

APPENDIX 4E

Preliminary Final Report

Year ended 30 June 2010

Name of Entity: ING Real Estate Community Living Group

ARSN: ING Real Estate Community Living Group comprising ING Real Estate Community Living Group ARSN 107 459 576 and ING Real Estate Community Living Management Trust ARSN 122 928 410

Results for announcement to the market

	\$'000	
Revenues from continuing operations	up 6.7% to 28,291	
Profit from ordinary activities after tax attributable to members	up 76% to a loss of 67,717	
Net profit for the period attributable to members	up 76% to a loss of 67,717	
Operating income from continuing operations	down 35% to 16,078	
Operating income	Down 30% to 18,260	
Net tangible assets per unit	30 June 2010 \$0.25	30 June 2009 \$0.40

Distributions	Amount per unit (cents)	\$m
Interim - 30 September 2009	Nil	Nil
Interim - 31 December 2009	Nil	Nil
Interim - 31 March 2010	Nil	Nil
Final - 30 June 2010	Nil	Nil
Total	Nil	Nil
Previous Corresponding Period	1.5	6.615

Note : Franked amount per unit is not applicable

Other significant information and commentary on results

See attached ASX announcement

For further details, please refer to the following attached documents:

- Directors' report
- Audited financial report
- Results presentation and Media Release
- Property book



Company Secretary

30 August 2010

ING REAL ESTATE COMMUNITY LIVING GROUP

FINANCIAL & ASSOCIATED REPORTS

YEAR ENDED 30 JUNE 2010

REAL ESTATE INVESTMENT MANAGEMENT



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ING Real Estate Community Living Group

Financial & associated reports

Year ended 30 June 2010

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The ING Real Estate Community Living Group has been formed by the stapling of the units in two Australian registered schemes, ING Real Estate Community Living Fund (ARSN 107 459 576) and ING Real Estate Community Living Management Trust (ARSN 122 928 410). ING Management Limited (ABN 15 006 065 032; AFS licence number 237534), the Responsible Entity of these two schemes, is incorporated and domiciled in Australia.

A description of the nature of the schemes' operations and their principal activities is included in the accompanying directors' report.

The registered office and principal place of business of the Responsible Entity is located at level 6, 345 George Street, Sydney, New South Wales.

The financial report was authorised for issue by the directors of the Responsible Entity on 30 August 2010. The Fund has the power to amend and reissue the financial report.

ING Real Estate Community Living Group

Directors' report

Year ended 30 June 2010

The ING Real Estate Community Living Group (the "Group") was formed on 11 January 2007 by the stapling of the units in two property trusts, ING Real Estate Community Living Fund (the "Fund") and ING Real Estate Community Living Management Trust ("ILMT") (collectively the "Trusts"). The Responsible Entity for both Trusts is ING Management Limited, which now presents its report together with the financial report for the year ended 30 June 2010 and the auditor's report thereon.

In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling arrangement discussed above is regarded as a business combination and the Fund has been identified as the parent for preparing consolidated financial reports.

The directors' report is a combined directors' report that covers both Trusts. The financial information given for the Group is taken from the consolidated financial statements and notes of the Fund.

Directors

The directors of the Responsible Entity at any time during or since the end of the financial year were:

Richard Colless AM	Chairman
Philip Clark AM	
Michael Easson AM	
Paul Scully	
Christophe Tanghe	Appointed 1 September 2009
George Jautze	Appointed 1 September 2009; resigned 31 May 2010
Philip Redmond	Resigned 12 April 2010

Except as stated, these persons were directors of the Responsible Entity during the whole of the financial year and up to the date of this report.

Principal activity

The principal activity of the Fund is investment in real estate. The principal activities of ILMT are the development, management and operation of the Fund's real estate assets. There was no significant change in the nature of either Trust's activities during the financial year.

Operating and financial review

The overall statutory loss of \$67,717,000 was largely due to downward property revaluations in the first half year of \$113,949,000.

The Fund's operating income was \$18,260,000 for the year compared to \$26,210,000 for the prior period. This result was impacted negatively by United States portfolio returns and by currency movements that were unhedged in the current year, offset by increased development profits within the Settlers portfolio and reduced financing costs from lower debt levels.

External valuations were undertaken on the Funds' Australian and United States Seniors portfolios and New Zealand Students portfolio in December 2009. The directors believe that valuations have stabilised in the second half of the year because of the improved operational performance of the assets and investment market dynamics. As a result, net tangible assets of 24.9 cents per unit has remained relatively steady since December 2009.

Proactive divestments throughout the year enabled the Fund to refine its portfolio and concentrate on driving value in core assets. Following the sale of select assets during the year, the Fund was able to use net sale proceeds to pay down debt and derisk the balance sheet.

ING Real Estate Community Living Group

Directors' report

Year ended 30 June 2010

Gearing for the Australian portfolio went from 54% to 41% as net sale proceeds were used to pay down debt. In addition, further repayments are expected from pending asset sales and improved operational performance. The United States Seniors portfolio gearing increased from 78% to 87% due to property valuations and the disposal of the Meridian properties. The United States Seniors' debt is limited recourse, fixed rate, long-term and covenant light.

Overall look-through gearing¹ for the Fund reduced to 73% from 74% for the prior year.

A summary of the Trusts' results for the financial year is:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
Loss from continuing operations	(53,266)	(166,971)	(15,634)	(1,603)
Net loss attributable to unitholders of the Fund (\$'000)	(67,717)	(284,176)	(25,939)	1,276
Operating income from continuing operations (\$'000)	16,078	24,869	(2,449)	(13,003)
Distributions per unit (cents)	-	1.50	-	-
Per stapled unit:				
Basic and diluted earnings per unit from continuing operations (cents)	(12.1)	(37.9)	na	na
Operating income from continuing operations per unit (cents)	3.6	5.6	na	na
Operating income per unit (cents)	4.1	5.9		

The Responsible Entity uses the Trusts' operating income as an additional performance indicator. Operating income does not take into account certain items recognised in the income statement including unrealised gains or losses on the revaluation of the Fund's properties and derivatives.

¹ Calculated as the ratio of net debt to total assets.

ING Real Estate Community Living Group **Directors' report** **Year ended 30 June 2010**

Operating income for the financial year has been calculated as follows:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) attributable to unitholders of the Fund	(67,717)	(284,176)	(25,939)	1,276
Adjusted for:				
Net foreign exchange (gain)/loss	1,298	546	-	(82)
Net loss on disposal of investment property	-	150	-	-
Net (gain)/loss on change in fair value of:				
Investment properties	21,488	21,365	(4,123)	(243)
Derivatives	(14,045)	55,071	-	-
Retirement village residents' loans	7,825	(7,774)	7,825	(7,774)
Items included in share of net profit of equity accounted investments:				
Investment properties	43,862	161,653	-	-
Derivatives	(279)	341	-	-
Gain on revaluation of newly constructed retirement villages	3,456	3,154	3,687	(3,199)
Borrowing cost amortisation returned	143	184	-	-
Impairment loss on other non-current assets	-	773	-	-
Discount on deferred purchase consideration included in share of net profit of equity accounted investments	(200)	531	-	-
Deferred income tax (benefit)/expense	5,796	(44,154)	5,796	(102)
Gain/(loss) from discontinued operations	14,451	117,205	10,305	(2,879)
Operating income from continuing operations	16,078	24,869	(2,449)	(13,003)
Operating income from discontinuing operations	2,182	1,341	1,382	(1,620)
Operating income	18,260	26,210	(1,067)	(14,623)

Operating income for the 2010 financial year decreased by 30% to \$18,260,000 from \$26,210,000 for the 2009 financial year. This result was impacted negatively by United States portfolio returns and by currency movements that were unhedged in the current year, offset by increased development profits within the Settlers portfolio and reduced financing costs from lower debt levels.

The cross- currency capital hedges were terminated in the year at a cost of \$16,019,000. After allowing for termination costs the valuation of derivatives for the 2010 financial year was a gain of \$14,045,000 compared to a loss of \$55,071,000 in the prior year.

Operating income per unit for the 2010 financial year was down 30% to 4.1 cents, compared to 5.9 cents per unit previously.

No distributions were made by the Fund for the financial year, compared with 1.5 cents in 2009.

Earnings per unit as calculated under applicable accounting standards for the year ended 30 June 2010 were a loss of 15.4 cents per stapled unit, compared to a loss of 64.4 cents per stapled unit for the previous financial year. Investment property devaluations (including share of revaluations of equity accounted investments) accounted for a loss of 25.7 cents per stapled unit during the year.

ING Real Estate Community Living Group

Directors' report

Year ended 30 June 2010

Total assets decreased by \$138,168,000 or 22% to \$494,278,000 over the year primarily due to disposals and revaluations. Asset revaluation decrements (including share of revaluations of equity accounted investments) contributed \$113,502,000 million to the decrease. The basis of the valuations is described in note 1 in the financial report.

Distributions

Details of distributions are given in note 3 in the financial report.

Significant changes in the state of affairs

In the opinion of the directors of the Responsible Entity, there were no significant changes in the state of affairs of the Trusts that occurred during the financial year.

Events subsequent to reporting date

Subsequent to the end of the financial year, the Fund sold its 'Kingston Gardens' property that is part of its Australian Seniors segment. Sales proceeds totalling \$3,000,000 were used to reduce debt and exceeded the carrying amount of the property of \$2,250,000.

Subsequent to the end of the financial year, the Fund sold its 'The Preserve' property that is part of its United States Students discontinued operation. Sale proceeds were used to reduce debt and were consistent with the property's carrying value at the end of the financial year.

Subsequent to the end of the financial year, the Fund transferred its 'Ashford Hills' property from its United States Students discontinued operation to its financier in full settlement of the amount owed. The carrying amount and the debt owed were the same.

Likely developments

The Fund is focused on providing unitholders with exposure to a quality, high performing portfolio of seniors' communities in Australia and the United States.

To deliver appropriate returns over the short to medium term It is necessary to optimise existing operations in the US and Australian portfolios by focusing on occupancy, investing in unit upgrades, and developing team capabilities across sales and operations to increase revenue and margins;

Value will be extracted from internal growth opportunities by converting three rental villages to the deferred management fee model, selective divestment of underperforming villages and focusing on the best allocation of capital across the business;

External growth opportunities will be considered through "brown field" village acquisitions and further development projects.

The Fund has faced challenging conditions. Plans are in place to continue the rebuilding phase with a focus on creating long-term unitholder value.

No distribution is forecast due to capital constraints and banking covenants.

Environmental regulation

The Trusts' operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnities

The Trusts have not indemnified, nor paid any insurance premiums for, a person who is or has been an officer of the Responsible Entity or an auditor of the Trusts.

ING Real Estate Community Living Group
Directors' report
Year ended 30 June 2010

Interests of directors of the Responsible Entity

Units in each Trust held by directors of the Responsible Entity as at 30 June 2010 were:

	Number of units
Paul Scully	20,352
Philip Clark	90,151

The other directors of the Responsible Entity did not hold any units in either Trust at that date.

Other information

Fees paid to the Responsible Entity and its associates, and the number of units in the Trusts held by the Responsible Entity and its associates as at the end of the financial year; are set out in note 24 in the financial report.

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 6.

Rounding of amounts

The Trusts are of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in this report and in the financial report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

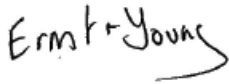
Signed in accordance with a resolution of the directors of the Responsible Entity.



Philip Clark AM
Director
Sydney
30 August 2010

Auditor's Independence Declaration to the Directors of ING Management Limited as Responsible Entity for the ING Real Estate Community Living Fund and the ING Real Estate Community Living Management Trust

In relation to our audit of the financial report of the ING Real Estate Community Living Fund and its controlled entities and the ING Real Estate Community Living Management Trust and its controlled entities for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of 'Douglas Bain' in a cursive script.

