

APPENDIX 4E
Preliminary Final Report
Year ended 30 June 2009

Name of Entity:	ING REAL ESTATE COMMUNITY LIVING GROUP
ARSN:	107 459 576

Results for announcement to the market

	\$'000	
Revenues from ordinary activities	up 10.2% to 48,800	
Net loss for the year	increased 632% to 284,176	
Net operating income	down 43.7% to 26,210	
Net assets per stapled unit	30 June 2009 \$0.40	30 June 2008 \$0.94

Distributions	Amount per unit (cents)	\$'000
Interim - 30 September 2008	1.5	6,615
Interim - 31 December 2008	-	-
Interim - 31 March 2009	-	-
Final - 30 June 2009	-	-
Total	1.5	6,615
Previous Corresponding Period	11.0	48,158
Record date for determining entitlements to the distribution	n/a	

Note : Franked amount per unit is not applicable

Other significant information and commentary on results

See attached press release

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

- Directors' report
- Audited financial report
- Results presentation
- Fund review



Hugh Thomson
Company Secretary

26 August 2009



ING REAL ESTATE COMMUNITY LIVING GROUP

FINANCIAL & ASSOCIATED REPORTS

YEAR ENDED 30 JUNE 2009

ING Real Estate Community Living Group

Financial & associated reports

Year ended 30 June 2009

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The ING Real Estate Community Living Group ("the 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 both 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 26 August 2009. The Group has the power to amend and reissue the financial report.

ING Real Estate Community Living Group

Directors' report

Year ended 30 June 2009

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 and ING Real Estate Community Living Management Trust (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 2009 and the auditor's report thereon.

In accordance with AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements*, the stapling arrangement discussed above is regarded as a business combination and ING Real Estate Community Living Fund has been identified as the parent for preparing consolidated financial reports. Consequently, the consolidated financial statements of the ING Real Estate Community Living Fund present the combined financial results of both Trusts.

The directors' report is a combined directors' report that covers both Trusts. The financial information given for the ING Real Estate Community Living Group is taken from the consolidated financial statements and notes of the ING Real Estate Community Living 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	
Philip Redmond	
Paul Scully	
David Blight	Resigned 1 December 2008
Hugh Thomson	Alternate director for David Blight – ceased 1 December 2008
Adrian Astridge	Alternate director for David Blight – ceased 1 December 2008

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 ING Real Estate Community Living Fund is investment in real estate. The principal activities of the ING Real Estate Community Living Management Trust 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.

Review and results of operations

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

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2009	2008	2009	2008
Net profit/(loss) for the year	(284,176)	(38,803)	1,276	10,879
Distributable income (\$'000)	26,210	46,567	(6,361)	10,225
Distributions per stapled unit (cents)	1.5	11.0	-	-
Earnings per stapled unit - basic and diluted:	(64.4)	(8.9)	0.3	2.5
Net operating income per stapled unit (cents)	5.9	10.7	(1.4)	2.3

ING Real Estate Community Living Group

Directors' report

Year ended 30 June 2009

The Responsible Entity uses the Fund's net operating income as an additional performance indicator. Net 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.

Net operating income for the financial year has been calculated as follows:

	Consolidated	
	2009	2008
	\$'000	\$'000
Net loss attributable to unitholders of the Fund	(284,176)	(38,803)
Adjusted for:		
Net foreign exchange loss	547	-
Net loss on disposal of investment property	1,085	-
Net (gain)/loss on change in fair value of:		
Investment properties	71,939	25,188
Derivatives	55,071	(15,505)
Retirement village residents' loans	(7,774)	13,237
Items included in share of net profit of equity accounted investments:		
Investment properties	178,951	44,478
Derivatives	341	-
Retirement village residents' loans	-	1,937
Gain on revaluation of newly constructed retirement villages	3,154	6,096
Borrowing cost amortisation returned	185	217
Impairment loss on:		
Receivables	20,612	-
Equity accounted investments	21,350	3,145
Other non-current assets	773	-
Other items included in share of net profit of equity accounted investments:		
Non-current asset depreciation and amortisation	4,621	4,495
Discount on deferred purchase consideration	529	1,818
Deferred income tax (benefit)/expense	(44,131)	264
Other	3,133	-
Net operating income	<u>26,210</u>	<u>46,567</u>
Net operating income is attributable to the unitholders of:		
ING Real Estate Community Living Fund	32,571	36,342
ING Real Estate Community Living Management Trust	(6,361)	10,225
	<u>26,210</u>	<u>46,567</u>

