majority of revenue, are predominantly linked to a "CPI+" rent review structure. All rental agreements for newly built homes are on a "CPI+" rent review structure. Taking into account internally approved budgets/forecasts and general cost inflation, Management have adopted a long-term growth rate of 3% for the Lifestyle Rental CGU. A reduction in the long-term growth rate to approximately 1% would result in an impairment to the Lifestyle Rental CGU.

## 14. RIGHT-OF-USE ASSETS

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **(a) Summary of carrying value** | | |
| Plant and equipment | 1,154 | 2,331 |
| Buildings | 5,129 | 5,294 |
| Less: accumulated amortisation | (3,714) | (3,472) |
| **Total right-of-use asset** | **2,569** | **4,153** |
| **(b) Movements in carrying value** | | |
| **Carrying value at the beginning of the year** | **4,153** | **4,039** |
| Additions | - | 1,622 |
| Disposals | (12) | - |
| Depreciation expense | (1,572) | (1,508) |
| **Carrying value at the end of the year** | **2,569** | **4,153** |

## 15. INVESTMENT IN A JOINT VENTURE

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

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

| **Balance Sheet** | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Cash | 7,769 | 43,530 |
| Trade and other receivables | 1,293 | 2,999 |
| Inventory | 16,942 | 1,152 |
| **Current assets** | **26,004** | **47,681** |
| Investment property | 139,568 | 98,683 |
| Other non-current assets | 500 | 424 |
| **Non-current assets** | **140,068** | **99,107** |
| Trade and other payables | (7,670) | (5,999) |
| Borrowings | - | (8,587) |
| **Current liabilities** | **(7,670)** | **(14,586)** |
| Borrowings | (34,744) | - |
| **Non-current liabilities** | **(34,744)** | **-** |
| **Net assets/equity** | **123,658** | **132,202** |
| Group's share in equity – 50% | 61,829 | 66,101 |
| **Group's carrying value in investment** | **61,829** | **66,101** |

| **Statement of Comprehensive Income** | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Revenue | 26,931 | 24,216 |
| Cost of sales | (11,193) | (9,434) |
| Operating costs | (7,099) | (2,494) |
| Depreciation | (100) | (88) |
| **Operating profit before interest and tax** | **8,539** | **12,200** |
| Net finance expense | (811) | (266) |
| Impairment | - | (1,445) |
| Net (loss)/gain on change in fair value of investment property | (14,741) | 7,507 |
| Income tax expense | (1,531) | (1,778) |
| **Net (loss)/profit for the year** | **(8,544)** | **16,218** |
| **Total comprehensive (loss)/income for the year net of income tax** | **(8,544)** | **16,218** |
| **Group's share of (loss)/profit for the year** | **(4,272)** | **8,109** |

## 16. OTHER FINANCIAL ASSETS

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **Current** | | |
| Derivatives | 3,234 | 1,110 |
| **Total current** | **3,234** | **1,110** |
| | | |
| **Non-current** | | |
| Unlisted property funds | 6,340 | 5,820 |
| Derivatives | 3,867 | 2,675 |
| **Total non-current** | **10,207** | **8,495** |

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

## 17. BUSINESS COMBINATIONS

### Information on prior year 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 land lease 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 | 96,647 |
| **Purchase consideration paid and accrued on acquisition** | **263,615** |

| | 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)** |

### 17. BUSINESS COMBINATIONS (CONTINUED)

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

| | | Goodwill | |
|---|---|---|---|
| | Note | 30 June 2023 $'000 | 30 Jun 2022 $'000 |
| **Carrying value at the beginning of the period** | | **101,319** | **6,108** |
| Acquisition of business | | - | 96,647 |
| Impairment | 13 | - | (1,436) |
| **Carrying value at the end of the period** | | **101,319** | **101,319** |

In the 30 June 2022 financial statements, the initial accounting for the business combination was provisional as the allocation of goodwill between the CGUs had not been completed. Upon finalisation of such allocation in the current year, the 30 June 2022 comparatives were adjusted to allocate the goodwill between the Lifestyle Development and Lifestyle Rental segments (Note 3).

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 $32,271,000 and the profit before tax would have increased by $4,337,000 for the full FY22 period.

The goodwill recognised was 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.

Refer to Note 13 for key assumptions used in the impairment testing of the goodwill.

### 18. DEFERRED TAX ASSETS AND LIABILITIES

| | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|
| **Deferred tax assets** | | |
| Tax losses | 24,994 | 14,323 |
| Accruals | 4,830 | 4,730 |
| Other | 4,238 | 2,917 |
| **Deferred tax liabilities** | | |
| DMF receivable | (5) | (37) |
| Investment properties | (81,156) | (54,606) |
| Other | (6,180) | (3,686) |
| **Net deferred tax liabilities** | **(53,279)** | **(36,359)** |
| **Tax effected carried forward tax losses for which no deferred tax asset has been recognised** | **3,058** | **9,409** |

The tax effected carried forward tax losses for which no deferred tax asset has been recognised in the current year relates to capital losses of $3.1 million (30 Jun 2022: $3.5 million). A deferred tax asset for revenue losses not recognised at 30 June 2022 of $5.9 million has now been recognised.

The availability of carried forward tax losses to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which certain of the revenue losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. The carried forward capital losses can only be recouped from future capital gains.

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 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|
| **Current** | | |
| Trade payables and accruals | 73,644 | 81,778 |
| Deposits | 19,598 | 19,089 |
| Other | 2,275 | 6,024 |
| **Total current** | **95,517** | **106,891** |
| | | |
| **Non-current** | | |
| Other | 6,904 | 7,301 |
| **Total non-current** | **6,904** | **7,301** |

## 20. BORROWINGS

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **Current** | | |
| Lease liabilities – Right-of-use assets | 1,094 | 1,583 |
| Lease liabilities – Ground leases | 2,894 | 2,812 |
| **Total current** | **3,988** | **4,395** |
| | | |
| **Non-current** | | |
| Bank debt | 609,130 | 440,000 |
| Prepaid borrowing costs | (3,015) | (3,639) |
| Lease liabilities – Right-of-use assets | 1,672 | 2,777 |
| Lease liabilities – Ground leases | 49,893 | 52,070 |
| **Total non-current** | **657,680** | **491,208** |

The Group's available facilities as at 30 June 2023 was $780.0 million (30 Jun 2022: $780.0 million).

### (a) Bank debt

As at 30 June 2023, the Group's debt balance, drawn from the facilities, was $609.1 million (30 Jun 2022: $440.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $1,912.5 million (30 Jun 2022: $1,811.4 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 2023 were $24.1 million (30 Jun 2022: $29.8 million).

## 21. OTHER FINANCIAL LIABILITIES

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **Current** | | |
| Financial liabilities | 659 | 1,188 |
| **Total current** | **659** | **1,188** |
| | | |
| **Non-current** | | |
| Financial liabilities | 16,941 | 15,421 |
| **Total non-current** | **16,941** | **15,421** |

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

## 22. ISSUED SECURITIES

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| **(a) Carrying values** | | |
| **Balance at beginning of the year** | **1,704,230** | **1,229,730** |
| Issued during the year: | | |
| Distribution Reinvestment Plan ("DRP") | - | 12,018 |
| Entitlement offer | - | 474,680 |
| Equity raising costs | (18) | (12,198) |
| **Balance at end of the year** | **1,704,212** | **1,704,230** |
| | | |
| **The closing balance is attributable to the security holders of:** | | |
| Ingenia Communities Holding Limited | 91,958 | 91,960 |
| Ingenia Communities Fund | 1,473,451 | 1,473,464 |
| Ingenia Communities Management Trust | 138,803 | 138,806 |
| | **1,704,212** | **1,704,230** |

| **(b) Number of issued securities** | 30 Jun 2023 '000 | 30 Jun 2022 '000 |
|---|---|---|
| **Balance at beginning of the year** | **407,583** | **327,877** |
| Issued during the year: | | |
| Distribution Reinvestment Plan ("DRP") | - | 2,144 |
| Entitlement offer | - | 77,562 |
| **Balance at end of the year** | **407,583** | **407,583** |

**(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

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|---|
| **Balance at the beginning of year** | | **(4,312)** | **(4,867)** |
| Payments to employee share trust | | (150) | (2,000) |
| Lapsed rights | 24 | (392) | - |
| Share-based payment expense | | 2,844 | 2,555 |
| **Balance at the end of year** | | **(2,010)** | **(4,312)** |

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

| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|---|
| **Balance at beginning of the year** | | **(185,341)** | **(241,972)** |
| Net profit for the year | | 64,368 | 95,798 |
| Distributions | | (44,834) | (39,167) |
| Lapsed rights | 23 | 392 | - |
| **Balance at end of the year** | | **(165,415)** | **(185,341)** |
| | | | |
| **The closing balance is attributable to the security holders of:** | | | |
| Ingenia Communities Holding Limited | | 48,319 | 60,822 |
| Ingenia Communities Fund | | (359,808) | (354,017) |
| Ingenia Communities Management Trust | | 146,074 | 107,854 |
| | | **(165,415)** | **(185,341)** |

## 25. COMMITMENTS

There were commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $79.3 million (30 Jun 2022: $72.3 million).

At 30 June 2022, Ingenia had 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 provided loans to borrowers seeking to acquire a new lifestyle home within an Ingenia community. In August 2022, the loan of $1.0 million was fully repaid and the commitment was released following LLHL obtaining third party funding.

During the period, a lease for office space was signed with a commencement date in FY24. The expected minimum lease payments over the term of the lease are $3.0 million.

During the period, Ingenia entered into an arrangement to acquire Plantations (land lease) adjoining land for a purchase price of $18.8 million (inclusive of GST) on or before 30 April 2024. As at 30 June 2023, a deposit of $0.9 million has already been paid.

## 26. CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

- Bank guarantees totalling $24.1 million provided for under the $780.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

## 27. SHARE BASED PAYMENT TRANSACTIONS

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

### (a) Short-Term Incentive Plan (STIP)

STIP performance rights are awarded to eligible employees whose achievements, behaviour, and focus meet the Group's business plan and individual Key Performance Indicators (KPIs) measured over the financial year. STIP rights are subject to a one year vesting deferral period from the issue date and allow for certain lapsing conditions within the deferral period, should certain conditions occur. Under the FY21 Rights Plan, 33.3% of the maximum STI for the CEO and 50.0% for the CFO 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 $0.6 million (30 Jun 2022: $0.5 million) 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 2023.

### (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 FY23 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.

**27. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)**

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 $1.1 million (30 Jun 2022: $0.8 million).

**(c) Talent Rights Grant (TRG)**

TRG are granted for the purpose of retaining and incentivising 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 relevant vesting period. The total TRG expense recognised for the financial year was $0.6 million (30 Jun 2022: $0.5 million).

Prior to her appointment as a KMP Ms Kwok was granted 44,446 TRG Rights, with 50% vested 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 $0.2 million (30 Jun 2022: $0.3 million).

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 2023** | | | | |
| **Outstanding at beginning of year** | **330** | **1,547** | **302** | **69** |
| Lapsed during the year | - | (305) | (61) | (43) |
| Granted during the year | 140 | 986 | 268 | 100 |
| Exercised during the year | (30) | (96) | (8) | (25) |
| **Outstanding at end of year** | **440** | **2,132** | **501** | **101** |
| **Weighted average remaining life of outstanding rights (years)** | **0.3** | **1.3** | **1.5** | **-** |
| **(ii) 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** |

The fair value of STIPs, 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 2022** |
|---|---|
| Security price at grant date | $3.72 |
| 30 day Volume Weighted Average Price (VWAP) at start of performance period | $4.07 |
| Expected remaining life at grant date (years) | 1 |
| Risk-free interest rate at grant date | 3.64% |
| Share price volatility | 30.0% |
| STIP fair value | $3.62 |

### 27. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)

**LTIPS**

| **Grant Date** | **1 Oct 2022** | **17 Nov 2022** |
|---|---|---|
| Security price at grant date | $3.72 | $4.18 |
| 30 day Volume Weighted Average Price (VWAP) at start of performance period | $4.07 | $4.07 |
| Expected remaining life at grant date | 3 | 2.9 |
| Risk-free interest rate at grant date | 3.51% | 3.17% |
| Distribution yield | 2.94% | 2.94% |
| Share price volatility | 30.0% | 30.0% |
| LTIP fair value | $2.60 | $2.94 |

**TRGs**

| **Grant Date** | **1 Oct 2022** | **1 Feb 2023** |
|---|---|---|
| Security price at grant date | $3.72 | $4.66 |
| 30 day Volume Weighted Average Price (VWAP) at start of performance period | $4.07 | $4.07 |
| Expected remaining life at grant date | 3.8 | 3.5 |
| Risk-free interest rate at grant date | 3.57% | 3.20% |
| Share price volatility | 30.0% | 30.0% |
| TRG fair value | $3.33 | $4.21 |

### 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 2023, the LVR of 31.4% (30 June 2022: 25.7%).

In addition, the Group monitors Interest Cover Ratio (ICR) as defined under the common terms of the debt facilities. At 30 June 2023, the Total Interest Cover Ratio was 4.67x (30 Jun 2022: 8.51x) and the Core Interest Cover Ratio was 5.30x (30 Jun 2022: 7.45x). The covenant for total ICR and Core ICR is greater than 2x.

**29. FINANCIAL INSTRUMENTS**

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

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

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

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

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

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Investment, Derivatives, and Borrowing policy. At 30 June 2023, approximately 12% of the Group's borrowings are at a fixed rate (30 June 2022: 17%) with interest rate derivatives in place to provide further rate protection. Consequently, exposure to interest rates on 53% of the drawn debt has been managed (30 Jun 22: 28%).