Douglas Bain
Partner
30 August 2010

ING Real Estate Community Living Group
Consolidated income statements
Year ended 30 June 2010

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue					
Rental income		19,849	17,336	19,796	16,458
Deferred management fee		4,937	3,123	4,937	3,123
Other property income		3,042	4,519	3,041	2,982
Interest income		463	1,529	358	325
		28,291	26,507	28,132	22,888
Other income					
Net foreign exchange gain/(loss)		(1,271)	(109)	(6)	82
Net loss on disposal of investment properties		-	(150)	-	-
Net gain/(loss) on change in fair value of:					
Investment properties		(21,488)	(21,365)	4,123	243
Derivatives		14,045	(55,071)	-	-
Retirement village residents' loans		(7,825)	7,774	(7,825)	7,774
Expenses					
Property expenses		(19,286)	(19,704)	(29,589)	(29,347)
Finance costs	5	(3,666)	(571)	(3,540)	(2,803)
Responsible Entity's fees	24	(3,274)	(3,355)	(342)	(327)
Impairment loss on:					
Other non-current assets		-	(773)	-	-
Other		(3,268)	(1,779)	(791)	(107)
Share of net loss of equity accounted investments	12	(29,712)	(142,358)	-	-
Loss from continuing operations before income tax		(47,454)	(210,954)	(9,838)	(1,597)
Income tax benefit/(expense)	6	(5,812)	43,983	(5,796)	(6)
Loss from continuing operations		(53,266)	(166,971)	(15,634)	(1,603)
Profit/(loss) from discontinued operations	7	(14,451)	(117,205)	(10,305)	2,879
Net profit/(loss) attributable to unitholders of the Fund		(67,717)	(284,176)	(25,939)	1,276
Attributable to unit holders of:					
ING Real Estate Community Living Fund		(41,778)	(285,452)	-	-
ING Real Estate Community Living Management Trust		(25,939)	1,276	(25,939)	1,276
		(67,717)	(284,176)	(25,939)	1,276

ING Real Estate Community Living Group
Consolidated income statements
Year ended 30 June 2010

		ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010 Cents	2009 Cents	2010 Cents	2009 Cents
Distributions per unit	3	-	1.50	-	-
Basic and diluted earnings per unit from continuing operations (cents)					
Per stapled unit	4	(12.1)	(37.9)	na	na
Per unit of each Trust	4	(8.5)	(37.5)	(3.5)	(0.4)
Basic and diluted earning per unit (cents)					
Per stapled unit	4	(15.4)	(64.4)	na	na
Per unit of each Trust	4	(9.5)	(64.7)	(5.9)	0.3

ING Real Estate Community Living Group
Consolidated statements of comprehensive income
Year ended 30 June 2010

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Net profit/(loss) for the year		(67,717)	(284,176)	(25,939)	1,276
Other comprehensive income:					
Exchange differences on translation of foreign operations	17	71	56,424	(252)	(2,081)
Share of other comprehensive income of equity accounted investments	17	-	(3,647)	-	(1,613)
Total comprehensive income for the year		(67,646)	(231,399)	(26,191)	(2,418)
Total comprehensive income for the year is attributable to:					
ING Real Estate Community Living Fund		(41,455)	(228,981)	-	-
ING Real Estate Community Living Management Trust		(26,191)	(2,418)	(26,191)	(2,418)
		(67,646)	(231,399)	(26,191)	(2,418)

The components of other comprehensive income shown above are presented net of related income tax effects.

ING Real Estate Community Living Group
Consolidated balance sheets
As at 30 June 2010

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	8	19,731	13,233	3,230	2,371
Trade and other receivables	9	5,531	9,830	12,370	13,397
Derivatives	10	2,418	301	-	-
Investment properties	11	-	33,922	-	-
Assets of discontinued operations	7	58,233	-	100	-
		<u>85,913</u>	<u>57,286</u>	<u>15,700</u>	<u>15,768</u>
Non-current assets					
Trade and other receivables	9	2,104	2,087	2,303	1,726
Investment properties	11	352,823	437,584	206,712	200,437
Plant and equipment		228	743	228	744
Equity accounted investments	12	53,210	134,746	-	10,406
		<u>408,365</u>	<u>575,160</u>	<u>209,243</u>	<u>213,313</u>
Total assets		<u>494,278</u>	<u>632,446</u>	<u>224,943</u>	<u>229,081</u>
Current liabilities					
Payables	13	39,183	25,983	13,603	15,016
Retirement village residents loans	1(p)	140,945	119,569	140,945	119,569
Borrowings	14	-	167,219	183	181
Derivatives	10	141	8,130	-	-
Liabilities of discontinued operations	7	62,143	-	4,347	-
		<u>242,412</u>	<u>320,901</u>	<u>159,078</u>	<u>134,766</u>
Non-current liabilities					
Borrowings	14	131,798	108,094	68,655	76,301
Derivatives	10	611	20,569	-	-
Deferred tax liabilities	15	9,435	5,214	9,435	4,048
		<u>141,844</u>	<u>133,877</u>	<u>78,090</u>	<u>80,349</u>
Total liabilities		<u>384,256</u>	<u>454,778</u>	<u>237,168</u>	<u>215,115</u>
Net assets		<u>110,022</u>	<u>177,668</u>	<u>(12,225)</u>	<u>13,966</u>
Unitholders' interest					
Issued units	16	490,044	490,187	3,351	3,351
Reserves	17	(11,481)	(11,552)	(2,397)	(2,145)
Retained earnings/(accumulated losses)	18	(368,541)	(300,967)	(13,179)	12,760
Total unitholders' interest		<u>110,022</u>	<u>177,668</u>	<u>(12,225)</u>	<u>13,966</u>
Attributable to unit holders of:					
ING Real Estate Community Living Fund					
Issued units	16	486,693	486,836	-	-
Reserves	17	(9,084)	(9,407)	-	-
Accumulated losses	18	(355,362)	(313,727)	-	-
		<u>122,247</u>	<u>163,702</u>	<u>-</u>	<u>-</u>
ING Real Estate Community Living Management Trust		<u>(12,225)</u>	<u>13,966</u>	<u>(12,225)</u>	<u>13,966</u>
		<u>110,022</u>	<u>177,668</u>	<u>(12,225)</u>	<u>13,966</u>
Net tangible assets per unit		\$0.25	\$0.40		

ING Real Estate Community Living Group
Consolidated cash flow statements
Year ended 30 June 2010

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities	28				
Rental and other property income		38,220	53,842	22,010	22,159
Property and other expenses		(37,207)	(41,952)	(32,362)	(29,105)
Proceeds from residents' loans		18,915	13,740	18,915	13,740
Repayment of residents' loans		(1,034)	(403)	(1,034)	(403)
Distributions received from equity accounted investments		5,891	18,046	743	2,800
Interest received		688	1,278	358	325
Borrowing costs paid		(10,895)	(9,162)	(2,322)	(1,445)
Goods and services taxes recovered from investing and financing activities		55	215	-	170
		<u>14,633</u>	<u>35,604</u>	<u>6,308</u>	<u>8,241</u>
Cash flows from investing activities					
Purchase of and additions to investment properties		(4,972)	(18,416)	(4,082)	(12,278)
Proceeds from sale of investment properties		8,134	30,994	-	-
Purchase of equity accounted investments		(7,786)	(15,612)	(418)	-
Return of capital from equity accounted investments		44,177	-	-	-
		<u>39,553</u>	<u>(3,034)</u>	<u>(4,500)</u>	<u>(12,278)</u>
Cash flows from financing activities					
Distributions to unitholders	3	-	(17,255)	-	-
Proceeds on restructure of derivatives		-	1,244	-	-
Proceeds from borrowings		139,068	12,244	-	-
Repayment of borrowings		(186,286)	(47,369)	(1,028)	-
		<u>(47,218)</u>	<u>(51,136)</u>	<u>(1,028)</u>	<u>-</u>
Net increase/(decrease) in cash		6,968	(18,566)	780	(4,037)
Cash at the beginning of the year		13,233	31,525	2,371	6,522
Effects of exchange rate changes on cash		45	274	79	(114)
Cash at the end of the year		<u>20,246</u>	<u>13,233</u>	<u>3,230</u>	<u>2,371</u>

ING Real Estate Community Living Group
Consolidated statements of changes in unitholders' interest
Year ended 30 June 2010

	Note	ING Real Estate Community Living Group			
		Issued Capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Carrying amounts at 1 July 2008		490,371	(64,329)	(10,360)	415,682
Net loss for the year		-	-	(284,176)	(284,176)
Other comprehensive income		-	52,777	-	52,777
Total comprehensive income for the year		-	52,777	(284,176)	(231,399)
Transactions with unitholders in their capacity as equity holders:					
Borrowing cost amortisation returned	16(d)	(184)	-	184	-
Distributions paid or payable	3	-	-	(6,615)	(6,615)
Carrying amounts at 30 June 2009		490,187	(11,552)	(300,967)	177,668
Net loss for the year		-	-	(67,717)	(67,717)
Other comprehensive income		-	71	-	71
Total comprehensive income for the year		-	71	(67,717)	(67,646)
Transactions with unitholders in their capacity as equity holders:					
Borrowing cost amortisation returned	16(d)	(143)	-	143	-
Distributions paid or payable	3	-	-	-	-
Carrying amounts at 30 June 2010		490,044	(11,481)	(368,541)	110,022

	Note	ING Real Estate Community Living Management Trust			
		Issued Capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Carrying amounts at 1 July 2008		3,351	1,549	11,484	16,384
Net profit for the year		-	-	1,276	1,276
Other comprehensive income		-	(3,694)	-	(3,694)
Total comprehensive income for the year		-	(3,694)	1,276	(2,418)
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	3	-	-	-	-
Carrying amounts at 30 June 2009		3,351	(2,145)	12,760	13,966
Net loss for the year		-	-	(25,939)	(25,939)
Other comprehensive income		-	(252)	-	(252)
Total comprehensive income for the year		-	(252)	(25,939)	(26,191)
Transactions with unitholders in their capacity as equity holders:					
Distributions paid or payable	3	-	-	-	-
Carrying amounts at 30 June 2010		3,351	(2,397)	(13,179)	(12,225)

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies

(a) The Group

The ING Real Estate Community Living Group ("the Group") was formed on 11 January 2007 by the stapling of the units in two property trusts, ING Real Estate Community Living Fund (the "Fund or "Parent") and ING Real Estate Community Living Management Trust ("ILMT") (collectively the "Trusts"). The Fund and ILMT were constituted on 22 November 2003 and 24 November 2006, respectively.

The Responsible Entity for both trusts is ING Management Limited. ING Management Limited is an Australian domiciled company and is a wholly owned company within the ING Groep NV group of companies.

The two Trusts have common business objectives and operate as an economic entity collectively known as ING Real Estate Community Living Group.

The constitutions of the Trusts ensure that, for as long as the Trusts remain jointly quoted on the Australian Stock Exchange, the number of units in each trust shall remain equal and that unitholders in each trust shall be identical.

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

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

(b) Basis of preparation

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

In accordance with Accounting Standard AASB 3 *Business Combinations*, the stapling arrangement discussed above is regarded as a business combination and the Fund has been identified as the parent for preparing consolidated financial reports.

As permitted by Class Order 05/642, 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 the ING Real Estate Community Living Group (being the consolidated financial statements and notes of the Fund) and ILMT.

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

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis, except for investment properties, retirement village residents' loans and derivative financial instruments, which are measured at fair value.

ING Real Estate Community Living Group **Notes to the financial statements** **Year ended 30 June 2010**

1. Summary of significant accounting policies (continued)

(c) Adoption of new and revised accounting standards

(i) Presentation of financial statements

The Group has applied the revised Accounting Standard AASB 101 *Presentation of Financial Statements* that became effective as of 1 July 2009. As a result, the Group presents in the statement of changes in unitholders' interest all owner changes in unitholders' interest, whilst all non-owner changes in unitholders' interest are presented in the statement of comprehensive income. Previously, the statement of changes in unitholders' interest included both owner and non-owner changes in unitholders' interest. Comparative information in this report has been amended accordingly. There was no impact on amounts recognised in the financial statements.