Net operating income for the 2009 financial year decreased by 44% to \$26,210,000 from \$46,567,000 for the 2008 financial year. The decrease is mainly due to lower Australian Seniors net operating income after the rental portfolio transitioned from master lease income and income guarantee to direct occupancy driven rental income.

Net operating income per stapled unit for the 2009 financial year was down 45% to 5.9 cents, compared to 10.7 cents per stapled unit previously.

The Fund made distributions per stapled unit of 1.5 cents for the financial year, compared with 11.0 cents in 2008.

ING Real Estate Community Living Group Directors' report Year ended 30 June 2009

Earnings per stapled unit as calculated under applicable accounting standards for the year ended 30 June 2009 were down 55.5 cents to a loss of 64.4 cents, compared to a loss of 8.9 cents per stapled unit for the previous financial year. Investment property devaluations (including share of revaluations of equity accounted investments) and impairments accounted for losses of 56.9 cents and 9.7 cents per stapled unit respectively during the year.

Total assets decreased \$246,801,000 or 28% to \$632,446,000 over the year primarily due to investment property devaluations. Investment property devaluations during the 2009 financial year were \$250,890,000 (including share of revaluations of equity accounted investments), decreasing net asset value per stapled unit by \$0.57 or 60%. 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

The directors resolved not to make any distributions for the nine months ended 30 June 2009. Cash retained from this distribution reduction was applied to strengthen the balance sheet. In the opinion of the directors of the Responsible Entity, there were no other significant changes in the state of affairs of either Trust that occurred during the financial year.

Events subsequent to reporting date

On 20 August 2009 the Group announced that one of its equity accounted investments (ING NZ Subsidiary Trust No 1), which owns the New Zealand Students portfolio, finalised negotiations with its lender on terms of a refinance of its existing facility \$16,656,000 (New Zealand dollars 20,800,000). The refinance agreement is for an interest only two year term expiring in August 2011.

There has not arisen in the interval between the end of the financial year and the date of this report any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the Trusts, the results of those operations, or the state of affairs of the Trusts, in future financial years.

Likely developments

The Responsible Entity will continue to review capital management initiatives in order to strengthen the balance sheet and the Fund's position against debt covenants. These initiatives include the ongoing program of asset sales and may include the sale of large portfolios. The Fund may issue equity as part of its capital management strategy.

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 Fund has 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 Fund.

**ING Real Estate Community Living Group
Directors' report
Year ended 30 June 2009**

Interests of directors of the Responsible Entity

Units in the Group held by directors of the Responsible Entity as at 30 June 2009 were:

	Number of units
Paul Scully	20,352
Philip Clark	30,000

The other directors of the Responsible Entity did not hold any units in the Fund 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 23 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 5.

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.

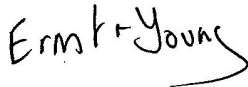
Signed in accordance with a resolution of the directors of the Responsible Entity.



Richard Colless
Chairman
Sydney
26 August 2009

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

In relation to our audit of the financial report of ING Real Estate Community Living Fund and its controlled entities for the financial year ended 30 June 2009, 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 in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain' in a cursive style.