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

**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 2023<br>$'000 | Floating interest rate | Fixed interest maturing in:<br>Less than 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash at bank | 45,716 | - | - | - | **45,716** |
| **Financial liabilities** | | | | | |
| Bank debt | 534,130 | - | 75,000 | - | **609,130** |
| Interest rate derivatives | (250,000) | - | 250,000 | - | **-** |

| 30 Jun 2022<br>$'000 | Floating interest rate | Fixed interest maturing in:<br>Less than 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash at bank | 14,486 | - | - | - | **14,486** |
| **Financial liabilities** | | | | | |
| Bank debt | 365,000 | - | - | 75,000 | **440,000** |
| Interest rate derivatives | (50,000) | - | 50,000 | - | **-** |

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

**(d) Interest rate sensitivity analysis**

The impact of an increase or decrease in average interest rates of 1% (100 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)<br>30 Jun 2023<br>$'000 | 30 Jun 2022<br>$'000 |
|---|---|---|
| **Increase in average interest rates of 100 bps:** | | |
| Variable interest rate bank debt (AUD denominated) | (5,341) | (3,650) |
| Interest rate derivatives (AUD denominated) | 216 | 500 |
| **Decrease in average interest rates of 100 bps:** | | |
| Variable interest rate bank debt (AUD denominated) | 5,341 | 3,650 |
| Interest rate derivatives (AUD denominated) | (154) | - |

**(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.

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (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 2023 $'000 | 30 Jun 2022 $'000 |
| **Net foreign currency exposure:** | | |
| United States dollars | 1,530 | 1,023 |
| New Zealand dollars | 234 | 243 |

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.

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (h) Liquidity risk

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

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

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

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

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

| 30 Jun 2023 | Less than 1 year $'000 | 1 to 5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| Trade and other payables | 95,517 | 6,904 | - | **102,421** |
| Borrowings(1) | 15,435 | 717,824 | - | **733,259** |
| Other financial liabilities | 659 | 16,941 | - | **17,600** |
| Right-of-use asset leases(1) | 1,159 | 1,715 | - | **2,874** |
| Ground leases (excluding perpetual leases) | 2,948 | 11,846 | 57,261 | **72,055** |
| Ground leases (perpetual leases)(2) | 260 | 1,041 | - | **1,301** |
| | **115,978** | **756,271** | **57,261** | **929,510** |

| 30 Jun 2022 Restated | Less than 1 year $'000 | 1 to 5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| Trade and other payables | 106,891 | 7,301 | - | **114,192** |
| Borrowings(1) | 11,099 | 486,529 | 72,144 | **569,772** |
| Other financial liabilities | 1,188 | 15,421 | - | **16,609** |
| 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** |
| | **123,991** | **525,435** | **133,067** | **782,493** |

(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.

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### (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 2023 $'000 | 30 Jun 2022 $'000 |
| Increase in market prices of investment properties of 10% | (8) | (43) |
| Decrease in market prices of investment properties of 10% | 8 | 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.

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.<br><br>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 higher 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 |

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

## 30. FAIR VALUE MEASUREMENT

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

**(a) Assets measured at fair value**

| | | Fair value measurement using: | | | |
|---|---|---|---|---|---|
| **30 Jun 2023** | **Date of valuation** | **Quoted prices in active markets (Level 1) $'000** | **Significant observable inputs (Level 2) $'000** | **Significant unobservable inputs (Level 3) $'000** | **Total $'000** |
| Investment properties | 30-Jun-23 Note 11 | - | - | 2,045,630 | **2,045,630** |
| Assets held for sale - investment property | 30-Jun-23 Note 10 | - | - | 24,190 | **24,190** |
| Other financial assets | 30-Jun-23 Note 16 | - | 7,101 | 6,340 | **13,441** |
| **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** |

**(b) Liabilities measured at fair value**

| | | Fair value measurement using: | | | |
|---|---|---|---|---|---|
| **30 Jun 2023** | **Date of valuation** | **Quoted prices in active markets (Level 1) $'000** | **Significant observable inputs (Level 2) $'000** | **Significant unobservable inputs (Level 3) $'000** | **Total $'000** |
| Resident loans | 30-Jun-23 | - | - | 59 | **59** |
| Other financial liabilities | 30-Jun-23 Note 21 | - | - | 17,600 | **17,600** |
| **30 Jun 2022** | | | | | |
| Resident loans | 30-Jun-22 | - | - | 309 | **309** |
| Other financial liabilities | 30-Jun-22 Note 21 | - | - | 16,609 | **16,609** |

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

## 31. AUDITOR'S REMUNERATION

| | 30 Jun 2023 $ | 30 Jun 2022 $ |
|---|---|---|
| Fees for auditing the statutory financial report | 825,197 | 566,509 |
| Fees for assurance services that are required by legislation: | | |
| Australian Financial Services Licence | 45,759 | 42,395 |
| Fees for other services[1]: | | |
| Agreed upon procedures | 14,025 | 17,716 |
| Other | 6,965 | 19,488 |
| **Total fees to Ernst & Young** | **891,946** | **646,108** |

(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 | Director | Full year |
| **Executive KMP** | | |
| Simon Owen | CEO & Managing Director | Full year |
| Natalie Kwok | Chief Investment Officer & General Counsel | Full year |
| Scott Noble | Chief Financial Officer | Resigned, effective 30 December 2022 |

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

| | 30 Jun 2023 $ | 30 Jun 2022 $ |
|---|---|---|
| Directors fees | 980,708 | 887,646 |
| Salaries and other short-term benefits | 1,208,780 | 1,529,296 |
| Short-term incentives (payable in cash) | 413,775 | 373,866 |
| Superannuation benefits | 69,553 | 70,704 |
| Share-based payments | 1,549,363 | 1,194,824 |
| | **4,222,179** | **4,056,336** |

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

**32. RELATED PARTIES (CONTINUED)**

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

| | | | Number outstanding | |
|---|---|---|---|---|
| **Issue date** | **Right Type** | **Vesting date** | **30 Jun 2023** | **30 Jun 2022** |
| FY17[(1)] | LTIP | FY20 | 1,923 | 1,923 |
| FY17[(1)] | STIP | FY19 | 2,437 | 2,437 |
| FY18[(1)] | LTIP | FY21 | 170,367 | 171,777 |
| FY18[(1)] | STIP | FY20 | 34,300 | 34,300 |
| FY19[(1)] | LTIP | FY22 | 219,717 | 270,543 |
| FY19[(1)] | STIP | FY21 | 111,020 | 111,020 |
| FY20[(1)] | LTIP | FY23 | 116,326 | 372,439 |
| FY20[(1)] | STIP | FY22 | 111,092 | 111,092 |
| FY21[(1)] | FRR | FY22 | 7,778 | 7,778 |
| FY21 | LTIP | FY24 | 332,563 | 332,563 |
| FY21[(1)] | TRG | FY23 | 83,952 | 89,514 |
| FY21 | TRG | FY24 | 121,212 | 121,212 |
| FY21[(1)] | STIP | FY23 | 42,863 | 71,235 |
| FY22[(1)] | FRR | FY22 | 37,121 | 42,819 |
| FY22[(1)] | FRR | FY23 | - | 18,876 |
| FY22 | LTIP | FY25 | 377,213 | 398,472 |
| FY22 | TRG | FY25 | 44,605 | 44,605 |
| FY22 | TRG | FY26 | 47,072 | 47,072 |
| FY22 | STIP | FY24 | 138,240 | - |
| FY23[(1)] | FRR | FY23 | 56,980 | - |
| FY23 | LTIP | FY26 | 915,280 | - |
| FY23 | TRG | FY26 | 102,062 | - |
| FY23 | TRG | FY28 | 102,061 | - |
| | | | **3,176,184** | **2,249,677** |

(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.

| | Note | 30 Jun 2023 $ | 30 Jun 2022 $ |
|---|---|---|---|
| Fee income from joint venture | | 3,136,545 | 1,564,038 |
| Fee income from funds management | | 1,644,436 | 4,847,903 |
| | 5 | **4,780,981** | **6,411,941** |

### 33. COMPANY FINANCIAL INFORMATION

Summary financial information about the Company is:

| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Current assets | 4,387 | 5,120 |
| **Total assets** | **61,985** | **82,003** |
| Current liabilities | (3,161) | (1,703) |
| **Total liabilities** | **(3,161)** | **(1,703)** |
| **Net assets** | **58,824** | **80,300** |
| Security holders' equity: | | |
| Issued securities | 91,958 | 91,960 |
| Reserves | (2,010) | (4,312) |
| Accumulated losses | (31,124) | (7,348) |
| **Total security holders' equity** | **58,824** | **80,300** |
| Loss from continuing operations | (24,168) | (1,248) |
| **Net loss attributable to security holders** | **(24,168)** | **(1,248)** |
| **Total comprehensive loss** | **(24,168)** | **(1,248)** |

**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 2023 $'000 | 30 Jun 2022 $'000 |
|---|---|---|
| Current assets | 2,341 | 23,539 |
| **Total assets** | **68,567** | **94,969** |
| Current liabilities | (3,505) | (1,046) |
| **Total liabilities** | **(3,505)** | **(1,046)** |
| **Net assets** | **65,062** | **93,923** |
| **Security holders' equity:** | | |
| Issued securities | 91,958 | 91,960 |
| Reserves | (2,010) | (4,312) |
| (Accumulated losses)/retained earnings | (24,886) | 6,275 |
| **Total security holders' equity** | **65,062** | **93,923** |
| Revenue | 9,786 | 10,520 |
| Operating expenses | (15,354) | (10,210) |
| **(Loss)/profit from continuing operations** | **(5,568)** | **310** |
| **Total comprehensive (loss)/income** | **(5,568)** | **310** |

### 34. SUBSIDIARIES

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

| | | Ownership interest | |
|---|---|---|---|
| | Country of residence | 30 Jun 2023 % | 30 Jun 2022 % |
| 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 Sunny Communities Pty Ltd | Australia | 100 | 100 |
| INA Sunny Trust | Australia | 100 | 100 |
| Ingenia Communities RE Limited | Australia | 100 | 100 |
| Jefferis Street Trust | Australia | 100 | 100 |
| Lovett Street Trust | Australia | 100 | 100 |
| Settlers Operations Trust | Australia | 100 | 100 |
| Settlers Subsidiary Trust | Australia | 100 | 100 |
| SunnyCove Gladstone Unit Trust | Australia | 100 | 100 |
| SunnyCove Rockhampton Unit Trust | Australia | 100 | 100 |
| Ridge Estate Trust | Australia | 100 | 100 |
| Taylor Street (2) Trust | Australia | 100 | 100 |
| INA Subsidiary Trust No.1 | Australia | 100 | 100 |
| INA Subsidiary Trust No.3 | Australia | 100 | 100 |
| INA Operations Pty Ltd | Australia | 100 | 100 |
| INA Operations Trust No.1 | Australia | 100 | 100 |
| INA Operations Trust No.2 | Australia | 100 | 100 |
| INA Operations Trust No.3 | Australia | 100 | 100 |
| INA Operations Trust No.4 | 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 |
| INA Community Living LLC | USA | 100 | 100 |
| INA Community Living Subsidiary Trust No. 2 | Australia | 100 | 100 |
| INA Development Pty Limited | Australia | 100 | 100 |
| INA Development Management Pty Limited | Australia | 100 | 100 |
| INA Plantations Development Pty Limited | Australia | 100 | 100 |
| INA Hervey Bay Development Pty Limited | Australia | 100 | 100 |
| INA Natures Edge Development Pty Limited | Australia | 100 | 100 |
| INA Bargara Development Pty Limited | Australia | 100 | 100 |
| INA Beveridge Development Pty Limited | Australia | 100 | 100 |
| INA Ballarat Development Pty Limited | Australia | 100 | 100 |
| INA Development No.3 Pty Limited | Australia | 100 | 100 |
| INA Lara Development Pty Limited | Australia | 100 | 100 |
| INA Lifestyle Operations Pty Limited | Australia | 100 | 100 |

### 34. SUBSIDIARIES (CONTINUED)

| | Country of residence | Ownership interest 30 Jun 2023 % | 30 Jun 2022 % |
|---|---|---|---|
| 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 | 100 |
| IDCF Management Company No 1 Pty Ltd | Australia | 100 | 100 |
| Ingenia Diversified Communities Head Company Pty Limited | Australia | 100 | 100 |
| Ingenia Diversified Communities Trust | Australia | 100 | 100 |
| INA Development No. 6 Pty Ltd | Australia | 100 | 100 |
| INA Development No. 7 Pty Ltd | Australia | 100 | 100 |
| INA Development No. 8 Pty Ltd | Australia | 100 | 100 |
| INA Development No. 9 Pty Ltd | Australia | 100 | 100 |
| INA Operations Trust No.12 | Australia | 100 | 100 |
| INA Operations Trust No.13 | Australia | 100 | 100 |
| INA Rochedale Development Pty Ltd | Australia | 100 | 100 |
| INA Coomera Development Pty Ltd | Australia | 100 | 100 |
| INA Toowoomba Development Pty Ltd | Australia | 100 | 100 |
| Seachange (Land) Pty Ltd | Australia | 100 | 100 |
| The Seachange (Land) Unit Trust | Australia | 100 | 100 |
| PPV Coomera Land Pty Ltd | Australia | 100 | 100 |
| PPV Coomera Land Unit Trust | Australia | 100 | 100 |
| PPV Hervey Bay Land Pty Ltd | Australia | 100 | 100 |
| PPV Hervey Bay Land Unit Trust | Australia | 100 | 100 |
| PPV Inlet Land Pty Ltd | Australia | 100 | 100 |
| PPV Inlet Land Unit Trust | Australia | 100 | 100 |
| PPV Toowoomba Land Pty Ltd | Australia | 100 | 100 |
| PPV Toowoomba Land Unit Trust | Australia | 100 | 100 |
| PPV Victoria Point Land Pty Ltd | Australia | 100 | 100 |
| PPV Victoria Point Land Unit Trust | Australia | 100 | 100 |
| Eighth Gate Federation Village Park Trust | Australia | 100 | 100 |
| Eighth Gate Residences Fund No. 6 | Australia | 100 | 100 |
| Residences Fund No. 6 Pty Ltd | Australia | 100 | 100 |
| Ingenia Holiday Parks Company No. 1 Pty Limited | Australia | 100 | - |
| Ingenia Holiday Parks Trust No 1 | Australia | 100 | - |
| INA Development No. 10 Pty Ltd | Australia | 100 | - |
| INA Development No. 11 Pty Ltd | Australia | 100 | - |
| INA Development No. 12 Pty Ltd | Australia | 100 | - |