(ii) Classification of derivatives

The Group has applied the amendments to Accounting Standard AASB 101 *Presentation of Financial Statements* made by AASB 2009-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. Previously, derivatives were classified as current assets or current liabilities. With retrospective effect from 30 June 2009, derivative assets and liabilities are apportioned between current and non-current based on the contractual timing of expected cash flows. Amounts recognised in respect of cash flows that are contracted to occur up to twelve months after reporting date are classified as current, whilst amounts recognised in respect of cash flows that are contracted to occur more than twelve months after reporting date are classified as non-current.

The effect of this change is:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Decrease in current liabilities & increase in non-current liabilities	611	20,569	-	-

(iii) Property under construction

The Group has applied the amendments to Accounting Standard AASB 140 *Investment Property* and to paragraphs 5 and 81E of AASB 116 *Property, Plant and Equipment* made by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. Before 1 July 2009, properties under construction were regarded as property, plant and equipment and measured at cost. From that date, properties under construction are regarded as investment properties and measured at fair value, with changes in fair value recorded in the income statement. Since the fair values of properties under construction at both 1 July 2009 and 30 June 2010 were below cost, and these properties have been written down to those fair values, there was no impact on the financial statements.

(iv) Discontinued operations

The Group has classified certain components as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

Components of the entity are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Details of discontinued operations and disposal groups are given at note 7.

(v) Other changes

The Group has applied AASB 8 *Operating Segments* that is applicable from 1 July 2009. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. AASB 8 only caused presentation changes in the segment note. This has resulted in an increase in the number of reportable segments presented.

The Group has adopted certain amendments to AASB 7 *Financial Instruments: Disclosures* effective as of 1 July 2009. The amendments only affect certain of the disclosures given in note 21 Financial Instruments.

The Group has early adopted the amendments to Accounting Standard AASB 101 *Presentation of Financial Statements* made by AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. This amendment classifies the Board's intention that details of each item of other comprehensive income may be presented in the notes to the financial statements rather than the statement of changes in unitholders' Interest. Without this amendment, details of each item of other comprehensive income would have had to be presented in that statement.

In the current year the Group has adopted all of the other new and revised standards and interpretations issued by the Board that are relevant to its operations and effective for the current annual reporting period. There was no material effect on the financial statements.

(d) Principles of consolidation

The Fund's consolidated financial statements comprise the Parent and its subsidiaries (including ILMT and its subsidiaries) as at 30 June 2010 (the "Group"). ILMT's consolidated financial statements comprise ILMT and its subsidiaries as at 30 June 2010 (the "ILMT Group"). Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies the Fund has the power to govern, which generally accompanies a shareholding of more than one-half of the voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies. Inter-company balances and transactions including unrealised profits have been eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Parent. They are de-consolidated from the date that control ceases.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

Non-controlling interests represent the interests in subsidiaries not held by the Group.

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

(e) 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.

(f) Foreign currency

(i) *Functional and presentation currencies*

The functional currency and presentation currency of the Group (with the exception of its foreign subsidiaries) is the Australian dollar.

(ii) *Translation of foreign currency transactions*

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

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

(iii) *Translation of financial statements of foreign subsidiaries*

The functional currency of certain subsidiaries is not the Australian dollar. At reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date. Financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

(g) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Leases where the lessor retains substantially all the risk and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the term of the lease on the same basis as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

(h) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as fair value through profit or loss are recorded in the income statement.

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

(i) Impairment of non-financial assets

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

(j) Cash and cash equivalents

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

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

(l) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. The Group may also invest in derivatives related to listed property equities and indices and may issue derivatives related to its own units. Such derivative financial instruments are initially recognised at fair value on the date in which the derivative contract is entered into and are subsequently remeasured to fair value.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

For hedge accounting, hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or hedges of a net investment in a foreign operation.

Any gain or loss arising from measuring fair value hedges that meet the conditions for hedge accounting is recognised in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the relevant financial instrument.

Any gain or loss arising on cash flow hedges which hedge firm commitments and which qualify for hedge accounting are recognised directly in equity. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

Any gain or loss arising on hedges of a net investment in a foreign operation, which qualify for hedge accounting, are recognised directly in equity in foreign currency translation reserve. On disposal of the foreign operation, the cumulative amount of any such gains and losses is transferred to profit or loss.

For derivatives that do not meet the documentation requirements to qualify for hedge accounting and for the ineffective portion of qualifying hedges, any gains or losses arising from changes in fair value are recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised, terminated or no longer deemed effective. Any cumulative gains or losses relating to the hedge that were previously recognised in equity are transferred to the income statement.

(m) 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 & equipment, are not depreciated.

Investment property includes property under construction.

It is the Group's policy to have all investment properties externally valued at intervals of not more than three years and that such valuation be reflected in the financial reports of the Group. It is the policy of the Responsible Entity to review the fair value of each investment property every six months and to cause investment properties to be revalued to fair values whenever their carrying value differs materially to their fair values.

Fair value represents the amount at which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. It is based on current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts, adjusted for any differences in the nature, location or condition of the property, or in the contractual terms of the leases and other contracts relating to the property.

In the absence of current prices in an active market, the Responsible Entity considers information from a variety of sources, including current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences, recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

In determining fair values, expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable. Changes in the fair value of an investment property are recorded in the income statement.

(n) Equity accounted investments

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. A contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Associates are those entities over which the Group has significant influence, but not control. Jointly controlled entities and associates, and investments in those entities, are referred to as "equity accounted investments". Equity accounted investments are accounted for in the Parent's financial statements using the cost method and in the consolidated financial statements using the equity method. The Group's share of net profit is recognised in the consolidated income statement and its share of any movement in reserves is recognised in reserves in the consolidated balance sheet. The accumulation of post-acquisition movements in the Group's share of net assets is adjusted against the carrying value of the investment. Distributions received or receivable are recognised in the Parent's income statement and reduce the carrying value of the investment in the consolidated financial statements.

(o) Payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and are recognised when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

(p) Retirement village residents' loans

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

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

(q) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

(r) Issued units

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

(s) Revenue

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

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rentals are recognised as income in the financial year that they are earned. 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.

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

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

(t) Income tax

(i) Current income tax

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

However, ING Real Estate Community Living Management Trust and its subsidiaries are subject to Australian income tax.

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

(ii) Deferred income tax

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

(u) Earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders of the Fund divided by the weighted average number of issued units. As there are no potentially dilutive units on issue, diluted earnings per unit is the same as basic earnings per unit.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

1. Summary of significant accounting policies (continued)

(v) 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.

(w) Pending Accounting Standards

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* address the classification and measurement of financial assets and are likely to affect the Group's accounting for its financial assets. The standards are not applicable until 1 July 2013. The Group is yet to assess the full impact.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

2. Accounting estimates and judgements

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

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group had investment properties with a carrying amount of \$352,823,000 (ILMT Group: \$206,712,000) (2009: Group \$471,506,000; IMLT Group \$200,437,000) (see note 11), and retirement village residents' loans with a carrying amount of \$140,945,000 (Group & ILMT Group) (2009: Group & ILMT Group \$119,569,000), representing estimated fair value. In addition, the carrying amount of the Group's equity accounted investments of \$53,210,000 (ILMT Group: nil) (2009: Group \$134,746,000; ILMT Group: \$10,406,000) (see note 12) also reflects investment properties and retirement village residents' loans carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

2. Accounting estimates and judgements (continued)

(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. Distributions

	Note	ING Real Estate Community Living Group	2010	2009	ING Real Estate Community Living Management Trust	2010	2009
(a) Rates and amounts of distributions							
		Cents		Cents	Cents		Cents
Distributions have been paid or are payable in respect of the following periods at the following rates (in cents per unit):							
Quarter ended 30 September		-		1.50	-		-
Quarter ended 31 December		-		-	-		-
Quarter ended 31 March		-		-	-		-
Quarter ended 30 June		-		-	-		-
		-		1.50	-		-
		\$'000		\$'000	\$'000		\$'000
The total amounts of these distributions were:							
Quarter ended 30 September		-		6,615	-		-
Quarter ended 31 December		-		-	-		-
Quarter ended 31 March		-		-	-		-
Quarter ended 30 June		-		-	-		-
		-		6,615	-		-

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

4. Earnings per unit

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
(a) Per stapled unit				
Loss from continuing operations (\$'000)	(53,266)	(166,971)	na	na
Loss from discontinuing operations (\$'000)	(14,451)	(117,205)	na	na
Weighted average number of units outstanding (thousands)	441,029	441,029	na	na
Basic and diluted earnings per unit from continuing operations (cents)	(12.1)	(37.9)	na	na
Basic and diluted earning per unit from discontinuing operations (cents)	(3.3)	(26.6)	na	na
Basic and diluted earning per unit (cents)	(15.4)	(64.4)	na	na
(b) Per unit of each Trust				
Loss from continuing operations (\$'000)	(37,632)	(165,368)	(15,634)	(1,603)
Profit/(loss) from discontinuing operations (\$'000)	(4,146)	(120,084)	(10,305)	2,879
Weighted average number of units outstanding (thousands)	441,029	441,029	441,029	441,029
Basic and diluted earnings per unit from continuing operations (cents)	(8.5)	(37.5)	(3.5)	(0.4)
Basic earning per unit from discontinuing operations (cents)	(0.9)	(27.2)	(2.3)	0.7
Basic and diluted earning per unit (cents)	(9.5)	(64.7)	(5.9)	0.3

5. Finance costs

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest paid or payable	10,950	10,419	3,688	2,933
Less cross currency swap interest received	(7,031)	(9,517)	-	-
Less interest capitalised	(253)	(331)	(148)	(130)
	3,666	571	3,540	2,803

The rate used to capitalise finance costs to qualifying assets was 8.4% (2009: 8.4%).

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

6. Income tax expense

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
(a) Income tax expense					
Current tax		16	171	-	108
Increase/(decrease) in deferred tax liabilities	15	5,796	(44,154)	5,796	(102)
		<u>5,812</u>	<u>(43,983)</u>	<u>5,796</u>	<u>6</u>
(b) Reconciliation between tax expense and pre-tax net profit					
Loss before income tax		(47,454)	(210,954)	(9,838)	(1,597)
Income tax at the Australian tax rate of 30% (2009: 30%)		(14,236)	(63,286)	(2,951)	(479)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Australian income		9,273	19,772	7,255	254
Foreign tax law and rate adjustment		10,775	(469)	1,492	231
Income tax (benefit)/expense		<u>5,812</u>	<u>(43,983)</u>	<u>5,796</u>	<u>6</u>

7. Discontinued operations

(a) Details of discontinued operations

On 7 December 2009, the Group entered into an agreement to sell its Canadian Seniors business. The sale of this business settled in June 2010.

On 23 November 2009, the Group announced that it would cease to provide financial support to its United States Students business which previously enabled that business to meet interest and principal payments on debt. This resulted in a breach of the related borrowing agreements. The Group is in discussions with the debt providers to effectively dispose of this business by means of the debt providers taking over the properties through a deed-in-lieu process. The debt providers have no recourse to the other assets of the Group except in limited circumstances.