Douglas Bain
Partner
26 August 2009

ING Real Estate Community Living Group
Income statements
Year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Revenue					
Rental income		37,687	33,544	7,352	10,069
Deferred management fee		3,123	5,356	-	-
Other property income		6,449	2,926	21	3
Distributions receivable from subsidiaries		-	-	24,337	28,579
Interest income		1,541	2,470	2,440	2,161
		<u>48,800</u>	<u>44,296</u>	<u>34,150</u>	<u>40,812</u>
Other income					
Net foreign exchange gain/(loss)		(109)	2,649	746	3,184
Net loss on disposal of investment properties		(1,085)	-	(150)	-
Net gain/(loss) on change in fair value of:					
Investment properties		(71,939)	(25,188)	(7,960)	(12,958)
Derivatives		(55,071)	15,505	(55,071)	15,505
Retirement village residents' loans		7,774	(13,237)	-	-
Expenses					
Property expenses		(38,289)	(17,472)	(3,099)	(1,338)
Finance costs	6	(7,979)	(6,565)	674	(1,964)
Responsible Entity's fees	23	(3,355)	(3,280)	(3,028)	(3,280)
Impairment loss on:					
Receivables	12	(20,612)	-	(43,554)	-
Equity accounted investments	12	(21,350)	(3,145)	(6,203)	(3,145)
Investment in subsidiaries	24	-	-	(138,105)	(99,097)
Other non-current assets	11(c)	(773)	-	(773)	-
Other		(3,751)	(1,435)	(1,108)	(1,289)
Share of net loss of equity accounted investments	12	(160,396)	(30,667)	-	-
Loss before income tax		<u>(328,135)</u>	<u>(38,539)</u>	<u>(223,481)</u>	<u>(63,570)</u>
Income tax benefit/(expense)	7	43,959	(264)	-	-
Net loss for the year		<u>(284,176)</u>	<u>(38,803)</u>	<u>(223,481)</u>	<u>(63,570)</u>
Attributable to unit holders of:					
ING Real Estate Community Living Fund		(285,452)	(49,682)	(223,481)	(63,570)
ING Real Estate Community Living Management Trust		1,276	10,879	-	-
		<u>(284,176)</u>	<u>(38,803)</u>	<u>(223,481)</u>	<u>(63,570)</u>
Distributions per unit					
Distributions per unit	3	Cents 1.50	Cents 11.00		
Earnings per unit - basic and diluted:					
Per unit of the Parent	5	(64.7)	(11.4)		
Per stapled unit	5	(64.4)	(8.9)		
Net operating income per unit:					
Per unit of the Parent	5	7.4	8.3		
Per stapled unit	5	5.9	10.7		

ING Real Estate Community Living Group
Balance sheets
As at 30 June 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	8	13,233	31,525	8,099	21,853
Trade and other receivables	9	9,830	15,091	6,562	7,733
Investment properties	11	33,922	-	1,640	-
Derivatives	10	301	26,674	301	26,674
		<u>57,286</u>	<u>73,290</u>	<u>16,602</u>	<u>56,260</u>
Non-current assets					
Trade and other receivables	9	2,087	21,558	37,356	62,943
Investments in subsidiaries	24	-	-	187,431	332,248
Investment properties	11	429,009	504,910	92,977	101,711
Properties under construction	11	8,575	12,742	641	1,413
Plant and equipment		743	-	-	-
Equity accounted investments	12	134,746	266,747	-	-
		<u>575,160</u>	<u>805,957</u>	<u>318,405</u>	<u>498,315</u>
Total assets		<u>632,446</u>	<u>879,247</u>	<u>335,007</u>	<u>554,575</u>
Current liabilities					
Payables	13	25,983	21,768	7,333	5,764
Retirement village residents loans	1(r)	119,569	113,961	-	-
Borrowings	14	167,219	9,452	132,500	-
Derivatives	10	28,699	-	28,699	-
Provision for distribution	3	-	10,640	-	10,640
		<u>341,470</u>	<u>155,821</u>	<u>168,532</u>	<u>16,404</u>
Non-current liabilities					
Borrowings	14	108,094	269,816	-	141,600
Deferred tax liabilities	15	5,214	37,928	-	-
		<u>113,308</u>	<u>307,744</u>	<u>-</u>	<u>141,600</u>
Total liabilities		<u>454,778</u>	<u>463,565</u>	<u>168,532</u>	<u>158,004</u>
Net assets		<u>177,668</u>	<u>415,682</u>	<u>166,475</u>	<u>396,571</u>
Unitholders' interest					
Issued units	16	490,186	490,371	486,835	487,020
Reserves	17	(11,552)	(64,329)	-	-
Accumulated losses	18	(300,966)	(10,360)	(320,360)	(90,449)
Total unitholders' interest		<u>177,668</u>	<u>415,682</u>	<u>166,475</u>	<u>396,571</u>
Attributable to unit holders of:					
ING Real Estate Community Living Fund:					
Issued units	16	486,835	487,020	486,835	487,020
Reserves	17	(9,407)	(65,878)	-	-
Retained earnings		(313,726)	(21,844)	(320,360)	(90,449)
		<u>163,702</u>	<u>399,298</u>	<u>166,475</u>	<u>396,571</u>
ING Real Estate Community Living Management Trust					
		13,966	16,384	-	-
		<u>177,668</u>	<u>415,682</u>	<u>166,475</u>	<u>396,571</u>
Net asset value per unit		\$0.40	\$0.94		