### 34. SUBSIDIARIES (CONTINUED)

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

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| Current assets | 53,082 | 1,897 | 45,816 | 28,104 |
| Non-current assets | 1,719,709 | 1,604,401 | 1,373,810 | 1,305,694 |
| **Total assets** | **1,772,791** | **1,606,298** | **1,419,626** | **1,333,798** |
| Current liabilities | 10,324 | 6,522 | 92,650 | 113,591 |
| Non-current liabilities | 637,785 | 469,290 | 1,042,799 | 974,247 |
| **Total liabilities** | **648,109** | **475,812** | **1,135,449** | **1,087,838** |
| **Net assets/equity** | **1,124,682** | **1,130,486** | **284,177** | **245,960** |
| Revenue | 57,874 | 45,512 | 281,638 | 240,094 |
| Expenses | (18,831) | (40,611) | (243,417) | (169,403) |
| **Profit after tax** | **39,043** | **4,901** | **38,220** | **70,691** |
| **Total comprehensive income** | **39,043** | **4,901** | **38,220** | **70,691** |

### 35. NOTES TO CASHFLOW STATEMENT

Reconciliation of profit to net cash flow from operating activities:

| | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
|---|---|---|
| **Net profit for the year** | **64,368** | **95,798** |
| Adjustments for: | | |
| Share of joint venture loss/(profit) | 4,272 | (8,109) |
| Share of associate profit | 514 | 250 |
| Impairment of goodwill | - | 1,436 |
| Net (gain)/loss on change in fair value of: | | |
| Investment properties | (4,906) | (72,170) |
| Acquisition transaction costs | 4,383 | 24,083 |
| Financial liabilities | 2,723 | 4,255 |
| Investments and other financial instruments | (1,388) | (3,880) |
| Business combination transaction costs | (1,615) | 18,000 |
| Income tax expense | 20,755 | 32,777 |
| Loss on disposal of investment properties | 2,840 | 175 |
| **Operating profit before tax** | **91,946** | **92,615** |
| Depreciation and amortisation | 4,413 | 4,085 |
| Share-based payments expense | 2,844 | 2,555 |
| GST recoverable on investing activities | 12,898 | 11,703 |
| Finance costs | (4,602) | 1,491 |
| Other | - | (1,854) |
| **Operating cash flow before changes in working capital** | **107,499** | **110,595** |
| Changes in working capital: | | |
| Increase in receivables | (8,517) | (7,623) |
| Increase in inventory | (34,612) | (1,857) |
| Increase in other payables and provisions | 18,127 | 13,787 |
| **Net cash provided by operating activities** | **82,497** | **114,902** |

## 36. SUBSEQUENT EVENTS

### Final FY23 distribution

On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

# Directors' Declaration

Ingenia Communities Holdings Limited
For the year ended 30 June 2023

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 2023 are in accordance with the *Corporations Act 2001*, including:

        (i) giving a true and fair view of its financial position as at 30 June 2023 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, 22 August 2023

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

Tel: +61 2 9248 5555
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# 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 2023, 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 2023 and of its consolidated financial performance for the year ended on that date; and

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

### Basis for Opinion

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

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

1. Valuation of Investment Property

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Investment properties (both those recorded as investment properties and those included within equity accounted investments) comprise 88.6% of the Group's total assets. 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.<br><br>The Group has three categories of investment properties as disclosed in Note 11 of the financial report.<br><br>• The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key valuation judgements include capitalisation rates, market and contractual rents and forecast occupancy levels.<br><br>• The Lifestyle portfolio consists of investment properties earning revenue from a mix of longer-term land rental agreements and short-term accommodation rental. Lifestyle home sales.<br><br>• The Tourism portfolio consists of 'Holidays and Mixed Use' investment properties earning revenue from short-term residential and tourism rentals. | Our audit procedures included the following:<br><br>• We assessed the Group's controls in place relevant to the valuation process;<br><br>• We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis;<br><br>• We assessed the qualifications, competence and objectivity of the independent valuation experts used by the Group;<br><br>• We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer;<br><br>• 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;<br><br>• On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data; |

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| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| 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.<br><br>The key judgements in the valuations include assumptions related to the long 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.<br><br>Accordingly, the valuation of investment properties was considered a key audit matter. | • Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were reasonable.<br><br>• We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets. |

2. Goodwill impairment testing

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| At 30 June 2023, the Group's consolidated balance sheet includes goodwill with a carrying value of $101.3 million, representing 4.2% of total assets.<br><br>As set out in Note 13 of the financial report, the Group have assessed goodwill for impairment at 30 June 2023. There was no impairment recorded in the current year.<br><br>The assessment involved a value-in-use model, based upon discounted cash flow forecasts being used to calculate the recoverable amount of each of the Group's cash generating units (CGUs). | Our audit procedures included the following:<br><br>• We assessed the Group's determination of the CGUs used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported;<br><br>• We evaluated whether the methodology met the requirements of Australian Accounting Standards; |

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| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The assessment is a judgmental process which requires estimates concerning the forecast future cash flows associated with the CGUs, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use or fair value less cost of disposal.<br><br>The estimates and assumptions relate to future performance, market and economic conditions. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.<br><br>The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 30 June 2023.<br><br>Accordingly, we considered the impairment testing of goodwill and related disclosures in the financial report to be a key audit matter. | • We assessed the mathematical accuracy of the value in use cash flow models prepared by the Group to determine recoverable amount;<br><br>• We assessed the underlying assumptions regarding future cash flows and agreed the forecast used in the models to the Board approved business plans taking into consideration the historical accuracy of the Group's cash flow forecasting;<br><br>• We assessed the key assumptions such as the discount rates and growth rates (including terminal growth rates) applied in the models, with reference to external industry and market data and involvement from our valuation specialists;<br><br>• We performed sensitivity analysis on key assumptions including discount rates, net operating income and development profit forecasts for relevant CGUs; and<br><br>• We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgments and estimates. |

## 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 2023 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:

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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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.

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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 17 to 31 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Ingenia Communities Holdings Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001.*

### Responsibilities

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

Ernst & Young

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
Sydney
22 August 2023

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# INGENIA COMMUNITIES FUND
# AND
# INGENIA COMMUNITIES MANAGEMENT TRUST

## FINANCIAL REPORT
## YEAR ENDED 30 JUNE 2023

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 2023

Contents

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 2023 (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

**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)

**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. The Group's real estate assets at 30 June 2023 were valued at $2.0 billion, comprising 70 lifestyle rental and holiday communities (Ingenia Lifestyle Rental and Holidays & Mixed Use) and 25 seniors rental communities (Ingenia Gardens). The Group also manages and has a co-investment in 11 assets through its development joint venture (JV) and funds management platform and provides management and development services to these entities. The Group was first included in the S&P/ASX 200 in December 2019 and has a market capitalisation of approximately $1.6 billion at 30 June 2023.

The Group's vision is to create Australia's best lifestyle and holiday communities, offering quality permanent and tourism accommodation with a focus on the seniors demographic. The Board is committed to delivering sustainable investments to support 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 services, to ensure they receive an amazing experience every day.


**Strategy**

The Group is positioning for scale and long-term sector leadership while enhancing the operational performance of its investment properties and developing new sustainable communities.

Using a disciplined investment framework, the Group will: continue to refine its portfolio, with a focus on growing its lifestyle rental base; build out its existing development pipeline to improve asset quality and sustainability; expand development and revenue streams directly and via capital partnerships, including with Sun Communities, Inc (NYSE: SUI) and the Group's funds management platform; realise embedded growth and enhance returns from existing rental and holidays communities.

The immediate business priorities of the Group are:

- Improve resident and guest experience by investing in our systems and processes;
- Enhance competitive advantage through recruiting, retaining and developing industry leading talent;
- Improve performance of existing communities through maintainable rental growth, active cost management and investment in new rental and tourism cabins;
- Continue to build out the development pipeline across the Group and JV and integrate new building partners to support scale and settlement growth;
- Build on the Group's sustainability program through environmental, social and governance initiatives which include progressing the construction of three communities targeting a Green Star – Communities rating, delivering emissions reductions and expanding charitable giving;
- Maintain focus on employee, resident and guest health and safety; and
- Expand the Group's capital partnerships to leverage Ingenia's capability and established platform, while extending the Group's asset base through co-investment.

**Portfolio Refinement, Integration and Development Pipeline**

During the year, the Group divested two Ingenia Gardens rental communities (Horsham, VIC and Tamworth, NSW), one holiday park (Swan Reach, VIC) and one Lifestyle Rental community (Lake Munmorah, NSW) in line with a focus on divesting non-core assets and recycling capital into the Group's development pipeline.

Over FY23, the Group continued to build the development pipeline, acquiring two new development projects (Sunbury, VIC and Gordonvale, QLD) and securing land adjacent to the existing Plantations, NSW community. These projects extend the development opportunity in key markets and will contribute settlements in the short to medium term in line with a focus on expanding the Group's Ingenia Lifestyle portfolio.

The Group is well positioned for further expansion through development with 18 projects currently underway and 7 communities expected to commence over FY24-25 and a pipeline of future opportunities. The portfolio will also achieve incremental expansion by continuing to add sites within existing communities.

**FY23 Financial Results**

The year ended 30 June 2023 delivered total revenue of $394.5 million, up 17% on the prior year. Holidays and Mixed Use revenue increased by 31% driven by continued strong operational performance as a result of improved occupancy and rate coupled with the impact of acquisitions in FY22 and 1H23. Lifestyle Rental revenue increased 39% to $76.8 million attributable to high occupancy in the rental communities, increases in weekly rent and the full year impact of FY22 settlements and assets acquired. The Group settled 364[1] turnkey homes (30 Jun 2022: 409[1] homes).

Underlying profit of $84.7 million represents a decrease of $3.2 million (4%) on the prior year. Strong demand within the tourism platform, growth across the rentals business together with the integration of the FY22 acquisitions, increased the Group's recurring rental base. A significant increase in interest expense to support investment in development activity offset this growth.

Statutory profit of $64.4 million was down 33% on the prior year. The statutory result reflects a lower fair value uplift in the Group's investment property portfolio compared to the prior year.

Operating cash flow for the period was $82.5 million, down 28% from the prior year, predominantly driven by significant investment in inventory ahead of forecast settlements in FY24 and higher borrowing costs. Strong cashflows from the Lifestyle Rental and Holidays portfolios positively contributed to the operating cashflows for the year.

The Group's net asset value (NAV) of $3.77 per security was up by 1% (30 Jun 2022 restated[2]: $3.72) and net tangible assets per security (NTA) increased 2% to $3.52 (30 Jun 2022 restated[2]: $3.46).

**Key metrics**

- Net profit for the year for ICF $39.0 million (30 Jun 2022: $4.9 million)
- Net profit for the year for ICMT of $38.2 million (30 Jun 2022 restated: $70.7 million)
- Full year distributions of 11.0 cents per unit by ICF, nil from ICMT.

**Segment performance and priorities**

***Capital Partnerships***

Capital partnerships through co-investment and shared funding enables the Group to leverage the existing business platform, generate fee income and extend the Group's asset base. With a wide pipeline of opportunities before the Group, there is potential to expand and extend capital partnering to support future acquisitions, enhance development, and enable portfolio refinement and growth.

Development Joint Venture

The JV with Sun Communities (NYSE: SUI) leverages Ingenia's capability to generate fees for the Group's services and expand its development exposure via co-investment. As at 30 June 2023, the JV has invested in five projects with four under active development.

The JV delivered $26.9 million (30 Jun 2022: $24.2 million) of revenue, which includes the settlement of 46 (30 Jun 2022: 56) new homes at Burpengary, QLD and Bobs Farm, NSW. Construction of homes has commenced at Fullerton Cove, NSW the JV's third project which will launch in FY24.

During FY23, fees generated by Ingenia from the Joint Venture relate to acquisition and management. Development and sales fees are reflected in the Lifestyle Development segment.

[1] Including 46 settlements (30 Jun 2022: 56) at Ingenia Lifestyle Freshwater and Natura, the Group's joint venture projects with Sun Communities. Excludes 10 (30 Jun 2022: 18) settlements at Coastal Palms, part of the Funds Management business.
[2] Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Performance

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Greenfield properties (#) | 5 | 5 | - |
| Investment carrying value ($m) | 61.8 | 66.1 | (7%) |
| New home settlements (#) | 46 | 56 | (18%) |
| Fee income ($m) | 1.1 | 0.9 | 22% |
| Joint venture revenue ($m) | 26.9 | 24.2 | 11% |
| Joint venture operating profit ($m) | 8.5 | 12.2 | (30%) |
| Share of (loss)/profit from joint venture ($m) | (4.3) | 8.1 | (153%) |

*Strategic priorities*

The strategic priority for the JV is to progress the development of its existing projects, delivering increased home settlements and rental cash flows. The JV leverages the expertise and local market knowledge of Ingenia to identify, acquire and develop sites. Once homes are sold, Ingenia provides operational services to the communities. At completion of development, Ingenia has the right to acquire the communities at market value.

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.

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

The decline in fee income is due to the divestment of the assets within one of the funds in FY22. The assets were acquired by Ingenia following approval from the Fund's shareholders. This transaction generated a performance fee and a gain on the Group's co-investment.

| | 30 Jun 2023 | 30 Jun 2022 | Change % |
|---|---|---|---|
| Investment carrying value ($m) | 6.3 | 5.8 | 9% |
| Fee income ($m) | 1.6 | 4.9 | (67%) |
| Distribution income ($m) | 0.5 | 0.7 | (29%) |
| Realised gain on co-investment | - | 1.9 | (100%) |

*Strategic priorities*

The strategic priority of the funds management business is to leverage the Group's platform to maximise investor returns and deliver an income stream for the Group.

**Capital management of the Group**

At 30 June 2023, the Group had a combined facility limit of $780.0 million, with drawn debt of $609.1 million and a weighted average term to maturity of 3.4 years. Interest rate exposure on 53.4% of the drawn debt is managed through a combination of fixed rate debt and interest rate derivatives.

The Group's Loan to Value Ratio ("LVR") was 31.4% (covenant 55%).

**Distributions**

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

- On 21 February 2023, the Directors declared an interim distribution of 5.2 cps, amounting to $21.2 million which was paid on 23 March 2023.
- On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

### FY24 outlook

The Group's lifestyle rental business remains well placed for ongoing expansion with strong demand from an ageing population and growing demand for affordable community based living. Residents are increasingly seeking quality community living and affordable rental accommodation in metro, coastal and regional markets which the Group is well positioned to deliver, with 18 communities under construction and additional sites in planning or under review. Accelerated development activity, acquisitions over FY22 and FY23 which increased the rental base and investment in inventory capitalises on this demand, enabling the long-term sustainable generation of rental cash flows. Ingenia will continue to grow its Lifestyle business through its development pipeline, generating attractive returns, stable, resilient cashflows and increased scale. Investing in new rental homes also remains a key priority for the Group to build out cash flows in established communities.