These disposals are consistent with the Group's previously announced policy to focus on its Seniors business in Australia and the United States.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

7. Discontinued operations (continued)

(b) Financial performance

The financial performance of these components of the Fund disposed of or classified as discontinued operations at 30 June 2010 was:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Revenue	12,664	20,351	-	-
Net gain/(loss) on change in fair value of:				
Borrowings	27,131	-	-	-
Investment properties	(37,366)	(50,574)	163	-
Other income	655	1,943	-	-
Expenses	(16,798)	(27,968)	(232)	(867)
Impairment loss on:				
Receivables	-	(20,612)	-	-
Equity accounted investment	-	(21,350)	-	-
Share of net profit/(loss) of equity accounted investments	(2,209)	(18,037)	(10,638)	2,164
Profit/(loss) from operating activities before income tax	(15,923)	(116,247)	(10,707)	1,297
Income tax benefit/(expense)	1,472	(23)	402	1,582
Profit/(loss) from operating activities	(14,451)	(116,270)	(10,305)	2,879
Loss on sale of discontinued operations before income tax	-	(935)	-	-
Loss on sale of discontinued operations	-	(935)	-	-
Profit/(loss) from discontinued operations for the year	(14,451)	(117,205)	(10,305)	2,879

(c) Cash flows

The cash flows of these components of the Fund disposed of or classified as discontinued operations at 30 June 2010 were:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net cash flow from operating activities	(4,733)	(374)	670	2,790
Net cash flows from investing activities:				
Proceeds on sale of discontinued operations	15,569	28,744	-	-
Other	(482)	(6,252)	-	-
Net cash flow from financing activities	(14,848)	(22,714)	(743)	(2,790)
Net cash flows from discontinued operations	(4,494)	(596)	(73)	-

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

7. Discontinued operations (continued)

(d) Assets and liabilities

The assets and liabilities of components of the Fund classified as disposal groups at each reporting date were:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	515	-	-	-
Trade and other receivables	1,444	-	100	-
Investment properties	56,274	-	-	-
Total assets	58,233	-	100	-
Liabilities				
Payables	1,432	-	-	-
Borrowings	60,711	-	4,347	-
	62,143	-	4,347	-
Net assets of disposal groups	(3,910)	-	(4,247)	-

(e) Details of disposals

Details of the disposal of Canadian Seniors business are as follows:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Assets				
Equity accounted investments	10,668	-	-	-
Net assets of disposal groups	10,668	-	-	-
Consideration received or receivable				
Cash	10,668	-	-	-
Less net assets disposed of	(10,668)	-	-	-
Gain on disposal	-	-	-	-
Net cash inflow on disposal				
Cash and cash equivalents consideration	10,668	-	-	-
Less cash receivable	(1,389)	-	-	-
Cash inflows reflected in the consolidated statement of cash flows	9,279	-	-	-

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

8. Cash and cash equivalents

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	21	7,041	6,856	3,069	1,809
Short term deposits	21	12,690	6,377	161	562
		19,731	13,233	3,230	2,371

Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents include the following at 30 June

Cash at bank and in hand attributable to discontinued operations

515	-	-	-
20,246	13,233	3,230	2,371

9. Trade and other receivables

		ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current	21				
Rental and other amounts due		3,288	6,740	140	-
Amounts receivable from stapled entity		-	-	9,535	10,765
Accrued income, prepayments and deposits		2,243	3,090	2,695	2,632
		5,531	9,830	12,370	13,397
Non-current	21				
Accrued income, prepayments and deposits		2,104	2,087	2,303	1,726
		2,104	2,087	2,303	1,726

Rental and other amounts due are receivable within 30 days.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

10. Derivatives

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current assets	21				
Forward foreign exchange contracts		-	301	-	-
Cross currency swap contracts		2,418	-	-	-
		<u>2,418</u>	<u>301</u>	<u>-</u>	<u>-</u>
Current liabilities	21				
Forward foreign exchange contracts		-	13	-	-
Cross currency swap contracts		-	8,117	-	-
Interest rate swap contracts		141	-	-	-
		<u>141</u>	<u>8,130</u>	<u>-</u>	<u>-</u>
Non-current liabilities	21				
Cross currency swap contracts		-	20,569	-	-
Interest rate swap contracts		611	-	-	-
		<u>611</u>	<u>20,569</u>	<u>-</u>	<u>-</u>

11. Investment properties

(a) Summary of carrying amounts

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current				
Completed properties	-	33,922	-	-
Non-current				
Completed properties	346,163	429,009	203,152	197,757
Properties under construction	6,660	8,575	3,560	2,680
	<u>352,823</u>	<u>437,584</u>	<u>206,712</u>	<u>200,437</u>
Total	<u>352,823</u>	<u>471,506</u>	<u>206,712</u>	<u>200,437</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

11. Investment properties (continued)

(b) Individual valuations and carrying amounts

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Investment property								
Current ⁽¹⁾								
Garden Villages								
Bendigo 1					-	260		8.0%
Bendigo 2					-	260		8.0%
Caboolture 2					-	260		8.0%
Salisbury					-	290		8.0%
Toowoomba 1					-	285		8.0%
Wynnum 2					-	285		8.0%
US Students								
34 Fairview Street					-	1,175		8.7%
45 Oakwood Ave.					-	852		8.3%
Hunting Lodge Apartments					-	5,952		8.4%
The Preserve					-	24,303		8.8%
		<u>-</u>		<u>-</u>	<u>-</u>	<u>33,922</u>	<u>na</u>	<u>8.6%</u>
Non-current								
Garden Villages Portfolio								
Yakamia Gardens	Jun 04	5,951	Dec 09	4,850	4,850	5,350	8.8%	8.3%
Mardross Gardens	Jun 04	5,569	Dec 09	3,850	3,850	5,300	9.3%	8.0%
Seville Grove Gardens	Jun 04	4,050	Dec 09	3,550	3,550	3,800	9.0%	8.0%
Hertford Gardens	Jun 04	3,721	Dec 09	2,400	2,400	3,050	8.8%	8.5%
Carey Park Gardens	Jun 04	4,872	Dec 09	3,450	3,450	3,950	8.8%	8.3%
Jefferis Gardens	Jun 04	5,082	Dec 09	2,500	2,500	3,750	7.8%	8.5%

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

11. Investment properties (continued)

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Cessnock Gardens	Jun 04	5,631	Dec 09	4,570	4,570	5,430	9.0%	8.0%
Claremont Gardens	Jun 04	4,698	Dec 09	2,900	2,900	3,550	9.0%	8.5%
Taloumbi Gardens	Jun 04	4,954	Dec 09	4,150	4,150	4,750	9.0%	8.3%
Davenport Gardens	Jun 04	4,218	Dec 09	2,350	2,350	3,150	8.3%	8.8%
Wheeler's Gardens	Jun 04	4,617	Dec 09	3,000	3,000	3,900	9.3%	8.3%
Elphinwood Gardens	Jun 04	4,561	Dec 09	3,100	3,100	3,800	9.0%	8.5%
Glenorchy Gardens	Jun 05	4,359	Dec 09	3,500	3,500	4,000	9.0%	8.0%
Chatsbury Gardens	Jun 04	4,975	Dec 09	3,200	3,200	3,800	9.0%	8.3%
Grovedale Gardens	Jun 05	5,429	Dec 09	3,550	3,550	4,500	9.3%	8.0%
Horsham Gardens	Jun 04	4,626	Dec 09	2,800	2,800	4,350	9.0%	8.0%
Ipswich Gardens	Jun 04	4,919	Dec 09	1,950	901	2,400	9.5%	8.0%
Kingston Gardens	Jun 05	4,505	Dec 09	2,250	2,250	2,799	8.8%	8.8%
Lovely Banks Gardens	Jun 05	5,936	Dec 09	3,750	3,750	4,100	9.0%	8.5%
Sea Scape Gardens	Jun 04	4,505	Dec 09	3,850	3,850	4,300	9.3%	8.5%
Marsden Gardens	Jun 05	8,802	Dec 09	8,341	8,340	8,550	9.5%	8.5%
Coburns Gardens	Jun 04	4,328	Dec 09	2,350	2,350	3,150	9.0%	8.5%
Brooklyn Gardens	Jun 04	4,237	Dec 09	2,500	2,500	3,050	9.5%	8.5%
Oxley Gardens	Jun 04	4,585	Dec 09	2,600	2,600	3,550	8.0%	8.5%
Townsend Gardens	Jun 04	4,978	Dec 09	3,100	3,100	3,500	9.0%	8.5%
St Albans Park Gardens	Jun 04	4,984	Dec 09	3,250	3,250	3,850	9.0%	8.5%
Swan View Gardens	Jan 06	7,145	Dec 09	7,000	7,000	7,100	9.0%	8.3%
Taree Gardens	Dec 04	4,639	Dec 09	2,799	2,800	4,150	8.0%	8.5%
Toowoomba Gardens	Dec 04	3,978	Dec 09	3,000	3,000	3,600	8.5%	8.8%
Newtown Gardens	Jun 04	4,415	Dec 09	3,450	3,450	3,950	9.3%	8.8%

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

11. Investment properties (continued)

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Glenvale Gardens	Jun 04	3,973	Dec 09	2,250	2,250	2,700	5.3%	8.8%
Forest Lake Gardens	Nov 05	13,467	Dec 09	11,050	11,050	10,650	9.3%	8.3%
South Gladstone Gardens	Nov 05	7,956	Dec 09	5,260	5,260	5,460	8.0%	8.3%
Rockhampton Gardens	Nov 05	10,307	Dec 09	6,800	6,800	7,350	8.0%	8.3%
US Students ⁽³⁾								
Ashford Hills Apartments						1,550	-	9.4%
Campus View						4,805	-	8.7%
Clubhouse Apartments						3,968	-	8.7%
Kelly Gardens Apartments						2,077	-	10.4%
Knollwood Apartments						7,068	-	8.6%
Maplewood Apartments						2,573	-	8.7%
Millbrook Apartmetns						775	-	9.3%
Oakridge						1,859	-	9.5%
Oakwood						434	-	9.1%
Orchard Acres Apartments						4,865	-	8.9%
Perry Hill estates						2,883	-	8.9%
Renwood Apartments						4,338	-	9.2%
Ridgeview heights						2,976	-	9.0%
Springwood Apartments						3,162	-	10.4%
Willington Oaks Apartments						10,818	-	8.9%
Campus Club						11,531	-	8.0%
US Seniors								
Lynbrook, New York	Dec 07	27,803	Dec 09	23,667	23,667	32,238	9.0%	8.3%

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

11. Investment properties (continued)

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Settlers ⁽²⁾							Discount rate	
Lakeside	Apr 07	69,675	Dec 09	71,691	75,120	73,975	13.5%	13.0%
Noyea Park	Apr 07	2,463	Dec 09	1,551	1,327	2,497	13.5%	13.0%
Meadow Springs	Apr 07	20,200	Dec 09	17,185	17,367	17,822	13.5%	13.0%
Ridgewood	Apr 07	77,312	Dec 09	93,903	100,461	86,156	13.5%	13.0%
		382,425		337,267	346,163	429,009	0.0%	0.0%
Total completed properties		382,425		337,267	346,163	462,931	0.0%	0.6%
Property under construction								
Non-current								
Garden Villages								
Lovely Banks Gardens - land	Jun 05	862	Dec 09	310	310	330	-	-
Wangaratta - land				-	-	311	-	-
Settlers								
Noyea Park	Apr 07	3	Dec 09	-	-	500	13.5%	13.0%
Ridgewood	Apr 07	2,970	Dec 09	3,040	3,040	4,037	13.5%	13.0%
Lakeside	Apr 07	1,407	Dec 09	1,350	1,350	-	13.5%	
Meadow Springs	Apr 07	2,470	Dec 09	1,960	1,960	3,397	13.5%	13.0%
		7,712		6,660	6,660	8,575		
Total all investment properties		390,137		343,927	352,823	471,506		

(1) Investment properties that are held for sale and are expected to be realised within twelve months after the reporting date are classified as current.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

11. Investment properties (continued)

- (2) Valuations of retirement villages are provided to the Group net of residents' loans (after deducting any accrued deferred management fees). For presentation in this note, the external valuations shown are stated before deducting this liability to reflect its separate balance sheet presentation. The carrying amounts include the fair value of units completed since the date of the external valuation.
- (3) Included in discontinued operations at 30 June 2010.
- (4) Investment property that has not been valued by external valuers at reporting date is carried at the Responsible Entity's estimate of fair value in accordance with the accounting policy detailed at note 1(m). Properties acquired during the period are held at cost, which is reflective of the estimate of fair value.
- (5) Valuations made in a foreign currency have been converted at the rate of exchange ruling at reporting date.