ING Real Estate Community Living Group
Cash flow statements
Year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities	26				
Rental and other property income		53,842	37,680	15,841	11,643
Property and other expenses		(41,952)	(21,888)	(4,725)	(4,387)
Proceeds from residents' loans		13,740	22,887	-	-
Repayment of residents' loans		(403)	(1,235)	-	-
Distributions received from equity accounted investments		18,046	34,174	-	-
Interest received		1,278	931	1,314	832
Borrowing costs paid		(9,162)	(6,541)	(244)	(2,777)
Goods and services taxes received from investing and financing activities		215	281	34	379
		<u>35,604</u>	<u>66,289</u>	<u>12,220</u>	<u>5,690</u>
Cash flows from investing activities					
Purchase of and additions to investment properties and properties under construction		(18,416)	(55,624)	(3,113)	(585)
Proceeds from sale of investment properties		30,994	-	2,250	-
Purchase of equity accounted investments		(15,612)	(46,242)	-	-
Loans to subsidiaries		-	-	-	(2,773)
		<u>(3,034)</u>	<u>(101,866)</u>	<u>(863)</u>	<u>(3,358)</u>
Cash flows from financing activities					
Unit issue costs	16	-	(82)	-	(79)
Distributions to unitholders	3	(17,255)	(35,249)	(17,255)	(35,249)
Proceeds on restructure of derivatives		1,244	15,000	1,244	15,000
Proceeds from borrowings		12,244	86,033	-	27,000
Repayment of borrowings		(47,369)	(18,479)	(9,100)	-
		<u>(51,136)</u>	<u>47,223</u>	<u>(25,111)</u>	<u>6,672</u>
Net increase/(decrease) in cash		(18,566)	11,646	(13,754)	9,004
Cash at the beginning of the year		31,525	20,061	21,853	12,849
Effects of exchange rate changes on cash		274	(182)	-	-
Cash at the end of the year		<u>13,233</u>	<u>31,525</u>	<u>8,099</u>	<u>21,853</u>

ING Real Estate Community Living Group
Statements of changes in unitholders' interest
Year ended 30 June 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Total unitholders' interest at the beginning of the year		415,682	523,101	396,571	494,714
Exchange differences on translation of foreign operations	17	56,424	(37,802)	-	-
Share of revaluations of property, plant and equipment made/(reversed) by equity accounted investment	17	(3,647)	3,647	-	-
Net income recognised directly in unitholders' interest		52,777	(34,155)	-	-
Net loss for the year		(284,176)	(38,803)	(223,481)	(63,570)
Total recognised income and expense for the year		(231,399)	(72,958)	(223,481)	(63,570)
Transactions with unitholders in their capacity as equity holders:					
Issue of units	16	-	13,697	-	13,585
Distributions paid or payable	3	(6,615)	(48,158)	(6,615)	(48,158)
		(6,615)	(34,461)	(6,615)	(34,573)
Total unitholders' interest at the end of the year		177,668	415,682	166,475	396,571
Total recognised income and expense for the year is attributable to:					
ING Real Estate Community Living Fund		(228,981)	(85,386)	(223,481)	(63,570)
ING Real Estate Community Living Management Trust		(2,418)	12,428	-	-
		(231,399)	(72,958)	(223,481)	(63,570)

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

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 and ING Real Estate Community Living Management Trust (collectively the "Trusts"). ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust 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 AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements*, the stapling arrangement discussed above is regarded as a business combination and ING Real Estate Community Living Fund (the "Parent" or "Parent Entity") has been identified as the parent for preparing consolidated financial reports. The consolidated financial statements present the combined financial results of both Trusts.