Demand for domestic tourism is expected to continue and Ingenia is positioned to benefit with an extensive portfolio located in attractive holiday destinations. The priority for Ingenia Holidays is to enhance the customer experience by refurbishing existing cabins, investing in new accommodation and targeting growth in non-peak occupancy.

The Group's strong balance sheet and focus on recycling capital through the sale of non-core assets provide continuing capacity for growth and sector leadership. The Group will also increase its asset base through capital partnerships, including the ongoing development activity in the JV as new projects contribute settlements and fees. Co-investment via capital partnership will remain a driver for growth, enabling a wider exposure to asset acquisitions and opportunities.

Ingenia will continue to deliver on its environmental commitments as the Group targets net zero emissions (Scope 1 and 2) by 2035 and the development of sustainable communities.

The Group will 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 this Financial report. Refer to Note 9 for investment properties acquired or disposed of during the period and Note 18 for details of debt facility.

## EVENTS SUBSEQUENT TO REPORTING DATE

### Final FY23 distribution

On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

## LIKELY DEVELOPMENTS

The Trusts will continue to pursue strategies aimed at the longer term growth of its cash earnings, profitability and market share within the lifestyle and rental and tourism sectors through:

- Developing greenfield sites in identified growth corridors and expanding existing lifestyle and rental communities;
- Ongoing co-investment through the Group's capital partnerships to fund growth and leverage scale and capability; and
- Divesting non-core assets to further support investment in growth and portfolio refinement.

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

## ENVIRONMENTAL REGULATION

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

**GROUP INDEMNITIES**

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

**INDEMNIFICATION OF AUDITORS**

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

**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 2023 were:

| | Issued stapled securities | Rights |
|---|---|---|
| Jim Hazel | 439,445 | - |
| Robert Morrison | 254,528 | - |
| Amanda Heyworth | 224,736 | - |
| Pippa Downes | 40,868 | - |
| John McLaren(1) | 41,779,555 | - |
| Gregory Hayes | 20,000 | - |
| Sally Evans | 39,052 | - |
| Simon Owen | 1,392,976 | 1,283,045 |

(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.

**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 9.

**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, Risk and Sustainability 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, Risk and Sustainability 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, 22 August 2023

Ernst & Young
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Building a better working world

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

As lead auditor for the audit of the financial report of Ingenia Communities Fund and its controlled entities and Ingenia Communities Management Trust and its controlled entities for the financial year ended 30 June 2023, 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

Ernst & Young

YBarnikel

Yvonne Barnikel
Partner
22 August 2023

# Consolidated Statement of Comprehensive Income

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2023

| | | ICF | | ICMT | |
|---|---|---|---|---|---|
| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated[1] $'000 |
| Lifestyle home sales | | - | - | 51,250 | 53,113 |
| Residential rental income | | - | - | 98,279 | 82,605 |
| Tourism rental income | | - | - | 99,896 | 73,350 |
| Annuals rental income | | - | - | 10,647 | 9,472 |
| Other revenue | | 40,087 | 25,978 | 55,442 | 49,981 |
| **Revenue** | | **40,087** | **25,978** | **315,514** | **268,521** |
| Cost of lifestyle homes sold | | - | - | (27,284) | (28,079) |
| Employee expenses | | - | - | (88,116) | (69,872) |
| Property expenses | | (851) | (825) | (65,176) | (45,008) |
| Administrative expenses | | (1,544) | (1,201) | (18,979) | (12,937) |
| Operational, marketing and selling expenses | | - | - | (17,730) | (18,162) |
| Service station expenses | | - | - | (9,371) | (10,680) |
| Responsible entity fee and expenses | | (8,552) | (6,816) | (5,386) | (5,184) |
| Depreciation and amortisation expense | 10, 11, 12 | - | - | (32,162) | (25,774) |
| **Operating profit before interest and tax** | | **29,140** | **17,136** | **51,310** | **52,825** |
| Net finance income/(expense) | | 17,787 | 19,534 | (33,876) | (28,427) |
| **Operating profit before tax** | | **46,927** | **36,670** | **17,434** | **24,398** |
| Share of joint venture (loss)/profit | 13 | (9,060) | 3,208 | 195 | 16 |
| Net gain/(loss) on change in fair value of: | | | | | |
| Investment properties | 9(b) | 4,807 | (9,639) | 45,352 | 89,317 |
| Acquisition transaction costs | 9(b) | (4,383) | (18,261) | - | (1,033) |
| Financial liabilities | | (1,108) | - | (1,615) | (4,029) |
| Investments and other financial instruments | | 864 | 3,212 | 523 | 666 |
| Business combination transaction costs | | - | (10,289) | 1,615 | (6,495) |
| Impairment of goodwill | | - | - | (4,832) | - |
| Gain/(loss) on disposal of investment property | | 996 | - | (3,836) | (175) |
| **Profit before tax** | | **39,043** | **4,901** | **54,836** | **102,665** |
| Income tax expense | 5 | - | - | (16,616) | (31,974) |
| **Net profit for the year** | | **39,043** | **4,901** | **38,220** | **70,691** |
| **Total comprehensive income for the year net of income tax** | | **39,043** | **4,901** | **38,220** | **70,691** |
| **Profit attributable to unit holders of:** | | | | | |
| Ingenia Communities Fund | | 37,050 | 4,658 | - | - |
| Ingenia Communities Management Trust | | 1,993 | 243 | 38,220 | 70,691 |
| | | **39,043** | **4,901** | **38,220** | **70,691** |
| **Total comprehensive income attributable to unit holders of:** | | | | | |
| Ingenia Communities Fund | | 37,050 | 4,658 | - | - |
| Ingenia Communities Management Trust | | 1,993 | 243 | 38,220 | 70,691 |
| | | **39,043** | **4,901** | **38,220** | **70,691** |

| **Earnings per unit:** | | 30 Jun 2023 Cents | 30 Jun 2022 Cents | 30 Jun 2023 Cents | 30 Jun 2022 Restated[1] Cents |
|---|---|---|---|---|---|
| Basic earnings per unit | 4 | 9.6 | 1.3 | 9.4 | 18.7 |
| Diluted earnings per unit | 4 | 9.5 | 1.3 | 9.3 | 18.6 |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Notes to the Consolidated Financial Statements are included on pages 14 to 53.

# Consolidated Balance Sheet

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2023

| | | ICF | | ICMT | |
|---|---|---|---|---|---|
| | Note | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated[1] $'000 |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 37,374 | 492 | 7,163 | 12,831 |
| Trade and other receivables | 6 | 1,274 | 295 | 11,122 | 6,310 |
| Inventories | 7 | - | - | 14,541 | 4,813 |
| Assets held for sale | 8 | 11,200 | - | 12,990 | 4,150 |
| Other financial assets | 14 | 3,234 | 1,110 | - | - |
| **Total current assets** | | **53,082** | **1,897** | **45,816** | **28,104** |
| **Non-current assets** | | | | | |
| Trade and other receivables | 6 | 733 | 1,727 | 144 | 144 |
| Receivable from related party | 28(e) | 741,543 | 652,519 | - | - |
| Investment properties | 9 | 930,184 | 895,037 | 1,026,680 | 973,971 |
| Investment in a joint venture | 13 | 43,147 | 52,443 | 113 | - |
| Other financial assets | 14 | 4,102 | 2,675 | 17,119 | 16,599 |
| Plant and equipment | 10 | - | - | 8,284 | 6,121 |
| Intangibles and goodwill | 11 | - | - | 93,009 | 98,438 |
| Right-of-use-assets | 12 | - | - | 228,461 | 210,421 |
| **Total non-current assets** | | **1,719,709** | **1,604,401** | **1,373,810** | **1,305,694** |
| **Total assets** | | **1,772,791** | **1,606,298** | **1,419,626** | **1,333,798** |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 8,519 | 4,768 | 58,703 | 82,825 |
| Borrowings | 18 | 1,805 | 1,754 | 28,238 | 24,875 |
| Employee liabilities | | - | - | 5,050 | 4,688 |
| Other financial liabilities | 19 | - | - | 659 | 1,188 |
| Provision for income tax | | - | - | - | 15 |
| **Total current liabilities** | | **10,324** | **6,522** | **92,650** | **113,591** |
| **Non-current liabilities** | | | | | |
| Payable to related party | 28(e) | - | - | 744,108 | 707,590 |
| Borrowings | 18 | 635,669 | 466,795 | 225,203 | 211,264 |
| Other financial liabilities | 19 | - | - | 16,941 | 15,421 |
| Employee liabilities | | - | - | 993 | 1,013 |
| Other payables | 17 | 2,116 | 2,495 | 4,788 | 4,805 |
| Deferred tax liability | 16 | - | - | 50,766 | 34,154 |
| **Total non-current liabilities** | | **637,785** | **469,290** | **1,042,799** | **974,247** |
| **Total liabilities** | | **648,109** | **475,812** | **1,135,449** | **1,087,838** |
| **Net assets** | | **1,124,682** | **1,130,486** | **284,177** | **245,960** |
| **Equity** | | | | | |
| Issued units | 20(a) | 1,473,451 | 1,473,464 | 138,803 | 138,806 |
| (Accumulated losses)/Retained earnings | 21 | (362,044) | (354,260) | 146,074 | 107,854 |
| **Unit holders interest** | | **1,111,407** | **1,119,204** | **284,877** | **246,660** |
| Non-controlling interest | | 13,275 | 11,282 | (700) | (700) |
| **Total equity** | | **1,124,682** | **1,130,486** | **284,177** | **245,960** |
| **Attributable to unit holders of:** | | | | | |
| Ingenia Communities Fund | | 1,111,407 | 1,119,204 | (700) | (700) |
| Ingenia Communities Management Trust | | 13,275 | 11,282 | 284,877 | 246,660 |
| | | **1,124,682** | **1,130,486** | **284,177** | **245,960** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Notes to the Consolidated Financial Statements are included on pages 14 to 53.

# Consolidated Cash Flow Statement

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2023

| | Note | ICF 30 Jun 2023 $'000 | ICF 30 Jun 2022 $'000 | ICMT 30 Jun 2023 $'000 | ICMT 30 Jun 2022 $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Rental and other property income | | - | - | 256,695 | 200,811 |
| Property and other expenses | | (1,470) | (721) | (186,354) | (120,796) |
| Proceeds from sale of lifestyle homes | | - | - | 56,271 | 57,988 |
| Purchase of lifestyle homes | | - | - | (41,618) | (29,063) |
| Proceeds from sale of service station inventory | | - | - | 11,820 | 13,264 |
| Purchase of service station inventory | | - | - | (10,292) | (11,717) |
| Interest received | | 154 | 18 | 173 | 9 |
| Borrowing costs paid | | (22,071) | (8,113) | (62) | (92) |
| Net movement in resident loans | | - | - | (19) | - |
| | 31 | **(23,387)** | **(8,816)** | **86,614** | **110,404** |
| **Cash flows from investing activities** | | | | | |
| Payments for investment properties | | (43,364) | (329,873) | (19,525) | (15,169) |
| Additions to investment properties | | (5,184) | (8,127) | (55,470) | (59,457) |
| Purchase and additions of plant and equipment | | - | - | (4,355) | (2,589) |
| Purchase and additions of intangible assets | | - | - | - | (145) |
| Proceeds from sale of investment properties | | 12,040 | - | 40,473 | 9,409 |
| Net payments for acquisition of Seachange | | (16,890) | (151,810) | - | (92,606) |
| Business combination transaction costs | | - | - | - | (1,436) |
| Investment in joint venture | | - | (22,225) | - | - |
| Payments for acquisition of financial assets | | - | - | - | (887) |
| | | **(53,398)** | **(512,035)** | **(38,877)** | **(162,880)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of stapled securities | | - | 380,562 | - | 49,907 |
| Payments for security issue costs | | (13) | (9,541) | (3) | (1,248) |
| Distributions to unit holders | | (44,834) | (39,167) | - | - |
| (Repayment of)/proceeds from related party borrowings | | (8,203) | 1,538 | (50,591) | 2,917 |
| Proceeds from borrowings | | 289,130 | 454,000 | - | - |
| Repayment of borrowings | | (120,000) | (264,000) | - | - |
| Payments for debt issue costs | | (198) | (1,506) | - | - |
| Payment for derivatives and financial instruments | | (1,402) | - | - | - |
| Other | | (813) | (1,647) | (2,811) | (2,754) |
| | | **113,667** | **520,239** | **(53,405)** | **48,822** |
| **Net increase/(decrease) in cash and cash equivalents** | | **36,882** | **(612)** | **(5,668)** | **(3,654)** |
| Cash and cash equivalents at the beginning of the year | | 492 | 1,104 | 12,831 | 16,485 |
| **Cash and cash equivalents at the end of the year** | | **37,374** | **492** | **7,163** | **12,831** |

Notes to the Consolidated Financial Statements are included on pages 14 to 53.