(c) Movements in carrying amounts

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<i>Completed investment property</i>				
Carrying amount at beginning of year	462,931	504,910	197,757	181,327
Exchange rate fluctuations	(1,800)	38,235	(1,800)	2,198
Additions - to existing property	1,202	9,524	1,084	2,457
Transferred from property under construction	3,547	13,017	2,970	10,423
Disposals	(1,394)	(32,079)	-	-
Transferred to discontinued operations	(97,965)	-	-	-
Net change in fair value	(20,358)	(70,676)	3,140	1,352
Carrying amount at end of year	346,163	462,931	203,152	197,757
<i>Property under construction</i>				
Carrying amount at beginning of year	8,575	12,742	2,680	3,683
Additions	2,972	9,623	2,867	9,420
Disposals	(312)	-	-	-
Net change in fair value	(1,028)	(773)	983	-
Transferred to investment property	(3,547)	(13,017)	(2,970)	(10,423)
Carrying amount at end of year	6,660	8,575	3,560	2,680

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

12. Equity accounted investments

(a) Details of investments

Name	Principal activity	Ownership interest	
		2010	2009
ING Real Estate Community Living Trust			
Chartwell ING Regency Master LP	Real estate investment	50%	50%
CSH - INGRE LLC	Real estate investment	49%	49%
ING NZ Subsidiary Trust No 1 ⁽¹⁾	Real estate investment	90%	90%
ING Real Estate CC Trust No 1 ^(1,2)	Real estate investment	90%	90%
ING Real Estate Community Living Management Trust			
Regency LTC Operating LP	Operator of long term care facilities	50%	50%

- (1) Although the Group has the economic interest shown, it does not hold a controlling interest in the voting rights of this company. Consequently, the Responsible Entity has determined that the Group's ownership interest does not give the Group the capacity to control the company but rather the power to exercise significant influence.
- (2) This trust held the Group's investment in the Country Club Villages joint venture ("CCV") and disposed of its interest in CCV in February 2009 for \$500,000. During the 2009 year, the Group recognised an impairment loss of \$6,096,000 on its investment in this trust and an impairment loss of \$20,612,000 on a receivable from this trust for a total impairment loss of \$26,708,000. The carrying value of CCV at 30 June 2010 is nil.

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(b) Share of assets and liabilities				
Total assets	355,199	645,248	-	14,630
Total liabilities	(301,989)	(510,502)	-	(4,224)
Net assets	53,210	134,746	-	10,406
(c) Share of results				
Revenue	92,999	118,540	-	-
Gain/(loss) on change in fair value of:				
Investment properties	(43,862)	(161,653)	-	-
Derivatives	279	(341)	-	-
Expenses	(79,128)	(98,904)	-	-
Loss before income tax	(29,712)	(142,358)	-	-
Income tax expense	-	-	-	-
Loss for the year	(29,712)	(142,358)	-	-

ING Real Estate Community Living Group
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Year ended 30 June 2010

13. Payables

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current liabilities				
Trade payables	39,183	25,983	13,603	15,016

14. Borrowings

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current liabilities	21				
Bank debt	(a)	-	167,219	-	-
Finance leases	(c)	-	-	183	181
		-	167,219	183	181
Non-current liabilities					
Bank debt	(a)	98,800	73,376	-	-
Other external debt	(b)	32,998	34,718	32,998	34,718
Finance leases	(c)	-	-	17,364	17,368
Loans from stapled entity	(d)	-	-	18,293	24,215
		131,798	108,094	68,655	76,301

(a) Bank debt

The Australian dollar denominated debt of \$98,800,000 (2009: \$132,500,000) is a fully drawn variable rate facility expiring in February 2013. The main financial covenants to be maintained include:

- ♦ loan to value ratios of 65% for completed rental villages and 50% for deferred management fee villages and properties under construction;
- ♦ a total leverage ratio (calculated on a look-through basis) of less than 85%, reducing to 80% from 1 January 2012; and
- ♦ an interest cover ratio of net income from mortgaged properties (including distributions from foreign assets) to facility interest expense of at least 1.4.

The Group may not make distributions without prior consent of the bank (unless pursuant to a distribution reinvestment plan approved by the bank) until:

- ♦ following a capital raising and the loan to value ratio is not more than 50% and the interest cover ratio is at least 1.75; or
- ♦ without a capital raising and the loan to value ratio is not more than 40% and the interest cover ratio is at least 1.75.

The carrying value at reporting date of the Group's Australian investment properties pledged as security is \$329,156,000 (2009: \$220,400,000) (ILMT Group \$183,044,000; 2009: \$168,199,000).

At 30 June 2009, there was also \$108,094,000 of bank debt denominated in United States dollars. This debt has now either been repaid or included in liabilities of discontinued operations.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

14. Borrowings (continued)

(b) Other external debt

The other external debt comprises two bonds whose terms exceed five years. The bonds are secured against a United States property with a carrying amount of \$23,667,000 (2009: \$32,238,000).

(c) Finance leases

A subsidiary of ILMT has entered into a series of lease agreements with a related party, Settlers Subsidiary Trust, a subsidiary of the Fund. The subject of each lease is a retirement village, the total carrying amount of which at reporting date was \$183,044,000 (2009: \$168,199,000). The remaining term of each lease is 96 years. There are no purchase options. Lease payments are reviewed to market rates every three years. Minimum payments under the leases, assuming no market rent reviews and their present values are:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments:				
Within one year	-	-	1,298	1,298
Later than one year but not later than five years	-	-	5,192	5,192
Later than five years	-	-	117,904	119,191
Total minimum lease payments	-	-	124,394	125,681
Future finance charges	-	-	(106,847)	(108,132)
Present value of minimum lease payments	-	-	17,547	17,549
Present value of minimum lease payments:				
Within one year	-	-	183	181
Later than one year but not later than five years	-	-	733	725
Later than five years	-	-	16,631	16,643
	-	-	17,547	17,549

(d) Loans from stapled entity

The ILMT Group has entered into an unsecured loan agreement with Settlers Subsidiary Trust, a subsidiary of the Fund, which is repayable upon maturity in April 2012. The facility limit is \$50,000,000 and the balance outstanding at reporting date was \$9,744,000 (2009: \$9,773,000).

The ILMT Group has entered into an unsecured loan agreement with the Fund repayable upon maturity in November 2012. The facility limit is \$6,600,000 and the balance outstanding at reporting date was nil (2009: \$6,600,000).

The ILMT Group has also entered into an additional unsecured loan agreement with the Fund repayable upon maturity in November 2012. The facility limit is \$9,069,000 and the balance outstanding at reporting date was \$8,549,000 (2009: \$7,842,000).

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

15. Deferred tax liabilities

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Investment properties	9,435	3,608	9,435	3,608
Equity accounted investments	-	1,606	-	440
	<u>9,435</u>	<u>5,214</u>	<u>9,435</u>	<u>4,048</u>
Deferred tax (benefit)/expense from continuing operations recognised in the income statement in respect of deferred tax liabilities is attributable to temporary differences arising from:				
Investment properties	5,796	1,824	5,796	(102)
Equity accounted investments	-	(45,955)	-	(1,582)
	<u>5,796</u>	<u>(44,131)</u>	<u>5,796</u>	<u>(1,684)</u>
Deductible temporary differences for which no deferred tax asset has been recognised	54,669	67,601	-	-
Potential tax benefit	<u>16,401</u>	<u>23,660</u>	<u>-</u>	<u>-</u>

16. Issued units

(a) Carrying amounts

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
At beginning of year		490,187	490,371	3,351	3,351
Borrowing cost amortisation returned	(d)	(143)	(184)	-	-
At end of year		<u>490,044</u>	<u>490,187</u>	<u>3,351</u>	<u>3,351</u>
The closing balance is attributable to the unitholders of:					
ING Real Estate Community Living Fund		486,693	486,836	-	-
ING Real Estate Community Living Management Trust		<u>3,351</u>	<u>3,351</u>	<u>3,351</u>	<u>3,351</u>
		<u>490,044</u>	<u>490,187</u>	<u>3,351</u>	<u>3,351</u>

ING Real Estate Community Living Group
Notes to the financial statements
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16. Issued units (continued)

(b) Number of issued units

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	thousands	thousands	thousands	thousands
At beginning and end of year	441,029	441,029	441,029	441,029

(c) Terms of units

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

(d) Borrowing cost amortisation

As set out in the Product Disclosure Statement lodged with the Australian Securities and Investment Commission on 21 May 2004, the Group has transferred to retained profits for possible distribution an amount equal to amortisation of debt issue costs.

17. Reserves

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation				
Balance at beginning of year	(11,552)	(67,976)	(2,145)	(64)
Translation differences arising during the year	71	56,424	(252)	(2,081)
Balance at end of year	(11,481)	(11,552)	(2,397)	(2,145)
Share of asset revaluation reserve of equity accounted investment				
Balance at beginning of year	-	3,647	-	1,613
Revaluations reversed during the year	-	(3,647)	-	(1,613)
Balance at end of year	-	-	-	-
Total reserves at end of year	(11,481)	(11,552)	(2,397)	(2,145)
The closing balance is attributable to the unitholders of:				
ING Real Estate Community Living Fund	(9,084)	(9,407)	-	-
ING Real Estate Community Living Management Trust	(2,397)	(2,145)	(2,397)	(2,145)
	(11,481)	(11,552)	(2,397)	(2,145)

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

The asset revaluation reserve arose in prior years on the revaluation of land and buildings held by an equity accounted investment.

ING Real Estate Community Living Group
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Year ended 30 June 2010

18. Retained earnings

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of year		(300,967)	(10,360)	12,760	11,484
Net profit/(loss) for the year		(67,717)	(284,176)	(25,939)	1,276
Distributions paid or payable	3	-	(6,615)	-	-
Borrowing cost amortisation returned	16(d)	143	184	-	-
Balance at end of year		<u>(368,541)</u>	<u>(300,967)</u>	<u>(13,179)</u>	<u>12,760</u>

19. Commitments

Commitments for capital expenditure on investment property contracted but not provided for at reporting date amounted to \$4,709,000 (2009: \$2,816,000), all payable within one year. These are commitments of both the Group and the ILMT Group.

20. Capital management

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

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

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

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations on gearing levels, 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.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

20. Capital management (continued)

The Group's capital position is primarily monitored through its ratio of total liabilities to total assets ("Leverage Ratio"), calculated on a look-through basis, in which the Group's interest in its joint ventures and associates are proportionately consolidated based on the Group's ownership interest. The Group's medium term strategy is to maintain the Leverage Ratio in the range of 45% - 55%. At 30 June 2010, the Gearing Ratio was, compared to 30 June 2009, calculated as follows:

	ING Real Estate Community Living Group	
	2010	2009
	\$'000	\$'000
Total consolidated liabilities	384,256	454,778
Plus share of liabilities of equity accounted investments	301,989	510,502
Total look-through liabilities	686,245	965,280
Total consolidated assets	494,278	632,446
Less equity accounted investments	(53,210)	(134,746)
Plus share of assets of equity accounted investments	355,199	645,248
Total look-through assets	796,267	1,142,948
Leverage ratio	86.2%	84.5%

In addition, the Group monitors the ratio of debt to total assets ("Gearing Ratio"), calculated on a look-through basis. At 30 June 2010, the Gearing Ratio was 73.2%, compared to 73.8% at 30 June 2009, calculated as follows:

	ING Real Estate Community Living Group	
	2010	2009
	\$'000	\$'000
Total consolidated borrowings	192,509	275,313
Less cash & cash equivalents	(23,332)	(15,123)
Net consolidated debt	169,177	260,190
Plus share of net debt of equity accounted investments	293,310	484,042
Net look-through debt	462,487	744,232
Total consolidated assets	494,278	632,446
Less cash & cash equivalents	(20,246)	(13,233)
Less retirements village residents loans	(140,945)	(119,569)
Less equity accounted investments	(53,210)	(134,746)
Plus share of assets of equity accounted investments	355,199	645,248
Less cash & cash equivalents of equity accounted investments	(3,086)	(1,890)
Total look-through assets	631,990	1,008,256
Gearing ratio	73.2%	73.8%

As part of a stapled entity, the ILMT Group's capital is not separately managed. Any capital changes for the Group may result in consequential changes for the ILMT Group.