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 2009

1. Summary of significant accounting policies (continued)

(c) Going concern

At 30 June 2009, the carrying amount of the Group's Australian secured bank debt was \$132,500,000 under a fully drawn facility. As at 26 August 2009, there was no change to this amount. This debt is due for repayment on 22 December 2009 and is secured by mortgages over the Group's Australian investment properties and properties under construction.

The fair value of liabilities to that bank under interest rate and foreign currency derivative agreements at 30 June 2009 was \$28,398,000. That fair value is sensitive to movements in foreign exchange and interest rates. Payments under these agreements extend to 1 November 2012, but may be accelerated in the circumstances described below.

The Group's ability to refinance the Australian bank debt on or before its expiry is dependent on future market conditions including the state of credit and real estate markets, foreign currency exchange rates and interest rates. The Group may be able to reduce the amount of the debt to be refinanced by asset sales or by a capital raising. However, there can be no assurance that these could be achieved. If this debt was not refinanced on its expiry, the bank would have the right to require immediate repayment of the debt and settlement of the derivatives entered into with it. If the bank exercised that right, it is likely that assets would not be realised, and liabilities would not be discharged, in the ordinary course of business.

Compliance with any revised facility agreement for the Australian bank debt is also dependent on future market conditions including fair values of investment properties and interest rates. If changes in future market conditions result in a breach of any revised facility agreement, the breach could be waived by the bank or the breach may be able to be rectified or prevented by a capital raising or by asset sales. However, there can be no assurance that these could be achieved. If a breach occurred and was not waived or rectified, the bank would have the right to require immediate repayment of the debt and settlement of the related derivatives. If the bank exercised that right, it is likely that assets would not be realised, and liabilities would not be discharged, in the ordinary course of business.

The Fund has guaranteed its share of a deferred purchase obligation of a joint venture entity. The Fund's share amounts to \$7,291,000 (United States dollars 5,880,000) and the obligation is due on February 2010. In the normal course of business, the obligation would be satisfied by the joint venture partners contributing additional capital to the equity accounted investment. The Fund expects to be able to contribute as required. If the Fund does not contribute, its joint venture partner may contribute on its behalf, with an appropriate adjustment to the partners' shares in the joint venture. However, there can be no assurance that the Fund's cash flow will be sufficient to meet its contribution, or that its partner will contribute on its behalf if required. If the obligation is not met, the beneficiary of the Fund's guarantee would have the right to sue the Fund. In addition, failure to meet the guarantee would constitute an event of default under any revised facility agreement for the Australian bank debt, giving the bank concerned the right to require immediate repayment of the debt and settlement of the related derivatives. In these circumstances, it is likely that assets would not be realised, and liabilities would not be discharged, in the ordinary course of business.

Despite these significant uncertainties, the directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

(d) Adoption of new and revised accounting standards

In the current year the Group has adopted all of the 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(e) Principles of consolidation

The consolidated financial statements comprise the Parent and its subsidiaries as at 30 June 2009 (the "Group"). Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies the Group 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.

Minority interests represent the interests in subsidiaries not held by the Group.

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

(f) Distribution policy

A provision for distribution 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.

(g) 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(h) Leases

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 capitalised into the value of investment property. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

(i) 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.

(i) Financial assets and liabilities (continued)

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.

(j) 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.

(k) 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.

(l) 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. A provision for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(m) 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.

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.

(m) Derivative financial instruments (continued)

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. 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.

(n) 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.

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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(n) Investment property (continued)

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.

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.

(o) Property under construction

Property under construction is carried at historical cost. Cost includes the cost of acquisition and additions and, during development, includes financing charges, related professional fees incurred and other directly attributable costs.

Property under construction is transferred to investment property on completion of the construction. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(p) 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.

(q) 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

(s) Borrowings (continued)

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.

(t) Issued units

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

(u) 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(v) Income tax

(i) *Current income tax*

Under the current tax legislation, the Group is not liable to pay Australian income tax provided that 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.

(w) Earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders of the Group 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.

(x) 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.