# Consolidated Statement of Changes in Equity

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2023

| | Note | Attributable to security holders ICF Issued Capital $'000 | Retained Earnings $'000 | Total $'000 | Non-controlling interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| **Carrying value 1 Jul 2022** | | **1,473,464** | **(354,260)** | **1,119,204** | **11,282** | **1,130,486** |
| Net profit | | - | 37,050 | 37,050 | 1,993 | 39,043 |
| **Total comprehensive income** | | **-** | **37,050** | **37,050** | **1,993** | **39,043** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | |
| Issue of securities | 20(a) | (13) | - | (13) | - | (13) |
| Payment of distributions to security holders | 21 | - | (44,834) | (44,834) | - | (44,834) |
| Acquisition of subsidiaries | | - | - | - | - | - |
| **Carrying value 30 Jun 2023** | | **1,473,451** | **(362,044)** | **1,111,407** | **13,275** | **1,124,682** |
| **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** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | |
| Issue of securities | 20(a) | 371,021 | - | 371,021 | - | 371,021 |
| Payment of distributions to security holders | 21 | - | (39,167) | (39,167) | - | (39,167) |
| 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** |

| | Note | Attributable to security holders ICMT Issued Capital $'000 | Retained Earnings $'000 | Total $'000 | Non-controlling interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| **Carrying value 1 Jul 2022 as previously reported** | | **138,806** | **81,470** | **220,276** | **(700)** | **219,576** |
| Restatement(1) | | - | 26,384 | 26,384 | - | 26,384 |
| **As restated at 1 July 2022** | | **138,806** | **107,854** | **246,660** | **(700)** | **245,960** |
| Net profit | | - | 38,220 | 38,220 | - | 38,220 |
| **Total comprehensive income** | | **-** | **38,220** | **38,220** | **-** | **38,220** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | |
| Issue of securities | 20(a) | (3) | - | (3) | - | (3) |
| **Carrying value 30 Jun 2023** | | **138,803** | **146,704** | **284,877** | **(700)** | **284,177** |
| **Carrying value 1 Jul 2021 as previously reported** | | **90,147** | **13,498** | **103,645** | **(700)** | **102,945** |
| Restatement(1) | | - | 23,665 | 23,665 | - | 23,665 |
| **As restated at 1 July 2022** | | **90,147** | **37,163** | **127,130** | **(700)** | **126,610** |
| Net profit restated | | - | 70,691 | 70,691 | - | 70,691 |
| **Total comprehensive income as restated** | | **-** | **70,691** | **70,691** | **-** | **70,691** |
| *Transactions with security holders in their capacity as security holders:* | | | | | | |
| Issue of securities | 20(a) | 48,659 | - | 48,659 | - | 48,659 |
| **Carrying value 30 Jun 2022** | | **138,806** | **107,854** | **246,660** | **(700)** | **245,960** |

(1) Refer to Note 1 in the 30 June 2023 Annual Financial Report for further detail.

Notes to the Consolidated Financial Statements are included on pages 14 to 53.

## 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 2023 was authorised for issue by the Directors on 22 August 2023.

### (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.

At 30 June 2023, ICMT recorded a net current asset deficiency of $46.8 million. This deficiency will be satisfied by the forecast operating cashflows of ICMT, related party transactions 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.

*Prior year restatement - correction of an error*
The prior year balances have been corrected for two errors:

1. *Restatement of investment property carrying value and deferred tax liabilities*
   Investment property balances have been restated to record an incorrect allocation in the carrying value of investment property between the three stapled groups. As a result, there has also been a correction of the related deferred tax liabilities. This restatement resulted in an increase in investment property of $33.8 million and deferred tax liabilities of $10.1 million compared to the balance as previously reported with a net $23.7 million being recorded against opening retained earnings in the comparative year. The 30 June 2022 impact of this restatement resulted in a $7.5 million increase in investment property carrying value and fair value gain in the income statement.

2. *Restatement related to the recognition of a non-current provision*
   In November 2021, the Group entered into an agreement to acquire an investment property. As part of this transaction a liability arose that would be paid over a period of two years. This liability was not recorded in the prior year financial statements. A restatement has been recorded to recognise a non-current liability of $4.8 million with a corresponding reduction to the operational, marketing and selling expenses in the income statement.

| | As previously reported $'000 | Adjustment $'000 | Restated balance $'000 |
|---|---|---|---|
| Investment property | 932,656 | 41,315 | 973,971 |
| **Non-current assets** | **1,264,379** | **41,315** | **1,305,694** |
| **Total assets** | **1,292,483** | **41,315** | **1,333,798** |
| Non-current Other Payables | 17 | 4,788 | 4,805 |
| Deferred tax liabilities | 24,012 | 10,142 | 34,154 |
| **Total non-current liabilities** | **959,317** | **14,930** | **974,247** |
| **Total liabilities** | **1,072,908** | **14,930** | **1,087,838** |
| **Net assets** | **219,575** | **26,385** | **245,960** |
| Retained earnings at 1 July 2021 | 13,498 | 23,665 | 37,163 |
| Operational, marketing and selling expenses | (13,374) | (4,788) | (18,162) |
| Fair value gain of investment property | 80,776 | 7,508 | 88,284 |
| **Profit before income tax** | **99,945** | **2,720** | **102,665** |
| **Net profit for the year** | **67,971** | **2,720** | **70,691** |
| Retained earnings at 30 June 2022 | 81,469 | 26,385 | 107,854 |
| **Total equity** | **219,575** | **26,385** | **245,960** |
| Basic earnings per share (cents) | 18.0 | - | 18.7 |
| Dilutive earnings per share (cents) | 17.9 | - | 18.6 |

The above changes did not have an impact on ICMT's operating, investing and financing cash flows.

### (c) Adoption of new and revised accounting standards

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

### (d) Principles of consolidation

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

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Principles of consolidation (continued)

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.

#### (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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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*.

### (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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

### (o) Inventories
The Trusts hold inventory in relation to the acquisition and development of lifestyle homes, as well as and service station fuel and supplies.

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

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

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

### (p) Derivative 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Investment property

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

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

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

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

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

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

### (r) Intangible assets

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

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

The Trusts policy applied to capitalised development costs is as follows.

Software and associated development to capitalised development costs (assets in use)
- Useful life: Finite amortisation method using seven years on a straight-line basis; and
- Impairment test: Amortisation method reviewed at each financial year end; closing carrying value reviewed annually for indicators of impairment.

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

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

### (s) Trade and other payables

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Provisions, including for employee benefits

*General*

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

*Wages, salaries, annual leave and sick leave*

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

*Long service leave*

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

### (u) Resident loans

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

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

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

### (v) Borrowings

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

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

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

### (w) Issued equity

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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. Under current Australian income tax legislation, ICF is not liable for income tax provided it satisfies certain legislative requirements, which were met in the current and previous financial years.

*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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) 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.

### (z) Goods and services tax ("GST")

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

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

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

### (aa) Investment in a joint venture

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

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

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

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Investment in a joint venture (continued)

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, Risk and Sustainability Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and resident loans, and for non-recurring measurement.

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

On a six month basis management presents valuation results to the Audit, Risk and Sustainability 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (dd) Adoption of new 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.

#### 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.

## 2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### ii. Valuation of inventories
The Trusts have inventory in the form of lifestyle homes which it carries at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time 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.

### iv. Valuation of net assets acquired in the business combination
Upon recognising the acquisition and the associated goodwill balance, management uses estimations of the fair value of assets and liabilities assumed at the date of acquisition, involving judgements related to valuation of investment property as noted above.

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

### 3. SEGMENT INFORMATION

#### (a) Description of segments

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

- Lifestyle Development – comprising the development and sale of lifestyle homes and fees from the management of development and sales in the joint venture;
- Lifestyle Rental – comprising long-term accommodation within lifestyle and rental communities;
- Ingenia Gardens – seniors 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 Trusts' remaining assets and operating activities including, funds and joint venture management 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 – 2023

| | Residential | | | | |
|---|---|---|---|---|---|
| | Lifestyle | Gardens | Tourism | Other | |
| | Lifestyle Rental $'000 | Ingenia Gardens $'000 | Holidays & Mixed Use $'000 | Corporate & Other $'000 | Total $'000 |
| **Segment revenue** | | | | | |
| Rental income | 18,949 | 13,116 | 8,022 | - | 40,087 |
| **Total revenue** | **18,949** | **13,116** | **8,022** | **-** | **40,087** |
| **Segment underlying profit** | | | | | |
| Rental income | 18,949 | 13,116 | 8,022 | - | 40,087 |
| Property expenses | - | - | - | (851) | (851) |
| Administrative expenses | - | - | - | (1,544) | (1,544) |
| Depreciation and amortisation expense | - | - | - | - | - |
| **Earnings before interest and tax** | **18,949** | **13,116** | **8,022** | **(2,395)** | **37,692** |
| Share of loss of a joint venture | | | | | (1,690) |
| Net finance income | | | | | 17,787 |
| **Total underlying profit** | | | | | **53,789** |
| Net gain/(loss) on change in fair value of: | | | | | |
| Investment properties | | | | | 4,807 |
| Acquisition transaction costs | | | | | (4,383) |
| Financial liabilities | | | | | (1,108) |
| Investments and other financial instruments | | | | | 864 |
| Share of joint venture loss | | | | | (7,370) |
| Business combination transaction costs | | | | | - |
| Gain on disposal of investment properties | | | | | 996 |
| Responsible entity fees | | | | | (8,552) |
| **Profit after tax** | | | | | **39,043** |
| Segment assets | 629,799 | 168,010 | 170,386 | 793,396 | 1,761,591 |
| Assets held for sale | 11,200 | - | - | - | 11,200 |
| **Total assets** | **640,999** | **168,010** | **170,386** | **793,396** | **1,772,791** |

## 3. SEGMENT INFORMATION (CONTINUED)

| (c) ICF – 2022 | Residential | | | | |
|---|---|---|---|---|---|
| | Lifestyle | Gardens | Tourism | Other | |
| | Lifestyle Rental $'000 | Ingenia Gardens $'000 | Holidays & Mixed Use $'000 | Corporate & Other $'000 | Total $'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 | | | | | (9,639) |
| Acquisition transaction costs | | | | | (18,261) |
| 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** |

### 3. SEGMENT INFORMATION (CONTINUED)

| (d) ICMT – 2023 | Residential | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lifestyle | | Gardens | Tourism | Other | | |
| | Lifestyle Development $'000 | Lifestyle Rental $'000 | Ingenia Gardens $'000 | Holidays & Mixed Use $'000 | Fuel, Food & Beverage Services $'000 | Corporate & Other $'000 | Total $'000 |
| **Segment revenue** | | | | | | | |
| Lifestyle home sales | 51,250 | - | - | - | - | - | 51,250 |
| Residential rental income | - | 62,263 | 24,846 | 11,170 | - | - | 98,279 |
| Tourism rental income | - | 2,592 | - | 97,304 | - | - | 99,896 |
| Annuals rental income | - | 53 | - | 10,594 | - | - | 10,647 |
| Other revenue | 12,767 | 11,923 | 2,602 | 7,283 | 19,258 | 1,609 | 55,442 |
| **Total revenue** | **64,017** | **76,831** | **27,448** | **126,351** | **19,258** | **1,609** | **315,514** |
| **Segment underlying profit** | | | | | | | |
| External segment revenue | 64,017 | 76,831 | 27,448 | 126,351 | 19,258 | 1,609 | 315,514 |
| Cost of lifestyle homes sold | (27,284) | - | - | - | - | - | (27,284) |
| Employee expenses | (19,049) | (16,685) | (7,239) | (40,586) | (4,473) | (84) | (88,116) |
| Property expenses | (1,231) | (17,493) | (7,359) | (25,606) | (915) | (12,572) | (65,176) |
| Administrative expenses | (4,619) | (4,744) | (1,337) | (7,283) | (142) | (854) | (18,979) |
| Operational, marketing and selling expenses | (5,575) | (1,453) | (853) | (5,321) | (3,259) | (1,269) | (17,730) |
| Service station expenses | - | - | - | (91) | (9,280) | - | (9,371) |
| Depreciation and amortisation expense | (676) | (512) | (113) | (1,046) | (47) | (29,768) | (32,162) |
| **Earnings before interest and tax** | **5,583** | **35,944** | **10,547** | **46,418** | **1,142** | **(42,938)** | **56,696** |
| Share of profit of a joint venture | | | | | | | 195 |
| Net finance expense | | | | | | | (33,876) |
| Income tax expense | | | | | | | (6,177) |
| **Total underlying profit** | | | | | | | **16,838** |
| Net gain/(loss) on change in fair value of: | | | | | | | |
| Investment properties | | | | | | | 45,352 |
| Financial liabilities | | | | | | | (1,615) |
| Investments and other financial instruments | | | | | | | 523 |
| Share of joint venture loss | | | | | | | - |
| Business combination transaction costs | | | | | | | 1,615 |
| Impairment of goodwill | | | | | | | (4,832) |
| Loss on disposal of investment properties | | | | | | | (3,836) |
| Income tax expense | | | | | | | (10,439) |
| Responsible entity fees | | | | | | | (5,386) |
| **Profit after tax** | | | | | | | **38,220** |
| **Segment assets** | | | | | | | |
| Segment assets | 55,876 | 516,551 | 4,340 | 569,833 | 317 | 259,719 | 1,406,636 |
| Assets held for sale | - | - | - | 12,990 | - | - | 12,990 |
| **Total assets** | **55,876** | **516,551** | **4,340** | **582,823** | **317** | **259,719** | **1,419,626** |

### 3. SEGMENT INFORMATION (CONTINUED)

| (e) ICMT – 2022 Restated | Residential | | | | | | |
|---|---|---|---|---|---|---|---|
| | Lifestyle | | Gardens | Tourism | Other | | |
| | Lifestyle Development $'000 | Lifestyle Rental $'000 | Ingenia Gardens $'000 | Holidays & Mixed Use $'000 | Fuel, Food & Beverage Services $'000 | Corporate & Other $'000 | Total $'000 |
| **Segment revenue** | | | | | | | |
| Lifestyle home sales | 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) | (69) | (69,872) |
| 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) | (5,696) | (18,162) |
| 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** | **(20,458)** | **58,009** |
| Share of profit of a joint venture | | | | | | | 42 |
| Net finance expense | | | | | | | (28,427) |
| Income tax expense | | | | | | | (9,100) |
| **Total underlying profit** | | | | | | | **20,524** |
| Net gain/(loss) on change in fair value of: | | | | | | | |
| Investment properties | | | | | | | 89,317 |
| Acquisition transaction costs | | | | | | | (1,033) |
| Financial liabilities | | | | | | | (4,029) |
| Investments and other financial instruments | | | | | | | 666 |
| Share of joint venture loss | | | | | | | (26) |
| Business combination transaction costs | | | | | | | (6,495) |
| Loss on disposal of investment properties | | | | | | | (175) |
| Income tax expense | | | | | | | (22,874) |
| Responsible entity fees | | | | | | | (5,184) |
| **Profit after tax** | | | | | | | **70,691** |
| **Segment assets** | | | | | | | |
| Segment assets | 23,372 | 536,455 | 3,386 | 523,294 | 325 | 242,816 | 1,329,648 |
| Assets held for sale | - | 4,150 | - | - | - | - | 4,150 |
| **Total assets** | **23,372** | **540,605** | **3,386** | **523,294** | **325** | **242,816** | **1,333,798** |