ING Real Estate Community Living Group

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Year ended 30 June 2010

21. Financial instruments

(a) Introduction

The Groups' 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 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 Treasury 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 forecast not 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 Treasury 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 Treasury 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 Treasury 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 risk. Changes in market conditions may limit the Group's ability to raise capital through the issue of units or sale of properties.

The main risks arising from the ILMT Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. As part of a stapled entity, these risks are not separately managed. Management of these risks for the Group may result in consequential changes for the ILMT Group.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates arises primarily from their use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing profit. In addition, one or more of the loan agreements 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 Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

As part of a stapled entity, the ILMT Group's interest rate risk is not separately managed. Management of this risk for the Group as a consequence of adverse changes in market interest rates may result in higher interest costs, reducing profit for the ILMT Group.

At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 100% of the Group's borrowings are at a fixed rate of interest (30 June 2009: 88%) (ILMT Group: 73%; 30 June 2009: 68%).

ING Real Estate Community Living Group **Notes to the financial statements** **Year ended 30 June 2010**

21. Financial instruments (continued)

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

(c) Interest rate risk exposure

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

30 June 2010	ING Real Estate Community Living Group				Total
	Floating interest rate	Fixed interest Less than 1 year	Fixed interest maturing in: 1 to 5 years	Fixed interest maturing in: More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	7,041	-	-	-	7,041
Short term deposits	12,690	-	-	-	12,690
Financial liabilities					
Bank debt denominated in AUD	98,800	-	-	-	98,800
Other external debt denominated in USD	-	327	1,499	31,172	32,998
Cross currency swaps - receive AUD	(103,495)	(95,275)	-	-	(198,770)
Cross currency swaps - pay USD	-	219,857	-	-	219,857
Interest rate swaps:					-
- denominated in AUD; Group pays fixed rate	(60,000)	60,000	-	-	-
Weighted average interest rates					
Financial assets					
Cash at bank	1.3%	-	-	-	na
Short term deposits	3.8%	-	-	-	na
Financial liabilities					
Bank debt denominated in AUD	6.5%	-	-	-	na
Bank debt denominated in USD	3.8%	-	-	-	na
Other external debt denominated in USD	-	6.5%	6.5%	6.5%	na
Interest rate swaps:					
- denominated in AUD; Group pays fixed rate	-	5.5%	-	-	na
- denominated in AUD; Group receives variable	2.8%	-	-	-	na

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.

ING Real Estate Community Living Group
Notes to the financial statements
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21. Financial instruments (continued)

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at the end of the previous financial year was:

30 June 2009	ING Real Estate Community Living Group				Total
	Floating interest rate	Fixed interest Less than 1 year	Fixed interest maturing in: 1 to 5 years	Fixed interest maturing in: More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	6,856	-	-	-	6,856
Short term deposits	6,377	-	-	-	6,377
Financial liabilities					
Bank debt denominated in AUD	132,500	-	-	-	132,500
Bank debt denominated in USD	34,719	-	-	73,376	108,095
Other external debt denominated in USD	-	-	-	34,718	34,718
Cross currency swaps - receive AUD	(128,226)	-	(172,063)	-	(300,289)
Cross currency swaps - pay USD	-	-	292,919	-	292,919
Cross currency swaps - pay CAD	-	-	44,723	-	44,723
Weighted average interest rates					
Financial assets					
Cash at bank	0.3%	-	-	-	na
Short term deposits	2.8%	-	-	-	na
Financial liabilities					
Bank debt denominated in AUD	3.6%	-	-	-	na
Bank debt denominated in USD	-	-	-	5.6%	na
Other external debt denominated in USD	-	-	-	6.5%	na
Cross currency swaps - receive AUD	5.2%	-	6.9%	-	na
Cross currency swaps - pay USD	-	-	2.6%	-	na
Cross currency swaps - pay CAD	-	-	5.1%	-	na

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.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

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

30 June 2010		ING Real Estate Community Living Management Trust			
	Floating interest rate	Fixed interest maturing in: Less than 1 year	1 to 5 years	More than 5 years	Total
Principal amounts \$'000					
Financial assets					
Cash at bank	3,069	-	-	-	3,069
Short term deposits	161	-	-	-	161
Loan to stapled entity	9,535	-	-	-	9,535
Financial liabilities					
Finance leases	-	183	733	16,631	17,547
Other external debt denominated in USD	-	327	1,499	31,172	32,998
Loan from stapled entity	18,293	-	-	-	18,293
Weighted average interest rates					
Financial assets					
Cash at bank	1.3%	-	-	-	na
Short term deposits	3.8%	-	-	-	na
Financial liabilities					
Finance leases	-	7.4%	7.4%	7.4%	na
Other external debt denominated in USD	-	6.5%	6.5%	6.5%	na
Loan from stapled entity	4.9%	-	-	-	na

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.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

The ILMT Group's exposure to interest rate risk and the effective interest rates on financial instruments at the end of the previous financial year was:

30 June 2009		ING Real Estate Community Living Management Trust			
	Floating interest rate	Fixed interest Less than 1 year	maturing in: 1 to 5 years	More than 5 years	Total
Principal amounts \$'000					
Financial assets					
Cash at bank	1,809	-	-	-	1,809
Short term deposits	562	-	-	-	562
Amounts receivable from stapled entity	10,765	-	-	-	10,765
Financial liabilities					
Finance leases	-	181	725	16,643	17,549
Other external debt denominated in USD	-	316	1,476	32,926	34,718
Loan from stapled entity	24,215	-	-	-	24,215
Weighted average interest rates					
Financial assets					
Cash at bank	1.2%	-	-	-	na
Short term deposits	1.0%	-	-	-	na
Financial liabilities					
Finance leases	-	7.4%	7.4%	7.4%	na
Other external debt denominated in USD	-	6.5%	6.5%	6.5%	na
Loan from stapled entity	4.4%	-	-	-	na

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

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

(i) Increase in average interest rates of 1%

The effect on net interest expense for one year would have been:

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	257	34	-	(130)
United States dollars	-	(51)	-	-
Canadian dollars	-	7	-	-
	257	(10)	-	(130)

The effect on change in fair value of derivatives would have been:

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	1,273	(4,439)	-	-
United States dollars	-	6,065	-	-
Canadian dollars	-	1,296	-	-
	1,273	2,922	-	-

(ii) Decrease in average interest rates of 1%

The effect on net interest expense for one year would have been:

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	(257)	(34)	-	130
United States dollars	-	51	-	-
Canadian dollars	-	(7)	-	-
	(257)	10	-	130

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

The effect on change in fair value of derivatives would have been:

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Variable interest rate instruments denominated in:				
Australian dollars	(1,292)	4,578	-	-
United States dollars	-	(6,246)	-	-
Canadian dollars	-	(1,317)	-	-
	(1,292)	(2,985)	-	-

(e) Foreign exchange risk

By holding properties in offshore markets, the Group is exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may reduce the Australian dollar equivalent of the carrying value of the Group's offshore properties, and may result in lower Australian dollar equivalent proceeds when an offshore property is sold. In addition, foreign exchange rate movements may reduce the Australian dollar equivalent of the earnings from the offshore properties while they are owned by the Group.

The Group reduces its exposure to the foreign exchange risk inherent in the carrying value of their offshore properties and interests in offshore investments by partly or wholly funding their acquisition using borrowings denominated in the particular offshore currency, and by using derivatives. The Treasury Policy sets a target for minimum and maximum hedging of the carrying value of its offshore properties.

The Group's exposure to the impact of exchange rate movements on its earnings from its offshore properties is partly mitigated by the foreign denominated interest expense of its foreign denominated borrowings and any derivative hedges. The Group aims to reduce any residual exposure to its earnings arising because of its investment in offshore markets by using forward exchange contracts. The Treasury Policy sets out targets of minimum and maximum hedging of its earnings from offshore properties over a five-year time horizon.

As part of a stapled entity, the ILMT Group's foreign exchange risk is not separately managed. Management of this risk for the Group may result in consequential changes for the ILMT Group.

The ILMT Group had no net foreign currency exposure at reporting date. It had no forward exchange contracts, options or foreign exchange swaps outstanding at reporting date.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

(f) Net foreign currency exposure

The Group's net foreign currency monetary exposure, after taking into account the effect of foreign exchange derivatives, as at reporting date is shown in the following table. The net foreign currency exposure reported is of foreign currencies held by entities whose functional currency is the Australian dollar. It excludes assets and liabilities of entities, including the Group's Canadian and United States subsidiaries and equity accounted investments, whose functional currency is not the Australian dollar.

	Net foreign currency asset/(liability) ING Real Estate Community Living Group	
	2010	2009
	\$'000	\$'000
United States dollars	1,884	1,536
Canadian dollars	313	693
New Zealand dollars	4	-
	<u>2,201</u>	<u>2,229</u>

(g) Foreign exchange sensitivity analysis

The impact of an increase or decrease in average foreign exchange rates of 10% at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the foreign exchange risk exposures in existence at balance sheet date. In these tables, the effect on unitholders' interest excludes the effect on profit after tax.

(i) Effect of appreciation in Australian dollar of 10%:

	ING Real Estate Community Living Group			
	Effect on profit after tax		Effect on unitholders' interest	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Foreign exchange risk exposures denominated in:				
United States dollars	183	24,624	-	-
Canadian dollars	-	4,989	-	-
New Zealand dollars	-	113	-	-
	<u>183</u>	<u>29,726</u>	<u>-</u>	<u>-</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

(ii) Effect of depreciation in Australian dollar of 10%:

	ING Real Estate Community Living Group Effect on profit after tax		Effect on unitholders' interest	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Foreign exchange risk exposures denominated in:				
United States dollars	(223)	(30,241)	-	-
Canadian dollars	-	(5,751)	-	-
New Zealand dollars	-	(136)	-	-
	(223)	(36,128)	-	-

The Responsible Entity believes that the reporting date risk exposures are representative of the risk exposure inherent in the Group's financial instruments.

These tables do not show the effect on equity that would occur from the translation of the financial statements of foreign operations because of the assumed 10% change in exchange rates.

(h) Foreign exchange derivatives held

The following tables detail the forward exchange contracts, options and foreign exchange swaps outstanding at reporting date. These have been taken out to mitigate the effect of foreign exchange movements on the financial statements.

At balance sheet date, none of the following foreign exchange derivatives qualifies for hedge accounting and gains and losses arising from changes in fair value have been taken to the income statement. The consolidated gain for the year ended 30 June 2010 was \$14,045,000 (30 June 2009: \$55,071,000 loss).