(y) Pending Accounting Standards

Accounting Standards AASB 8 *Operating Segments*, AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8*, AASB 101 *Presentation of Financial Statements* (revised) and AASB 2008-8 *Amendments to Australian Accounting Standards arising from AASB 101* are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted these standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will affect the type of information disclosed.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

1. Summary of significant accounting policies (continued)

(y) Pending Accounting Standards (continued)

Revised Accounting Standards AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements* are applicable to annual reporting periods beginning on or after 1 July 2009. The Group has not adopted these standards early. Application of the standards may affect amounts recognised in respect of future business combinations or on any future loss of control of a subsidiary.

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 Group'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 \$462,931,000 (2008: \$504,910,000), and retirement village residents' loans with a carrying amount of \$119,569,000 (2008: \$113,961,000), representing estimated fair value. In addition, the carrying amount of the Group's equity accounted investments of \$134,746,000 (2008: \$266,747,000) also reflects investment properties carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs, appropriate discount and capitalisation rates and, in the case of retirement village residents' loans, likely turnover rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, discount and capitalisation rates and turnover 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 2009

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	Consolidated		Parent entity	
	2009	2008	2009	2008
(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	1.5000	2.8625	1.5000	2.8625
Quarter ended 31 December	-	2.8625	-	2.8625
Quarter ended 31 March	-	2.8625	-	2.8625
Quarter ended 30 June	-	2.4125	-	2.4125
	<u>1.5000</u>	<u>11.0000</u>	<u>1.5000</u>	<u>11.0000</u>
	\$'000	\$'000	\$'000	\$'000
The total amounts of these distributions were:				
Quarter ended 30 September	6,615	12,389	6,615	12,389
Quarter ended 31 December	-	12,505	-	12,505
Quarter ended 31 March	-	12,624	-	12,624
Quarter ended 30 June	-	10,640	-	10,640
	<u>6,615</u>	<u>48,158</u>	<u>6,615</u>	<u>48,158</u>

The distribution for the quarter ended 30 June 2008 was recognised in the 2008 financial year and paid on 29 August 2008.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

4. Net operating income

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net operating income is calculated as follows:				
Net loss attributable to unitholders	(284,176)	(38,803)	(223,481)	(63,570)
Adjusted for:				
Net foreign exchange loss	547	-	628	-
Net loss on disposal of investment property	1,085	-	150	-
Net (gain)/loss on change in fair value of:				
Investment properties	71,939	25,188	7,960	12,958
Derivatives	55,071	(15,505)	55,071	(15,505)
Retirement village residents' loans	(7,774)	13,237	-	-
Items included in share of net profit of equity accounted investments:				
Investment properties	178,951	44,478	-	-
Derivatives	341	-	-	-
Retirement village residents' loans	-	1,937	-	-
Gain on revaluation of newly constructed retirement villages	3,154	6,096	-	-
Borrowing cost amortisation returned	185	217	185	217
Impairment loss on:				
Receivables	20,612	-	43,554	-
Equity accounted investments	21,350	3,145	6,203	3,145
Investment in subsidiaries	-	-	138,105	99,097
Other non-current assets	773	-	773	-
Other items included in share of net profit of equity accounted investments:				
Non-current asset depreciation and amortisation	4,621	4,495	-	-
Discount on deferred purchase consideration	529	1,818	-	-
Deferred income tax (benefit)/expense	(44,131)	264	-	-
Asset manager termination costs	3,133	-	3,133	-
Net operating income	26,210	46,567	32,281	36,342
Net operating income is attributable to the unitholders of:				
ING Real Estate Community Living Fund	32,571	36,342	32,281	36,342
ING Real Estate Community Living Management Trust	(6,361)	10,225	-	-
	26,210	46,567	32,281	36,342

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

5. Earnings per unit

	Note	Consolidated	
		2009	2008
(a) Per unit of the Parent			
Net operating income - \$'000	4	32,571	36,342
Loss attributable to unitholders - \$'000		(285,452)	(49,682)
Weighted average number of units outstanding - thousands		441,029	436,475
Net operating income per unit - cents		7.4	8.3
Basic and diluted earnings per unit - cents		(64.7)	(11.4)
(b) Per stapled unit			
Net operating income - \$'000	4	26,210	46,567
Loss attributable to unitholders - \$'000		(284,176)	(38,803)
Weighted average number of units outstanding - thousands		441,029	436,475
Net operating income per unit - cents		5.9	10.7
Basic and diluted earnings per unit - cents		(64.4)	(8.9)