## 4. EARNINGS PER UNIT

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 Restated |
| Profit attributable to security holders ($'000) | 39,043 | 4,901 | 38,220 | 70,691 |
| Weighted average number of securities outstanding (thousands) | | | | |
| Issued securities (thousands) | 407,583 | 377,537 | 407,583 | 377,537 |
| Dilutive securities (thousands) | | | | |
| Long-term incentives | 1,988 | 1,790 | 1,988 | 1,790 |
| Short-term incentives | 421 | 318 | 421 | 318 |
| Talent Rights Grant | 441 | 236 | 441 | 236 |
| Fixed Remuneration Rights | 89 | 54 | 89 | 54 |
| **Weighted average number of issued and dilutive potential units outstanding (thousands)** | **410,522** | **379,935** | **410,522** | **379,935** |
| Basic earnings per unit (cents) | 9.6 | 1.3 | 9.4 | 18.7 |
| Dilutive earnings per unit (cents) | 9.5 | 1.3 | 9.3 | 18.6 |

## 5. INCOME TAX EXPENSE

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| **(a) Income tax expense** | | | | |
| Current tax expense | - | - | (4) | - |
| Decrease in deferred tax asset | - | - | (16,612) | (31,974) |
| **Income tax expense** | **-** | **-** | **(16,616)** | **(31,974)** |
| **(b) Reconciliation between tax expense and pre-tax net profit** | | | | |
| Profit before income tax | 39,043 | 4,901 | 54,836 | 102,665 |
| Less amounts not subject to Australian income tax | (39,043) | (4,901) | - | - |
| | **-** | **-** | **54,836** | **102,665** |
| Income tax at the Australian tax rate of 30% (30 June 2022: 30%) | - | - | (16,451) | (30,800) |
| Tax effect of amounts which impact tax expense: | | | | |
| Prior period income tax return true-ups | - | - | (3,970) | (219) |
| Recognition of previously unrecognised tax losses | - | - | 5,941 | - |
| Other | - | - | (2,136) | (955) |
| **Income tax expense** | **-** | **-** | **(16,616)** | **(31,974)** |

**(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.

## 6. TRADE AND OTHER RECEIVABLES

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| **Current** | | | | |
| Trade receivables | 12 | 12 | 1,314 | 1,171 |
| Prepayments | - | - | 4,794 | 3,191 |
| Deposits | - | - | 4,106 | 1,311 |
| Other receivables | 1,262 | 283 | 908 | 637 |
| **Total current trade and other receivables** | **1,274** | **295** | **11,122** | **6,310** |
| **Non-current** | | | | |
| Other receivables | 733 | 1,727 | 144 | 144 |
| **Total non-current and other receivables** | **733** | **1,727** | **144** | **144** |

## 7. INVENTORIES

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Lifestyle homes | | | | |
| Completed | - | - | 8,553 | - |
| Display homes | - | - | 749 | 584 |
| Under construction | - | - | 4,927 | 3,900 |
| Fuel, food and beverage | - | - | 312 | 329 |
| **Total inventories** | **-** | **-** | **14,541** | **4,813** |

The lifestyle home balance includes:

- 30 new completed homes (30 Jun 2022: Nil)
- 2 display homes (30 Jun 2022: 5)
- Lifestyle homes under construction includes 40 partially completed homes at different stages of development (30 Jun 2022: 106). It also includes demolition, site preparation costs buybacks on future development sites and refurbished/renovated/annuals completed homes.

## 8. ASSETS HELD FOR SALE

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Investment properties held for sale: | | | | |
| Broulee, Broulee, NSW(1) | - | - | 7,698 | - |
| Lake Hume, Bowna, NSW | - | - | 5,292 | - |
| Seachange Hervey Bay, Urangan, QLD | 11,200 | - | - | - |
| Swan Reach, Swan Reach, VIC | - | - | - | 4,150 |
| **Total assets held for sale** | **11,200** | **-** | **12,990** | **4,150** |

## 9. INVESTMENT PROPERTIES

| **(a) Summary of carrying value** | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| Completed properties | 790,491 | 751,404 | 981,369 | 955,454 |
| Properties under development | 139,693 | 143,633 | 45,311 | 18,517 |
| **Total carrying value** | **930,184** | **895,037** | **1,026,680** | **973,971** |

## 9. INVESTMENT PROPERTIES (CONTINUED)

| (b) Movements in carrying value | ICF 30 Jun 2023 $'000 | ICF 30 Jun 2022 $'000 | ICMT 30 Jun 2023 $'000 | ICMT 30 Jun 2022 Restated $'000 |
|---|---|---|---|---|
| **Carrying value at beginning of the year** | **895,037** | **362,105** | **973,971** | **832,275** |
| Acquisitions | 48,834 | 542,679 | - | 21,245 |
| Expenditure capitalised | 8,120 | 18,153 | 62,290 | 36,317 |
| Net gain/(loss) on change in fair value(1) | 424 | (27,900) | 45,352 | 88,284 |
| Transfer to assets held for sale | (11,200) | - | (12,990) | (4,150) |
| Disposals | (11,031) | - | (41,943) | - |
| **Carrying value at the end of the year** | **930,184** | **895,037** | **1,026,680** | **973,971** |

(1) Net of loss on change in fair value of acquisition costs: ICF $4.4 million (30 Jun 2022: $18.3 million) and ICMT: nil (30 Jun 2022: $1.0 million).

### (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

| | ICF 30 Jun 2023 $'000 | ICF 30 Jun 2022 $'000 | ICMT 30 Jun 2023 $'000 | ICMT 30 Jun 2022 $'000 |
|---|---|---|---|---|
| **(a) Summary of carrying value** | | | | |
| Plant and equipment | - | - | 13,405 | 10,186 |
| Less: accumulated depreciation | - | - | (5,121) | (4,065) |
| **Total plant and equipment** | **-** | **-** | **8,284** | **6,121** |
| **(b) Movements in carrying value** | | | | |
| **Carrying value at beginning of the year** | **-** | **3** | **6,121** | **5,123** |
| Additions | - | - | 4,400 | 2,598 |
| Disposals | - | (3) | (440) | (86) |
| Depreciation expense | - | - | (1,797) | (1,514) |
| **Carrying value at end of the year** | **-** | **-** | **8,284** | **6,121** |

### 11. INTANGIBLES AND GOODWILL

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| **(a) Summary of carrying value** | | | | |
| Software and development | - | - | 4,874 | 5,048 |
| Goodwill | - | - | 91,815 | 96,647 |
| Less: accumulated amortisation | - | - | (3,680) | (3,257) |
| **Total intangibles and goodwill** | **-** | **-** | **93,009** | **98,438** |
| | | | | |
| **(b) Movements in carrying value** | | | | |
| **Carrying value at beginning of the year** | **-** | **-** | **98,438** | **2,258** |
| Additions | - | - | - | 96,793 |
| Disposals | - | - | - | (14) |
| Impairment | - | - | (4,832) | - |
| Amortisation expense | - | - | (597) | (599) |
| **Carrying value at end of the year** | **-** | **-** | **93,009** | **98,438** |

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.

**Rental CGU**

The recoverable amount of the rental CGU has been determined based on a discounted cash flow basis. This method involves the projection of a series of cash flows of the ICMT Rental business. To this projected cash flow series, a pre-tax market-derived discount rate of 7% (30 Jun 2022: N/A) and a terminal growth rate of 3% (30 Jun 2022: N/A) was applied to establish the present value of the income stream associated with the CGU. A sensitivity analysis was then conducted on the discounted cash flow. As a result of this analysis, no impairment charge has been recognised in the current year for the rental CGU goodwill of $91.8 million (30 June 2022: $91.8 million).

**Development CGU**

The recoverable amount of the development CGU has been determined based on a Fair Value Less Disposal Cost basis. This method involves referencing the fair value of investment properties held within the CGU less disposal costs. Fair value is determined in line with the relevant AASB standards and is completed by an independent valuer or Director approved internal valuation. Current market referenced disposal costs have been applied. As a result of this analysis, the current year development CGU goodwill has been impaired to nil (30 June 2022: $4.8 million).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the ICMT Rental CGU is most sensitive to the following assumptions:

- Discount Rates
- Net Operating Income
- Growth rates used to extrapolate cash flows beyond the forecast period

## 11. INTANGIBLES AND GOODWILL (CONTINUED)

*Discount rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in the pre-tax discount rate for the ICMT Rental CGU of 5% to 12.5% would result in an impairment.

*Net Operating Income*

Net Operating Income (NOI) represents the aggregate total revenue less operating expenses at the property level for the respective CGU on an after tax basis. Tax rate applied reflects Ingenia's long-term corporate tax rate. In determining NOI, Management have utilised internally approved budgets and forecasts based on the FY24 budget and beyond. Further, contained within these forecasts is the projected settlement profile of new homes sold at each property. Changes to the settlement profile will impact the NOI utilised to calculate ICMT Rental CGU's value in use. A decline in NOI of approximately 49% would result in an impairment in the ICMT Rental CGU.

*Growth rate estimates*

The Reserve Bank of Australia's long-term inflation target is between 2% and 3%. Rental agreements with residents, which forms the majority of revenue, are predominantly linked to a "CPI+" rent review structure. All rental agreements for newly built homes are on a "CPI+" rent review structure. Taking into account internally approved budgets/forecasts and general cost inflation, Management have adopted a long-term growth rate of 3.0% for the ICMT Rental CGU. In order for the ICMT Rental CGU to record an impairment, the long-term growth rate would need to be negative.

## 12. RIGHT-OF-USE ASSETS

| | ICF | | ICMT | |
|---|---|---|---|---|
| | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| **(a) Summary of carrying amounts** | | | | |
| Plant and equipment | - | - | 1,154 | 2,331 |
| Land and buildings | - | - | 304,710 | 256,271 |
| Less: accumulated depreciation | - | - | (77,403) | (48,181) |
| **Carrying amount at end of the year** | **-** | **-** | **228,461** | **210,421** |
| **(b) Movements in carrying amount** | | | | |
| **Carrying value at beginning of the year** | **-** | **-** | **210,421** | **65,211** |
| Additions | - | - | 47,808 | 168,871 |
| Depreciation expense | - | - | (29,768) | (23,661) |
| **Carrying amount at end of the year** | **-** | **-** | **228,461** | **210,421** |

**12. RIGHT-OF-USE ASSETS (CONTINUED)**

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 2023 are as follows:

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Within one year | 33,400 | 29,022 | - | - |
| Later than one year but not later than five years | 77,010 | 75,325 | - | - |
| Later than five years | 173,220 | 156,707 | - | - |
| **Carrying amount at end of the year** | **283,630** | **261,054** | **-** | **-** |

**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 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Cash | 223 | 21,674 | 153 | 133 |
| Trade and other receivables | 560 | 2,803 | 88 | 47 |
| **Current assets** | **783** | **24,477** | **241** | **180** |
| Investment property | 92,487 | 85,988 | - | - |
| Other non-current assets | - | - | 226 | 210 |
| **Non-current assets** | **92,487** | **85,988** | **226** | **210** |
| Trade and other payables | (384) | (318) | (187) | (123) |
| **Current liabilities** | **(384)** | **(318)** | **(187)** | **(123)** |
| Intercompany loans | (6,593) | (5,261) | (55) | (267) |
| **Non-current liabilities** | **(6,593)** | **(5,261)** | **(55)** | **(267)** |
| **Net assets/equity** | **86,293** | **104,886** | **225** | **-** |
| Trusts' share in equity – 50% | 43,147 | 52,443 | 113 | - |
| **Group's carrying value in investment** | **43,147** | **52,443** | **113** | **-** |

**13. INVESTMENT IN A JOINT VENTURE (CONTINUED)**

| **Statement of Comprehensive Income** | **ICF** | | **ICMT** | |
|---|---|---|---|---|
| | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| Revenue | 243 | 190 | 1,202 | 670 |
| Expenses | (3,721) | (357) | (788) | (568) |
| Depreciation | - | - | (27) | (17) |
| **(Loss)/profit before tax** | **(3,478)** | **(167)** | **387** | **85** |
| Interest income | 99 | 3 | 3 | - |
| Impairment | - | (928) | - | - |
| Net (loss)/gain on change in fair value of investment property | (14,741) | 7,507 | - | - |
| **(Loss)/profit before income tax** | **(18,120)** | **6,415** | **390** | **85** |
| Income tax expense | - | - | - | (53) |
| **Total comprehensive (loss)/income for the year** | **(18,120)** | **6,415** | **390** | **32** |
| **Group's share of (loss)/profit for the year** | **(9,060)** | **3,208** | **195** | **16** |

**14. OTHER FINANCIAL ASSETS**

| | **ICF** | | **ICMT** | |
|---|---|---|---|---|
| | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| **Current** | | | | |
| Derivatives | 3,234 | 1,110 | - | - |
| **Total current** | **3,234** | **1,110** | **-** | **-** |
| **Non-current** | | | | |
| Unlisted property funds | 235 | - | 17,119 | 16,599 |
| Derivatives | 3,867 | 2,675 | - | - |
| **Total non-current** | **4,102** | **2,675** | **17,119** | **16,599** |

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

## 15. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

### Information on prior year 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 land lease 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 |
|---|---|---|
| | Fair value recognised on acquisition $'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 | - | 96,647 |
| **Purchase consideration paid and accrued on acquisition** | **152,919** | **92,606** |

| | 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 2023 $'000 | 30 Jun 2022 $'000 |
| **Carrying value at the beginning of the period** | **96,647** | **-** |
| Acquisition of business | - | 96,647 |
| Impairment | (4,832) | - |
| **Carrying value at the end of the period** | **91,815** | **96,647** |

## 15. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS (CONTINUED)

In the 31 December 2021 and 30 June 2022 financial statements, the initial accounting for the business combination was provisional as the allocation of goodwill between the CGUs had not been completed. Upon finalisation of such allocation in the current year, the 30 June 2022 comparatives were adjusted to allocate the goodwill between the Lifestyle Development and Lifestyle Rental segments (Note 3).

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 was 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.

Refer to Note 15 for key assumptions used in the impairment testing of the goodwill.