Forward foreign exchange contracts to receive Australian dollars and pay Canadian dollars were:

Maturing	Weighted average exchange rate		Principal amount			
	2010	2009	2010 AUD m	2010 CAD m	2009 AUD m	2009 CAD m
ING Real Estate Community Living Group						
Within one year	-	0.8693	-	-	2,280	1,982
Later than one year but not later than five years	-	0.8693	-	-	7,335	6,376
			-	-	9,615	8,358

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

Forward foreign exchange contracts to receive Australian dollars and pay New Zealand dollars were:

Maturing	Weighted average exchange rate		Principal amount			
	2010	2009	2010 AUD m	2010 NZD m	2009 AUD m	2009 NZD m
ING Real Estate Community Living Group						
Within one year	-	1.1830	-	-	922	1,091
Later than one year but not later than five years	-	1.1785	-	-	424	500
			-	-	1,346	1,591

Cross currency exchange contracts to receive Australian dollars and pay United States dollars were:

Maturing	Weighted average exchange rate		Principal amount			
	2010	2009	2010 AUD m	2010 USD m	2009 AUD m	2009 USD m
ING Real Estate Community Living Group						
Within one year	0.9300	-	198,770	184,856	-	-
Later than one year but not later than five years	-	0.9300	-	-	254,021	236,239
Later than five years	-	-	-	-	-	-
			198,770	184,856	254,021	236,239

Cross currency exchange contracts to receive Australian dollars and pay Canadian dollars were:

Maturing	Weighted average exchange rate		Principal amount			
	2010	2009	2010 AUD m	2010 CAD m	2009 AUD m	2009 CAD m
ING Real Estate Community Living Group						
Within one year	-	-	-	-	-	-
Later than one year but not later than five years	-	0.9060	-	-	46,268	41,919
Later than five years	-	-	-	-	-	-
			-	-	46,268	41,919

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

21. Financial instruments (continued)

(i) Credit risk

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

The major credit risk for both Groups 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. In addition, a default of one of the Groups' major tenants may trigger the right for one or more of the lenders to the Group to review or call in its loan.

Both Groups 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 aggregate exposure the Groups may have to the prospective tenant if the counterparty is already a tenant in the portfolio; the strength of the prospective tenant's business; the level of its commitment to locating in the Groups' property; 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 both Groups' 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. Both Groups' Treasury 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 both Groups, after allowing for appropriate set offs which are legally enforceable.

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

(j) 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 Treasury 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 six months and an allowance for unforeseen events such as tenant default. At times, the Group has fallen below this target.

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 Treasury Policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Group monitors its debt expiry profile and aims to achieve staggered maturities, where possible, to reduce refinance risk in any one year. At present, the Group has not achieved the desired level of staggered maturities.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

As part of a stapled entity, the ILMT Group's liquidity risk is not separately managed. Management of this risk for the Group may result in consequential changes for the ILMT Group.

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 including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

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

ING Real Estate Community Living Group			
2010			
Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	39,183	-	39,183
Retirement village residents loans	140,945	-	140,945
Borrowings	6,698	124,470	176,502
	<u>186,826</u>	<u>124,470</u>	<u>356,630</u>

ING Real Estate Community Living Group			
2009			
Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	25,983	-	25,983
Retirement village residents loans	119,569	-	119,569
Borrowings	154,132	42,012	403,939
	<u>299,684</u>	<u>42,012</u>	<u>549,491</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

The contractual maturities of the ILMT Group's non-derivative financial liabilities at reporting date, on the same basis, were:

ING Real Estate Community Living Management Trust				
2010				
Less than 1 year	1 to 5 years	More than 5 years	Total	
\$'000	\$'000	\$'000	\$'000	
Trade & other payables	13,603	-	-	13,603
Retirement village residents loans	140,945	-	-	140,945
Borrowings	2,284	9,847	45,334	57,465
	156,832	9,847	45,334	212,013

ING Real Estate Community Living Management Trust				
2009				
Less than 1 year	1 to 5 years	More than 5 years	Total	
\$'000	\$'000	\$'000	\$'000	
Trade & other payables	15,016	-	-	15,016
Retirement village residents loans	119,569	-	-	119,569
Borrowings	5,859	42,983	187,215	236,057
	140,444	42,983	187,215	370,642

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures*, which requires separate disclosure of the contractual maturities of the Group's derivative liabilities and related derivative assets. These 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. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

ING Real Estate Community Living Group				
2010				
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
Liabilities				
Derivative liabilities - net settled	219	453	-	672
Derivative liabilities - gross settled				
Outflows	223,921	-	-	223,921
Inflows	(203,260)	-	-	(203,260)
	20,880	453	-	21,333

The ILMT Group did not hold any derivatives at reporting date.

ING Real Estate Community Living Group **Notes to the financial statements** **Year ended 30 June 2010**

21. Financial instruments (continued)

(k) Other financial instrument risk

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

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Increase in market prices of investment properties of 10%	13,743	11,664	13,743	11,664
Decrease in market prices of investment properties of 10%	(13,743)	(11,664)	(13,743)	(11,664)

The effect on unitholders' interest would have been the same as the effect on profit.

(l) Fair value of financial assets and liabilities

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures*, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: fair value is calculated using quoted prices in active markets;

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 fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include derivatives.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

The fair value of retirement village residents loans are based on valuation techniques using data that is not observable. The amount of retirement village residents' loans at any point in time is a function of the current market value of the independent living units on which it arises. Factors considered in estimating that current market value include recently settled transactions for units in the village, likely transactions (where the company has either signed an unconditional contract or has taken a deposit), pricing of competitors in the locality of the village and pricing of residential property in the locality of the village.

The following tables present both Groups' financial instruments that were measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

ING Real Estate Community Living Group				
2010				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Derivatives	-	2,418	-	2,418
Financial liabilities				
Retirement village residents' loans	-	-	140,945	140,945
Derivatives	-	752	-	752
	-	752	140,945	141,697

ING Real Estate Community Living Management Trust				
2010				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Retirement village residents' loans	-	-	140,945	-

The following tables present the changes in level 3 instruments for the year ended 30 June 2010:

ING Real Estate Community Living Group	
2010	
	Retirement village residents' loans liabilities \$'000
Opening balance	119,569
Losses recognised in profit or loss	3,310
Net cash movement	18,066
Closing balance	140,945

The same changes were applicable to the ILMT Group.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

21. Financial instruments (continued)

The current market value of the independent living units is an input to the valuation of retirement village residents loans. Changing the value used for this input by an increase of 10% would increase the fair value of these loans by \$13,743,000 (2009: \$11,664,000).

The change has been calculated in accordance with the formula set out in the contracts with the residents and incorporates the market value of the property and the expected tenure of each resident.

The carrying amounts of the Groups' other financial instruments approximate their fair values, except for fixed rate debt as follows:

	ING Real Estate Community Living Group		2009	
	2010		2009	
	Fair value	Carrying amount	Fair value	Carrying amount
	\$'000	\$'000	\$'000	\$'000
Bank debt	-	-	86,178	108,095
Other external debt	32,552	32,998	28,663	34,718
	32,552	32,998	114,841	142,813

	ING Real Estate Community Living Management Trust		2009	
	2010		2009	
	Fair value	Carrying amount	Fair value	Carrying amount
	\$'000	\$'000	\$'000	\$'000
Other external debt	32,552	32,998	28,663	34,718

These fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

22. Auditor's remuneration

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts received or receivable by Ernst & Young for:				
Audit or review of financial reports of the Fund and any other entity in the consolidated entity	220,884	228,145	-	-
Other services - assurance related	6,150	82,314	-	-
	227,034	310,459	-	-

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2010

23. Contingencies

The ILMT Group has guaranteed the bank debt of the Fund amounting to \$98,800,000 at 30 June 2010 (2009: \$132,500,000) and amounts owing by the Fund under derivatives, the fair value of which at 30 June 2010 was \$16,019,000 (2009: \$28,398,000).

The Fund has guaranteed borrowings by an associate of \$117,647,000 (2009: \$122,650,000). At 30 June 2009, the Fund had guaranteed the obligations of an equity accounted investment (CSH-INGRE LLC) in respect of deferred purchase consideration in the amount of \$7,291,000. The guarantee was discharged in the 2010 year.

24. Related parties

(a) Responsible Entity

The Responsible Entity of the Trusts is ING Management Limited ("IML"), a member of the ING group of companies for which the ultimate holding company is ING Groep NV, a company incorporated in the Netherlands.

(b) Fees of the Responsible Entity and its related parties

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2010	2009	2010	2009
		\$	\$	\$	\$
ING Management Limited:	(i)				
Asset management fees		3,273,906	3,355,487	342,000	327,000

Asset management fees on United States and Canadian investment properties were waived for the period 1 October 2006 to 30 June 2007. Asset management fees before 1 October 2006 were waived on all investment properties. In addition, the Responsible Entity has waived \$1,306,000 of its fee for the year ended 30 June 2008 and \$724,000 of its fee for the year ended 30 June 2009.

The Responsible Entity, ING Management Limited, has undertaken that it will not seek payment of part of its fees for the year ended 30 June 2010 totalling \$597,000 until such time it is removed as the Responsible Entity or it considers the Fund's capital position is appropriate, whichever occurs first. Consequently, this amount has not been recognised as a liability.

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

Holdings in each Trust 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 2010, and distributions received or receivable for the year then ended, were:

Name	Number of units held	Distributions Receivable	
		ING Real Estate Community Living Group	ING Real Estate Community Living Management Trust
		2010	2010
		\$	\$
ING Real Estate International Investments III BV	28,285,706	-	-

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

24. Related parties (continued)

Holdings of those parties as at 30 June 2009, and distributions received or receivable for the year then ended, were:

Name	Number of units held	Distributions	Receivable
		ING Real Estate Community Living Group 2009 \$	ING Real Estate Community Living Management Trust 2009 \$
ING New Zealand	-	27,675	-
ING Real Estate International Investments III BV	28,193,963	422,909	-
	28,193,963	450,584	-

(d) Key management personnel

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

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

Richard Colless AM	Chairman
Philip Clark AM	
Michael Easson AM	
Paul Scully	
Christophe Tanghe	Appointed 1 September 2009
George Jautze	Appointed 1 September 2009; resigned 31 May 2010
Philip Redmond	Resigned 12 April 2010

The names of other key management personnel, and their dates of appointment or resignation if they did not occupy their position for all of the financial year, are:

Denis Hickey	IML Chief Executive Officer; appointed 1 September 2009
Simon Owen	Fund Chief Executive Officer; appointed 2 November 2009
Danny Agnoletto	IML Chief Financial Officer; appointed 16 November 2009
Hugh Thomson	IML Chief Executive Officer; ceased 31 August 2009
David Hunt	IML Chief Financial Officer; ceased 15 November 2009
Ian Muir	Fund Chief Investment Officer; ceased 29 January 2010

Key management personnel do not receive any remuneration directly from the Group. They receive remuneration from the Responsible Entity in their capacity as directors or employees of the Responsible Entity or its related parties. Consequently, the Group does not pay any compensation as defined in Accounting Standard AASB 124 *Related Parties* to its key management personnel.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

24. Related parties (continued)

Units held directly, indirectly or beneficially in each Trust by each key management person, including their related parties, were:

	2010	2009
Paul Scully		
Held at the beginning of the financial year	20,352	20,352
Held at the end of the financial year	20,352	20,352
Philip Clark		
Held at the beginning of the financial year	30,000	-
Acquisitions	60,151	30,000
Held at the end of the financial year	90,151	30,000
Simon Owen		
Held at the beginning of the financial year	-	-
Acquisitions	367,600	-
Held at the end of the financial year	367,600	-
Hugh Thomson		
Held at the beginning of the financial year	67,271	82,271
Disposals	-	(15,000)
Held at the date of cessation as a key management person or the end of the financial year	67,271	67,271
Ian Muir		
Held at the beginning of the financial year	563,149	363,149
Acquisitions	-	200,000
Held at the date of cessation as a key management person or the end of the financial year	563,149	563,149
David Hunt		
Held at the beginning of the financial year	278,987	148,645
Acquisitions	-	130,342
Held at the date of cessation as a key management person or the end of the financial year	278,987	278,987

Distributions received or receivable from the Trusts by each key management person were:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$	\$	\$	\$
Paul Scully	-	305	-	-
Philip Clark	-	-	-	-
Hugh Thomson	-	1,234	-	-
Ian Muir	-	5,447	-	-
David Hunt	-	2,605	-	-
Simon Owen	-	-	-	-
	-	9,591	-	-

ING Real Estate Community Living Group **Notes to the financial statements** **Year ended 30 June 2010**

24. Related parties (continued)

In addition to the above persons, key management personnel as defined in the Accounting Standards includes the Responsible Entity. Details of the remuneration of the Responsible Entity are given at note (b) above. Details of its holdings in the Fund are given at note (c) above.