6. Finance costs

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Interest paid or payable	17,827	17,400	8,843	11,377
Less cross currency swap interest received	(9,517)	(9,413)	(9,517)	(9,413)
Less interest capitalised	(331)	(1,422)	-	-
	7,979	6,565	(674)	1,964

The rate used to capitalise finance costs to qualifying assets was 8.4% (2008: 8.4%).

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

7. Income tax

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
(a) Income tax (benefit)/expense					
Current tax		172	-	-	-
Increase/(decrease) in deferred tax liabilities	15	(44,131)	264	-	-
		<u>(43,959)</u>	<u>264</u>	<u>-</u>	<u>-</u>
(b) Reconciliation between tax expense and pre-tax net profit					
Loss before income tax		<u>(328,135)</u>	<u>(38,539)</u>	<u>(223,481)</u>	<u>(63,570)</u>
Income tax at the Australian tax rate of 30% (2008: 30%)		(98,441)	(11,562)	(67,044)	(19,071)
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:					
Australian income		33,174	(1,736)	67,044	19,071
Foreign tax law and rate adjustment		21,308	13,562	-	-
Income tax (benefit)/expense		<u>(43,959)</u>	<u>264</u>	<u>-</u>	<u>-</u>

8. Cash and cash equivalents

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	21	6,856	10,054	2,284	438
Short term deposits	21	6,377	21,471	5,815	21,415
		<u>13,233</u>	<u>31,525</u>	<u>8,099</u>	<u>21,853</u>

9. Trade and other receivables

		Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current					
Rental and other amounts due	21	6,740	11,542	4,995	5,658
Accrued income, prepayments and deposits		3,090	3,549	1,567	2,075
		<u>9,830</u>	<u>15,091</u>	<u>6,562</u>	<u>7,733</u>
Non-current					
Loan to equity accounted investment	23	-	20,342	-	20,342
Loans to subsidiaries	23	-	-	37,213	42,283
Accrued income, prepayments and deposits		2,087	1,216	143	318
		<u>2,087</u>	<u>21,558</u>	<u>37,356</u>	<u>62,943</u>

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 2009

10. Derivatives

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current assets					
	21				
Forward foreign exchange contracts		301	7,329	301	7,329
Cross currency swap contracts		-	19,345	-	19,345
		<u>301</u>	<u>26,674</u>	<u>301</u>	<u>26,674</u>
Current liabilities					
	21				
Forward foreign exchange contracts		13	-	13	-
Cross currency swap contracts		28,686	-	28,686	-
		<u>28,699</u>	<u>-</u>	<u>28,699</u>	<u>-</u>

11. Property investments

(a) Summary of carrying amounts

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Investment properties:				
Current	33,922	-	1,640	-
Non-current	429,009	504,910	92,977	101,711
Properties under construction - non-current	8,575	12,742	641	1,413
	<u>471,506</u>	<u>517,652</u>	<u>95,258</u>	<u>103,124</u>