## 16. DEFERRED TAX ASSETS AND LIABILITIES

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| **Deferred tax assets** | | | | |
| Tax losses | - | - | 24,994 | 14,323 |
| Accruals | - | - | 3,852 | 4,246 |
| Other | - | - | 3,575 | 2,810 |
| **Deferred tax liabilities** | | | | |
| DMF receivable | - | - | (5) | (37) |
| Investment properties | - | - | (80,923) | (54,144) |
| Other | - | - | (2,259) | (1,352) |
| **Net deferred tax liabilities** | **-** | **-** | **(50,766)** | **(34,154)** |
| **Tax effected carried forward tax losses for which no deferred tax asset has been recognised** | **-** | **-** | **3,058** | **9,409** |

The tax effected carried forward tax losses for which no deferred tax asset has been recognised in the current year relates to capital losses of $3.1 million (30 Jun 2022: $3.5 million). A deferred tax asset for revenue losses not recognised at 30 June 2022 of $5.9 million has now been recognised.

The availability of carried forward tax losses to the ICMT tax consolidated group is subject to recoupment rules at the time of recoupment. Further, the rate at which certain of the revenue losses can be utilised is determined by reference to market values at the time of tax consolidation and subsequent events. The carried forward capital losses can only be recouped from future capital gains.

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.

## 17. TRADE AND OTHER PAYABLES

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| **Current** | | | | |
| Trade payables and accruals | 8,184 | 4,768 | 37,970 | 59,671 |
| Deposits | - | - | 18,793 | 17,130 |
| Other unearned income | 335 | - | 1,940 | 6,024 |
| | **8,519** | **4,768** | **58,703** | **82,825** |
| **Non-current** | | | | |
| Other | 2,116 | 2,495 | 4,789 | 4,805 |

## 18. BORROWINGS

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| **Current** | | | | |
| Lease liabilities – Right-of-use assets | - | - | 27,149 | 23,817 |
| Lease liabilities – Ground leases | 1,805 | 1,754 | 1,089 | 1,058 |
| **Total current** | **1,805** | **1,754** | **28,238** | **24,875** |
| **Non-current** | | | | |
| Bank debt | 609,130 | 440,000 | - | - |
| Prepaid borrowing costs | (3,015) | (3,639) | - | - |
| Lease liabilities – Right-of-use assets | - | - | 204,864 | 189,627 |
| Lease liabilities – Ground leases | 29,554 | 30,434 | 20,339 | 21,637 |
| **Total non-current** | **635,669** | **466,795** | **225,203** | **211,264** |

The Group's available facilities as at 30 June 2023 was $780.0 million (30 Jun 2022: $780.0 million).

### (a) Bank debt

As at 30 June 2023, the Group's debt balance, drawn from the facilities, was $609.1 million (30 Jun 2022: $440.0 million). The carrying value of investment property net of resident liabilities at reporting date for the Group's Australian properties pledged as security is $1,912.5 million (30 Jun 2022: $1,811.4 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 2023 were $24.1 million (30 Jun 2022: $29.8 million).

## 19. OTHER FINANCIAL LIABILITIES

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| **Current** | | | | |
| Financial liabilities | - | - | 659 | 1,188 |
| **Total current** | **-** | **-** | **659** | **1,188** |
| **Non-current** | | | | |
| Financial liabilities | - | - | 16,941 | 15,421 |
| **Total non-current** | **-** | **-** | **16,941** | **15,421** |

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

## 20. ISSUED UNITS

| (a) Carrying values | ICF 30 Jun 2023 $'000 | ICF 30 Jun 2022 $'000 | ICMT 30 Jun 2023 $'000 | ICMT 30 Jun 2022 $'000 |
|---|---|---|---|---|
| **Balance at beginning of the year** | **1,473,464** | **1,102,443** | **138,806** | **90,147** |
| Issued during the year: | | | | |
| Dividend Reinvestment Plan ("DRP") | - | 9,255 | - | 1,377 |
| Entitlement offer | - | 371,307 | - | 48,530 |
| Equity raising costs | (13) | (9,541) | (3) | (1,248) |
| **Balance at end of the year** | **1,473,451** | **1,473,464** | **138,803** | **138,806** |
| **The closing balance is attributable to the security holders of:** | | | | |
| Ingenia Communities Fund | 1,473,451 | 1,473,464 | - | - |
| Ingenia Communities Management Trust | - | - | 138,803 | 138,806 |
| | **1,473,451** | **1,473,464** | **138,803** | **138,806** |

| (b) Number of issued securities | ICF 30 Jun 2023 '000 | ICF 30 Jun 2022 '000 | ICMT 30 Jun 2023 '000 | ICMT 30 Jun 2022 '000 |
|---|---|---|---|---|
| **Balance at beginning of the year** | **407,583** | **327,877** | **407,583** | **327,877** |
| Issued during the year: | | | | |
| Dividend Reinvestment Plan ("DRP") | - | 2,144 | - | 2,144 |
| Entitlement offer | - | 77,562 | - | 77,562 |
| **Balance at end of the year** | **407,583** | **407,583** | **407,583** | **407,583** |

**(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 30 Jun 2023 $'000 | ICF 30 Jun 2022 $'000 | ICMT 30 Jun 2023 $'000 | ICMT 30 Jun 2022 Restated $'000 |
|---|---|---|---|---|
| **Balance at beginning of the year** | **(354,260)** | **(319,751)** | **107,854** | **37,163** |
| Net profit for the year | 39,043 | 4,901 | 38,220 | 70,691 |
| Distributions | (44,834) | (39,167) | - | - |
| Profit of NCI | (1,993) | (243) | - | - |
| **Balance at end of the year** | **(362,044)** | **(354,260)** | **146,074** | **107,854** |
| **The closing balance is attributable to the security holders of:** | | | | |
| Ingenia Communities Fund | (364,280) | (354,503) | - | - |
| Ingenia Communities Management Trust | 2,236 | 243 | 146,074 | 107,854 |
| | **(362,044)** | **(354,260)** | **146,074** | **107,854** |

## 22. COMMITMENTS

ICF has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $0.4 million (30 Jun 2022: $0.8 million). ICMT has commitments for capital expenditure on investment properties and inventories contracted but not provided for at reporting date of $4.8 million (30 Jun 2022: $15.7 million).

At 30 June 2022, Ingenia had 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 provided loans to borrowers seeking to acquire a new lifestyle home within an Ingenia community. In August 2022, the loan of $1.0 million was fully repaid and the commitment was released following LLHL obtaining third party funding.

During the period, a lease for office space was signed with a commencement date in FY24. The expected minimum lease payments over the term of the lease are $3.0 million.

During the period, Ingenia entered into an arrangement to acquire Plantations (land lease) adjoining land for a purchase price of $18.8 million (inclusive of GST) on or before 30 April 2024. As at 30 June 2023, a deposit of $0.9 million has already been paid.

## 23. CONTINGENT LIABILITIES

The Trusts have the following contingent liabilities:

- Bank guarantees totalling $24.1 million provided for under the $780.0 million bank facility. Bank guarantees primarily relate to the Responsible Entity's AFSL capital requirements ($10.0 million).

## 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 2023, the LVR of 31.4% (30 June 2022: 25.7%).

In addition, the Group monitors Interest Cover Ratio (ICR) as defined under the common terms of the debt facilities. At 30 June 2023, the Total Interest Cover Ratio was 4.67x (30 Jun 2022: 8.51x) and the Core Interest Cover Ratio was 5.30x (30 Jun 2022: 7.45x). The covenant for total ICR and Core ICR is greater than 2x.

## 25. FINANCIAL INSTRUMENTS

### (a) Introduction

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

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

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

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 2023, approximately 12% of the Trust's borrowings are at a fixed rate (30 June 2022: 17%) with interest rate derivatives in place to provide further rate protection. Consequently, exposure to interest rates on 53% of the drawn debt has been managed (30 Jun 22: 28%).

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

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Interest rate risk exposure

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

| | | ICF Fixed interest maturing in: | | | |
|---|---|---|---|---|---|
| **30 Jun 2023 $'000** | **Floating interest rate** | **Less than 1 year** | **1 to 5 Years** | **More than 5 years** | **Total** |
| ***Financial assets*** | | | | | |
| Cash at bank | 37,374 | - | - | - | **37,374** |
| ***Financial liabilities*** | | | | | |
| Bank debt | 534,130 | - | 75,000 | | **609,130** |
| Interest rate derivatives | (250,000) | - | 250,000 | - | **-** |
| **30 Jun 2022 $'000** | | | | | |
| ***Financial assets*** | | | | | |
| Cash at bank | 492 | - | - | - | **492** |
| ***Financial liabilities*** | | | | | |
| Bank debt | 365,000 | - | - | 75,000 | **440,000** |
| Interest rate derivatives | (50,000) | - | 50,000 | - | **-** |

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

| | | ICMT Fixed interest maturing in: | | | |
|---|---|---|---|---|---|
| **30 Jun 2023 $'000** | **Floating interest rate** | **Less than 1 year** | **1 to 5 Years** | **More than 5 years** | **Total** |
| ***Financial assets*** | | | | | |
| Cash at bank | 7,163 | - | - | - | **7,163** |
| **30 Jun 2022 $'000** | | | | | |
| ***Financial assets*** | | | | | |
| Cash at bank | 12,831 | - | - | - | **12,831** |

(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.

### (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 2023 $'000** | **30 Jun 2022 $'000** | **30 Jun 2023 $'000** | **30 Jun 2022 $'000** |
| **Increase in average interest rates of 100 bps:** | | | | |
| Variable interest rate bank debt (AUD denominated) | (5,341) | (3,650) | - | - |
| Interest rate derivatives (AUD denominated) | 216 | 500 | - | - |
| **Decrease in average interest rates of 100 bps:** | | | | |
| Variable interest rate bank debt (AUD denominated) | 5,341 | 3,650 | - | - |
| Interest rate derivatives (AUD denominated) | (154) | - | - | - |

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### (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 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Net foreign currency exposure: | | | | |
| United States dollars | 1,530 | 1,023 | - | - |
| New Zealand dollars | 234 | 243 | - | - |

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

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

### (g) Credit risk

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

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

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

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

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

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

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

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

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### (h) Liquidity risk

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

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

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

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

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

| | ICF | | | |
|---|---|---|---|---|
| | **Less than 1 year $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
| **30 Jun 2023** | | | | |
| Trade and other payables | 8,519 | 2,116 | - | **10,635** |
| Borrowings[1] | 15,435 | 717,824 | - | **733,259** |
| Ground leases (excluding perpetual lease) | 1,835 | 7,890 | 31,631 | **41,356** |
| | **25,789** | **727,830** | **31,631** | **785,250** |
| **30 Jun 2022** | | | | |
| Trade and other payables | 4,768 | 2,495 | - | **7,263** |
| Borrowings[1] | 11,099 | 486,529 | 72,144 | **569,772** |
| Ground leases (excluding perpetual lease) | 1,782 | 7,666 | 33,690 | **43,138** |
| | **17,649** | **496,690** | **105,834** | **620,173** |

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

| | ICMT | | | |
|---|---|---|---|---|
| | **Less than 1 year $'000** | **1 to 5 years $'000** | **More than 5 years $'000** | **Total $'000** |
| **30 Jun 2023** | | | | |
| Trade and other payables | 58,703 | 4,788 | - | **63,491** |
| Other financial liabilities | 659 | 16,941 | - | **17,600** |
| Right-of-use asset leases[1] | 33,649 | 77,671 | 173,220 | **284,540** |
| Ground leases (excluding perpetual lease) | 1,114 | 3,956 | 25,630 | **30,700** |
| Ground leases (perpetual lease)[2] | 260 | 1,041 | - | **1,301** |
| | **94,385** | **104,397** | **198,850** | **397,632** |
| **30 Jun 2022 Restated** | | | | |
| Trade and other payables | 82,825 | 4,805 | - | **87,630** |
| Other financial liabilities | 1,188 | 15,421 | - | **16,609** |
| 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** |
| | **115,176** | **102,101** | **183,940** | **401,217** |

(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.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

### (i) Other financial instrument risk

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

| | Effect on profit after tax | | | |
|---|---|---|---|---|
| | ICF | | ICMT | |
| | Higher/(lower) | | Higher/(lower) | |
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 |
| Increase in market prices of investment properties of 10% | - | - | (8) | (43) |
| Decrease in market prices of investment properties of 10% | - | - | 8 | 43 |

These effects are largely offset by corresponding changes in the fair value of the Trusts' investment properties. The effect on unit holders' interest would have been the same as the effect on profit.

## 26. FAIR VALUE MEASUREMENT

### (a) Ingenia Communities Fund

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

| i. Assets measured at fair value | | Fair value measurement using: | | | |
|---|---|---|---|---|---|
| | Date of valuation | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **30 Jun 2023** | | | | | |
| Investment properties | 30-Jun-23 Note 9 | - | - | 930,184 | **930,184** |
| Assets held for sale - investment property | 30-Jun-23 Note 8 | - | - | 11,200 | **11,200** |
| Other financial assets | 30-Jun-23 Note 14 | - | 7,101 | 235 | **7,336** |
| **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** |

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

## 26. FAIR VALUE MEASUREMENT (CONTINUED)

### (b) Ingenia Communities Management Trust

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

| i. Assets measured at fair value | Date of valuation | Fair value measurement using: Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **30 Jun 2023** | | | | | |
| Investment properties | 30-Jun-23 Note 9 | - | - | 1,026,680 | **1,026,680** |
| Assets held for sale - investment property | 30-Jun-23 Note 8 | - | - | 12,990 | **12,990** |
| Other financial assets | 30-Jun-23 Note 14 | - | - | 17,119 | **17,119** |
| **30 Jun 2022 Restated** | | | | | |
| Investment properties | 30-Jun-22 Note 9 | - | - | 973,971 | **973,971** |
| 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** |

| ii. Liabilities measured at fair value | Date of valuation | Fair value measurement using: Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|---|
| **30 Jun 2023** | | | | | |
| Resident loans | 30-Jun-23 | - | - | 59 | **59** |
| Other financial liabilities | 30-Jun-23 Note 19 | - | - | 17,600 | **17,600** |
| **30 Jun 2022** | | | | | |
| Resident loans | 30-Jun-22 | - | - | 309 | **309** |
| Other financial liabilities | 30-Jun-22 Note 19 | - | - | 16,609 | **16,609** |

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

## 27. AUDITOR'S REMUNERATION

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $ | 30 Jun 2022 $ | 30 Jun 2023 $ | 30 Jun 2022 $ |
| Fees for auditing the statutory financial report | 270,206 | 184,378 | 270,206 | 184,378 |
| Fees for assurance services that are required by legislation: | | | | |
| Australian Financial Services Licence | 12,091 | 11,300 | 12,091 | 11,300 |
| **Total fees to Ernst & Young** | **282,297** | **195,678** | **282,297** | **195,678** |

**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 2023<br>$ | 30 Jun 2022<br>$ | 30 Jun 2023<br>$ | 30 Jun 2022<br>$ |
| Ingenia Communities RE Limited: | | | | |
| Asset management fees | 8,552,237 | 6,815,740 | 5,386,443 | 5,184,074 |

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 2023<br>$ | 30 Jun 2022<br>$ | 30 Jun 2023<br>$ | 30 Jun 2022<br>$ |
| Current trade payables | 2,228,831 | 2,009,319 | 1,385,840 | 1,489,423 |

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

**(c) Holdings of the responsible entity and its related parties**
There were no holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2023 and 30 June 2022.