(e) Transactions with equity accounted investments

The Group had a loan receivable with an associate, ING Real Estate CC Trust No.1. During the 2009 year, the Group impaired the receivable from CC Trust No.1 and recognised an impairment loss of \$20,611,931. Amounts recognised were:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$	\$	\$	\$
Amounts receivable at reporting date	-	-	-	-
Impairment loss	-	20,611,931	-	-
Interest income	-	770,075	-	-

25. Parent financial information

Summary financial information about the parent of each Group is:

	ING Real Estate Community Living Fund		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current assets	41,228	16,602	914	1,654
Total assets	232,817	335,007	3,276	11,435
Current liabilities	26,494	168,532	951	572
Total liabilities	125,905	168,532	951	8,446
Unitholders equity:				
Issued units	486,694	486,835	3,351	3,351
Accumulated losses	(379,782)	(320,360)	(1,026)	(362)
Total unitholders' equity	106,912	166,475	2,325	2,989
Net loss attributable to unitholders of the Fund	(59,561)	(223,481)	(663)	(415)
Total comprehensive income	(59,561)	(223,481)	(663)	(415)

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

26. Subsidiaries

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

Name	Country of residence	Ownership interest	
		2010 %	2009 %
<i>Subsidiaries of ING Real Estate Community Living Fund:</i>			
Bridge Street Trust	Australia	100	100
Browns Plains Road Trust	Australia	100	100
Casuarina Road Trust	Australia	100	100
Edinburgh Drive Trust	Australia	100	100
ILF Regency Subsidiary Trust	Australia	100	100
ING Community Living Fund Inc	United States of America	100	100
ING Community Living LLC	United States of America	100	100
ING Community Living Oak Tree Subsidiary Trust No.1	Australia	100	100
ING Community Living Subsidiary Trust No. 1	Australia	100	100
ING Community Living Subsidiary Trust No. 2	Australia	100	100
ING Kiwi Communities Subsidiary Trust No. 1	Australia	100	100
ING Real Estate Community Living Regency Subsidiary Trust	Australia	100	100
ING Sunny Trust	Australia	100	100
ING US Students No. 1, LLC	United States of America	100	100
ING US Students No. 2, LLC	United States of America	100	100
ING US Students No. 3, LLC	United States of America	100	100
ING US Students No. 4, LLC	United States of America	100	100
ING US Students No. 5, LLC	United States of America	100	100
ING US Students No. 6, LLC	United States of America	100	100
ING US Students No. 7, LLC	United States of America	100	100
ING US Students No. 8, LLC	United States of America	100	100
ING US Students No. 9, LLC	United States of America	100	100
ING US Students No. 10, LLC	United States of America	100	100
ING US Students No. 11, LLC	United States of America	100	100
ING US Students No. 12, LLC	United States of America	100	100
ING US Students No. 13, LLC	United States of America	100	100
ING US Students No. 14, LLC	United States of America	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 (1) Trust	Australia	100	100
Taylor Street (2) Trust	Australia	100	100

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

26. Subsidiaries (continued)

Name	Country of residence	Ownership interest	
		2010 %	2009 %
<i>Subsidiaries of ING Real Estate Community Living Management Trust:</i>			
CSH Lynbrook GP LLC	United States of America	100	100
CSH Lynbrook LP	United States of America	100	100
ING Community Living II LLC	United States of America	100	100
ING Community Living Lynbrook Trust	Australia	100	100
ING Community Living Oak Tree Subsidiary Trust No.2	Australia	100	100
ING Real Estate Community Living Regency Operations Trust	Australia	100	100
Lynbrook Freer Street Member LLC	United States of America	100	100
Lynbrook Management, LLC	United States of America	100	100
Settlers Operations Trust	Australia	100	100

The Groups' voting interest in their subsidiaries is the same as their ownership interest.

27. Segment information

(a) Description of segments

The Fund invests in seniors accommodation properties located in Australia, the United States and Student Accommodation in New Zealand (through an investment in an associate). The rental properties in Australia are the Garden Villages segment, the deferred management fee properties in Australia are the Settlers segment, the rental properties in the United States are the United States Seniors segment and the student rental properties in New Zealand are the New Zealand Students segment. The Fund has identified its operating segments based on internal reporting to the chief operating decision maker. The Fund is organised around functions, but distinguishes these regions in its internal reporting.

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(b) Segment revenue				
Revenues from external customers:				
Garden Villages	20,434	20,752	20,380	18,337
Settlers	5,670	3,694	5,670	3,694
New Zealand Students	-	-	-	-
United States Seniors	1,724	532	1,724	532
	27,828	24,978	27,774	22,563
Interest income	463	1,529	358	325
Segment revenue	28,291	26,507	28,132	22,888

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

27. Segment information (continued)

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(c) Segment result				
Garden Villages	5,235	7,318	(5,865)	(5,715)
Settlers	5,027	1,455	5,260	(4,852)
New Zealand Students	944	835	-	-
United States Seniors	21,041	25,948	1,684	496
	<u>32,247</u>	<u>35,556</u>	<u>1,079</u>	<u>(10,071)</u>
Finance costs	(10,404)	(6,207)	(3,182)	(2,485)
Responsible Entity's fees	(3,274)	(3,355)	(342)	(327)
Other expenses	(1,917)	(955)	(4)	(12)
Net foreign exchange loss	(1,298)	(546)	-	82
Net gain on disposal of investment properties	-	(150)	-	-
Net gain on change in fair value of:				
Investment properties	(21,488)	(21,365)	4,123	243
Derivatives	14,045	(55,071)	-	-
Retirement village residents' loans	(7,825)	7,774	(7,825)	7,774
Items included in share of net profit of equity accounted investments:				
Investment properties	(43,862)	(161,653)	-	-
Derivatives	(279)	(341)	-	-
Gain on revaluation of newly constructed retirement villages	(3,456)	(3,154)	(3,687)	3,199
Borrowing cost amortisation returned	(143)	(184)	-	-
Impairment loss on other non-current assets	-	(773)	-	-
Discount on deferred purchase consideration included in share of net profit of equity accounted investments	200	(531)	-	-
Loss from continuing operations before income tax	<u>(47,454)</u>	<u>(210,954)</u>	<u>(9,838)</u>	<u>(1,597)</u>
(d) Segment assets				
Garden Villages	132,770	130,617	1,689	1,153
Settlers	203,104	219,701	185,516	173,288
United States Seniors	71,859	129,353	27,268	36,838
New Zealand Students	9,396	11,466	-	-
Now discontinued	58,232	94,783	100	13,676
Unallocated	18,917	46,526	10,370	4,126
	<u>494,278</u>	<u>632,446</u>	<u>224,943</u>	<u>229,081</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

27. Segment information (continued)

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(e) Other information				
Share of net (loss)/profit of equity accounted investments:				
New Zealand Students	(2,758)	(4,639)	-	-
United States Seniors	(26,954)	(137,718)	-	-
	<u>(29,712)</u>	<u>(142,358)</u>	<u>-</u>	<u>-</u>
Net gain/(loss) on change in fair value of investment property:				
Garden Villages	(22,902)	(12,662)	-	-
Settlers	9,011	(14,135)	11,720	(5,188)
United States Seniors	(7,597)	5,432	(7,597)	5,431
	<u>(21,488)</u>	<u>(21,365)</u>	<u>4,123</u>	<u>243</u>
Carrying amount of equity accounted investments:				
New Zealand Students	9,345	11,415	-	-
United States Seniors	43,865	111,304	-	-
Discontinued operations	-	12,027	-	10,406
	<u>53,210</u>	<u>134,746</u>	<u>-</u>	<u>10,406</u>
Additions to investment properties and equity accounted investments:				
Garden Villages	541	3,446	-	-
Settlers	3,257	9,651	3,257	9,651
New Zealand Students	1,116	891	-	-
United States Seniors	7,562	8,884	892	2,300
Discontinued operations	-	8,462	-	2,912
	<u>12,476</u>	<u>31,334</u>	<u>4,149</u>	<u>14,863</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

28. Notes to the cash flow statements

(a) Reconciliation of profit to net cash flows from operations

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) for the year	(67,717)	(284,176)	(25,939)	1,276
Adjustments for:				
Realised translation reserve on disposal	6,964	-	(163)	-
Unrealised foreign exchange (gain)/loss	(196)	(602)	6	(82)
Net loss on disposal of investment properties				
Continuing	-	150	-	-
Discontinued	-	935	-	-
Net (gain)/loss on change in fair value of:				
Investment properties - continuing	21,488	21,365	(4,123)	(243)
Investment properties - discontinued	30,388	50,574	-	-
Derivatives	(14,045)	55,071	-	-
Retirement village residents' loans	7,825	(7,774)	7,825	(7,774)
Equity accounted investments - discontinued	(11,676)	21,264	11,661	602
Debt - discontinued	(27,131)	-	-	-
Impairment loss on:				
Receivables	-	20,612	-	-
Other non-current assets	-	773	-	-
Excess of distributions received from equity accounted investments over share of profits				
Continuing	34,856	157,714	-	-
Discontinued	14,646	20,728	(280)	636
Deferred income tax (benefit)/expense				
Continuing	5,796	(44,154)	5,796	(102)
Discontinued	(1,551)	23	(402)	(1,582)
Operating profit/(loss) for the year before changes in working capital	(353)	12,503	(5,619)	(7,269)
Changes in working capital:				
(Increase)/decrease in receivables	2,296	9,655	(1,681)	2,130
Increase in retirement village residents' loans	13,551	10,848	13,551	10,848
Increase/(decrease) in other payables	(861)	2,598	57	2,532
Net cash provided by operating activities	14,633	35,604	6,308	8,241

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2010

29. Subsequent events

Subsequent to the end of the financial year, the Fund sold its 'Kingston Gardens' property that is part of its Australian Seniors segment. Sales proceeds totalling \$3,000,000 were used to reduce debt and exceeded the carrying amount of the property of \$2,250,000.

Subsequent to the end of the financial year, the Fund sold its 'The Preserve' property that is part of its United States Students discontinued operation. Sale proceeds were used to reduce debt and were consistent with the property's carrying value at the end of the financial year.

Subsequent to the end of the financial year, the Fund transferred its 'Ashford Hills' property from its United States Students discontinued operation to its financier in full settlement of the amount owed. The carrying amount and the debt owed were the same.

ING Real Estate Community Living Group
Directors' declaration
Year ended 30 June 2010

In accordance with a resolution of the directors of ING Management Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of ING Real Estate Community Living Fund and of ING Real Estate Community Living Management Trust are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of each Group's financial position as at 30 June 2010 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 ING Real Estate Community Living Group and ING Real Estate Community Living 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.

3. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

On behalf of the directors



Philip Clark AM
Director
Sydney, 30 August 2010

Independent auditor's report to the stapled security holders of ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust ("the Trusts")

Report on the Financial Report

We have audited the accompanying financial report which has been prepared in accordance with ASIC Class Order 05/642 and comprises:

- the balance sheet as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated stapled entity (the "Group" and "ING Living Fund"), comprising both ING Real Estate Community Living Fund and the entities it controlled, and ING Real Estate Community Living Management Trust and the entities it controlled at the year end or from time to time during the year.
- the balance sheet as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of ING Real Estate Community Living Management Trust, comprising both the ING Real Estate Community Living Management Trust and the entities it controlled at the year end or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors ING Management Limited as Responsible Entity of the Trusts are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

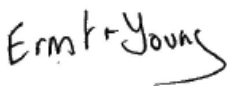
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity of the Trusts a written Auditor's Independence Declaration, a copy of which follows the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust at 30 June 2010 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 1(b).

A handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of Douglas Bain, consisting of a stylized 'D' followed by a horizontal line.

Douglas Bain
Partner
Sydney
30 August 2010