**(d) Joint venture**
During the year ICMT generated fee income from the joint venture with Sun Communities.

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023<br>$ | 30 Jun 2022<br>$ | 30 Jun 2023<br>$ | 30 Jun 2022<br>$ |
| Fee income from joint venture | - | - | 1,075,800 | 900,000 |

**(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 2.45% 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 lease 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 $3.8 million (30 June 2022: $6.1 million).

**28. RELATED PARTIES (CONTINUED)**

There are a number of other transactions and balances that occur between the Trusts, which are detailed below:

| | ICF | | ICMT | |
|---|---|---|---|---|
| | **30 Jun 2023 $** | **30 Jun 2022 $** | **30 Jun 2023 $** | **30 Jun 2022 $** |
| Operating lease fees received or accrued/(paid or payable) for the year between ICF and ICMT | 40,082,693 | 24,695,001 | (40,409,242) | (24,804,951) |
| Interest on intercompany loans received or accrued/(paid or payable) between stapled entities | 36,299,408 | 28,087,331 | (33,001,307) | (27,367,154) |
| Intercompany loan balances between stapled entities | 741,543,491 | 652,518,582 | (744,108,051) | (707,589,824) |

**(f) Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

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

| KMP | Position | Term |
|---|---|---|
| **Non-Executive KMP** | | |
| Jim Hazel | Chairman | Full year |
| Robert Morrison | Deputy Chairman | Full year |
| Amanda Heyworth | Director | Full year |
| Pippa Downes | Director | Full year |
| Gregory Hayes | Director | Full year |
| Sally Evans | Director | Full year |
| John McLaren(1) | Director | Full year |
| **Executive KMP** | | |
| Simon Owen | CEO & Managing Director | Full year |
| Natalie Kwok | Chief Investment Officer & General Counsel | Full year |
| Scott Noble | Chief Financial Officer | Resigned, effective 30 December 2022 |

(1) 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 2023 $** | **30 Jun 2022 $** |
|---|---|---|
| Directors fees | 980,708 | 887,646 |
| Salaries and other short-term benefits | 1,208,780 | 1,529,296 |
| Short-term incentives (payable in cash) | 413,775 | 373,866 |
| Superannuation benefits | 69,553 | 70,704 |
| Share-based payments | 1,549,363 | 1,194,824 |
| | **4,222,179** | **4,056,336** |

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

### 28. RELATED PARTIES (CONTINUED)

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

| | | | Number outstanding | |
|---|---|---|---|---|
| Issue date | Right Type | Vesting date | 30 Jun 2023 | 30 Jun 2022 |
| FY17[1] | LTIP | FY20 | 1,923 | 1,923 |
| FY17[1] | STIP | FY19 | 2,437 | 2,437 |
| FY18[1] | LTIP | FY21 | 170,367 | 171,777 |
| FY18[1] | STIP | FY20 | 34,300 | 34,300 |
| FY19[1] | LTIP | FY22 | 219,717 | 270,543 |
| FY19[1] | STIP | FY21 | 111,020 | 111,020 |
| FY20[1] | LTIP | FY23 | 116,326 | 372,439 |
| FY20[1] | STIP | FY22 | 111,092 | 111,092 |
| FY21[1] | FRR | FY21 | 7,778 | 7,778 |
| FY21 | LTIP | FY24 | 332,563 | 332,563 |
| FY21[1] | TRG | FY23 | 83,952 | 89,514 |
| FY21 | TRG | FY24 | 121,212 | 121,212 |
| FY21[1] | STIP | FY23 | 42,863 | 71,235 |
| FY22[1] | FRR | FY22 | 37,121 | 42,819 |
| FY22[1] | FRR | FY23 | - | 18,876 |
| FY22 | LTIP | FY25 | 377,213 | 398,472 |
| FY22 | TRG | FY25 | 44,605 | 44,605 |
| FY22 | TRG | FY26 | 47,072 | 47,072 |
| FY22 | STIP | FY24 | 138,240 | - |
| FY23[1] | FRR | FY23 | 56,980 | - |
| FY23 | LTIP | FY26 | 915,280 | - |
| FY23 | TRG | FY26 | 102,062 | - |
| FY23 | TRG | FY28 | 102,061 | - |
| | | | **3,176,184** | **2,249,677** |

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

### 29. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information about the parent of each Trust is:

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| Current assets | 37,368 | 479 | 362 | 5,023 |
| **Total assets** | **1,700,570** | **1,544,582** | **29,687** | **33,145** |
| Current liabilities | (6,708) | (6) | (15,303) | (29,997) |
| **Total liabilities** | **(612,825)** | **(436,369)** | **(96,945)** | **(67,493)** |
| **Net assets/(liabilities)** | **1,087,745** | **1,108,213** | **(67,258)** | **(34,348)** |
| Security holders' equity: | | | | |
| Issued securities | 1,473,451 | 1,473,464 | 138,803 | 138,806 |
| Accumulated losses | (385,706) | (365,251) | (206,061) | (173,154) |
| **Total security holders' equity** | **1,087,745** | **1,108,213** | **(67,258)** | **(34,348)** |
| Profit/(loss) from continuing operations | 24,380 | 28,558 | (32,907) | (45,513) |
| **Net profit/(loss) attributable to security holders** | **24,380** | **28,558** | **(32,907)** | **(45,513)** |
| **Total comprehensive income/(loss)** | **24,380** | **28,558** | **(32,907)** | **(45,513)** |

## 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 2023 % | 30 Jun 2022 % |
|---|---|---|---|
| **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 |
| 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 | 100 |
| PPV Inlet Land Unit Trust | Australia | 100 | 100 |
| PPV Coomera Land Unit Trust | Australia | 100 | 100 |
| PPV Toowoomba Land Unit Trust | Australia | 100 | 100 |
| PPV Victoria Point Land Unit Trust | Australia | 100 | 100 |
| PPV Hervey Bay Land Unit Trust | Australia | 100 | 100 |
| Eighth Gate Residences Fund No. 6 | Australia | 100 | 100 |
| Eighth Gate Federation Village Park Trust | Australia | 100 | 100 |

**30. SUBSIDIARIES (CONTINUED)**

| | Country of residence | 30 Jun 2023 % | 30 Jun 2022 % |
|---|---|---|---|
| **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 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 | 100 |
| INA Operations Trust No.12 | Australia | 100 | 100 |
| Residences Fund No. 6 Pty Ltd | Australia | 100 | 100 |
| Ingenia Diversified Communities Trust | Australia | 100 | 100 |
| INA Operations Trust No.13 | Australia | 100 | 100 |
| Ingenia Diversified Communities Head Company Pty Limited | Australia | 100 | 100 |
| Ingenia Holiday Parks Trust No.1 | Australia | 100 | - |

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

## 31. NOTES TO THE CASH FLOW STATEMENTS

Reconciliation of profit to net cash flows from operations:

| | ICF | | ICMT | |
|---|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2022 $'000 | 30 Jun 2023 $'000 | 30 Jun 2022 Restated $'000 |
| **Net profit for the year** | **39,043** | **4,901** | **38,220** | **70,691** |
| Adjustments for: | | | | |
| Share of joint venture loss/(gain) | 9,060 | (3,208) | (195) | (16) |
| Impairment of goodwill | - | - | 4,832 | - |
| Net (gain)/loss on change in fair value of: | | | | |
| Investment properties | (4,807) | 9,639 | (45,352) | (89,317) |
| Acquisition transaction costs | 4,383 | 18,261 | - | 1,033 |
| Financial liabilities | 1,108 | - | 1,615 | 4,029 |
| Investments and other financial instruments | (864) | (3,212) | (523) | (666) |
| Business combination transaction costs | - | 10,289 | (1,615) | 6,495 |
| Income tax expense | - | - | 16,616 | 31,974 |
| (Gain)/loss on disposal of investment properties | (996) | - | 3,836 | 175 |
| **Operating profit before tax** | **46,927** | **36,670** | **17,434** | **24,398** |
| Depreciation and amortisation expense | - | - | 32,162 | 25,774 |
| Finance costs | (39,704) | (27,629) | 111 | (83) |
| **Operating cash flow before changes in working capital** | **7,223** | **9,041** | **49,707** | **50,089** |
| Changes in working capital: | | | | |
| Decrease/(increase) in receivables | 15 | - | (4,812) | (3,621) |
| (Increase)/decrease in inventory | - | - | (9,728) | 1,472 |
| Increase/(decrease) in other payables and provisions | 3,372 | - | (24,139) | 43,216 |
| (Decrease)/increase in loans to related parties | (33,998) | (17,857) | 75,585 | 19,248 |
| **Net cash provided by operating activities** | **(23,387)** | **(8,816)** | **86,614** | **110,404** |

## 32. SUBSEQUENT EVENTS

Final FY23 distribution

On 22 August 2023, the Directors declared a final distribution of 5.8 cps amounting to $23.6 million, to be paid on 21 September 2023.

# Directors' Declaration

Ingenia Communities Fund and Ingenia Communities Management Trust
For the year ended 30 June 2023

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 2023 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 2023.

On behalf of the Board

Jim Hazel
Chairman
Adelaide, 22 August 2023

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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 2023, 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 2023 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 | How our audit addressed the key audit matter |
|---|---|
| Investment properties (both those recorded as investment properties and those included within equity accounted investments) comprise 54.9% of the Group's total assets. 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.<br><br>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.<br><br>The Group has three categories of investment properties as disclosed in Note 9 of the financial report.<br><br>► The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key valuation judgements include capitalisation rates, market and contractual rents and forecast occupancy levels<br><br>► The Lifestyle portfolio consists of investment properties earning revenue from a mix of longer-term land rental agreements and short-term accommodation rental. Lifestyle home sales<br><br>► The Tourism portfolio consists of 'Holidays and Mixed Use' investment properties earning revenue from short-term residential and tourism rentals.<br><br>The key judgements in the valuations include assumptions related to the long 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.<br><br>Accordingly, the valuation of investment properties was considered a key audit matter. | Our audit procedures included the following:<br><br>► We assessed the controls in place relevant to the valuation process<br><br>► We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis<br><br>► We assessed the qualifications, competence and objectivity of the independent valuation experts used by the Group<br><br>► We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer<br><br>► 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<br><br>► On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data<br><br>► Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were reasonable<br><br>► We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets. |

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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 2023 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
22 August 2023

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# 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 2023, 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 2023 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.

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

1. Valuation of Investment Property

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Approximately 73% 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.<br><br>The Group has three categories of investment properties as disclosed in Note 9 of the financial report.<br><br>• The Garden Villages portfolio consists of investment properties earning revenue predominantly from longer term rental agreements and the key valuation judgements include capitalisation rates, market and contractual rents and forecast occupancy levels.<br><br>• 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.<br><br>• The Tourism portfolio consists of 'Holidays and Mixed Use' investment properties earning revenue from short-term residential and tourism rentals. | Our audit procedures included the following:<br><br>• We assessed the Group's controls in place relevant to the valuation process;<br><br>• We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy on a sample basis;<br><br>• We assessed the qualification, competence and objectivity of the independent valuation experts used by the Group;<br><br>• We assessed the Group's internal valuation methodology and tested the mathematical accuracy of the valuation models. We also assessed the competence, qualifications and objectivity of the internal valuer;<br><br>• 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;<br><br>• On a sample basis, we considered the key inputs and assumptions used in the valuations by comparing this information to external market data; |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| 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.<br><br>The key judgements in the valuations include assumptions related to the long 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.<br><br>Accordingly, the valuation of investment properties was considered a key audit matter. | • Our real estate valuation specialists reviewed a sample of internal and independent valuations to determine whether the key judgements and methodology used were reasonable; and<br><br>• We assessed the appropriateness of the allocation of capital expenditure between investment property and inventory assets. |

2. Goodwill impairment testing

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 30 June 2023, the Group's consolidated balance sheet includes goodwill with a carrying value of $91.8 million, representing 6.4% of total assets.<br><br>As set out in Note 11 of the financial report, the Group have assessed goodwill for impairment at 30 June 2023. The Group has recorded an impairment expense as detailed in Note 11 of the financial report.<br><br>The assessment involved a value-in-use model, based upon discounted cash flow forecasts being used to calculate the recoverable amount of each of the Group's of cash generating units (CGUs). | Our audit procedures included the following:<br><br>• We assessed the Group's determination of the CGUs used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported;<br><br>• We evaluated whether the methodology met the requirements of Australian Accounting Standards; |

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| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| The assessment is a judgmental process which requires estimates concerning the forecast future cash flows associated with the CGUs, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use or fair value less cost of disposal.<br><br>The estimates and assumptions relate to future performance, market and economic conditions. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.<br><br>The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 30 June 2023.<br><br>Accordingly, we considered the impairment testing of goodwill and related disclosures in the financial report to be a key audit matter. | • We assessed the mathematical accuracy of the value in use cash flow models prepared by the Group to determine recoverable amount;<br><br>• We assessed the underlying assumptions regarding future cash flows and agreed the forecast used in the models to the Board approved business plans taking into consideration the historical accuracy of the Group's cash flow forecasting;<br><br>• We assessed the key assumptions such as the discount rates and growth rates (including terminal growth rates) applied in the models, with reference to external industry and market data and involvement from our valuation specialists;<br><br>• We performed sensitivity analysis on key assumptions including discount rates, net operating income and development profit forecasts for relevant CGUs; and<br><br>• We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgments and estimates. |

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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 2023 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.

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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

Ernst & Young

Yvonne Barnikel
Partner
Sydney
22 August 2023