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

11. Property investments (continued)

(b) Individual valuations and carrying amounts

Property	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
		Date	Valuation \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
Investment property - current ⁽¹⁾							
Garden Villages							
Bendigo 1	347	30 Jun 09	260	260	-	8.0%	-
Bendigo 2	347	30 Jun 09	260	260	-	8.0%	-
Caboolture 2	251	30 Jun 09	260	260	-	8.0%	-
Salisbury	338	30 Jun 09	290	290	-	8.0%	-
Toowoomba 1	337	30 Jun 09	285	285	-	8.0%	-
Wynnum 2	280	30 Jun 09	285	285	-	8.0%	-
US Students							
34 Fairview Street	1,444	30 Jun 09	1,240	1,175	-	8.7%	-
45 Oakwood Ave.	1,998	30 Jun 09	899	852	-	8.3%	-
Hunting Lodge Apartments	4,929	30 Jun 09	6,045	5,952	-	8.4%	-
The Preserve	28,998	30 Jun 09	24,303	24,303	-	8.8%	-
	<u>39,269</u>		<u>34,127</u>	<u>33,922</u>	-	8.6%	n/a
Investment property - non-current							
Garden Villages Portfolio							
Yakamia Gardens	5,910	30 Jun 09	5,350	5,350	5,100	8.3%	7.3%
Mardross Gardens	5,561	30 Jun 09	5,300	5,300	5,600	8.0%	7.5%
Seville Grove Gardens	4,027	30 Jun 09	3,800	3,800	3,700	8.0%	7.5%
Hertford Gardens	3,703	30 Jun 09	3,050	3,050	3,300	8.5%	8.0%
Bendigo 1	-	-	-	-	325	-	8.0%
Bendigo 2	-	-	-	-	325	-	8.0%
Carey Park Gardens	4,854	30 Jun 09	3,950	3,950	3,900	8.3%	7.8%
Jefferis Gardens	5,048	30 Jun 09	3,750	3,750	4,200	8.5%	8.0%
Caboolture 2	-	-	-	-	300	-	8.0%

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

11. Property investments (continued)

Property	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
		Date	Valuation \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
Cessnock Gardens	5,594	30 Jun 09	5,430	5,430	5,500	8.0%	7.5%
Claremont Gardens	4,676	30 Jun 09	3,550	3,550	3,600	8.5%	8.0%
Taloumbi Gardens	4,935	30 Jun 09	4,750	4,750	4,900	8.3%	7.5%
Davenport Gardens	4,205	30 Jun 09	3,150	3,150	3,400	8.8%	8.3%
Dromana	-	-	-	-	440	-	8.0%
Wheeler's Gardens	4,611	30 Jun 09	3,900	3,900	4,100	8.3%	7.8%
Elphinwood Gardens	4,546	30 Jun 09	3,800	3,800	3,800	8.5%	8.0%
Glenorchy Gardens	4,346	30 Jun 09	4,000	4,000	3,800	8.0%	7.5%
Chatsbury Gardens	4,968	30 Jun 09	3,800	3,800	4,000	8.3%	7.8%
Grovedale	-	-	-	-	355	-	8.0%
Grovedale Gardens	5,423	30 Jun 09	4,500	4,500	4,800	8.0%	7.5%
Horsham Gardens	4,617	30 Jun 09	4,350	4,350	4,600	8.0%	7.5%
Ipswich Gardens	4,879	30 Jun 09	2,400	2,400	3,700	8.0%	7.5%
Kingston Gardens	4,490	30 Jun 09	2,799	2,799	3,100	8.8%	8.3%
Lovely Banks Gardens	5,927	30 Jun 09	4,100	4,100	5,250	8.5%	8.0%
Sea Scape Gardens	4,472	30 Jun 09	4,300	4,300	3,900	8.5%	8.0%
Marsden Gardens	8,776	30 Jun 09	8,550	8,550	8,840	8.5%	8.0%
Coburns Gardens	4,304	30 Jun 09	3,150	3,150	3,300	8.5%	8.0%
Brooklyn Gardens	4,231	30 Jun 09	3,050	3,050	3,400	8.5%	8.0%
Oxley Gardens	4,569	30 Jun 09	3,550	3,550	3,800	8.5%	8.0%
Salisbury	-	-	-	-	280	-	8.0%
Townsend Gardens	4,971	30 Jun 09	3,500	3,500	4,000	8.5%	8.0%
St Albans Park Gardens	4,975	30 Jun 09	3,850	3,850	4,000	8.5%	8.0%
Swan View Gardens	7,124	30 Jun 09	7,100	7,100	6,400	8.3%	7.8%
Taree Gardens	4,631	30 Jun 09	4,150	4,150	4,100	8.5%	8.0%

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Year ended 30 June 2009

11. Property investments (continued)

Property	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
		Date	Valuation \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
Toowoomba 1	-	-	-	-	315	-	8.0%
Toowoomba Gardens	3,967	30 Jun 09	3,600	3,600	4,150	8.8%	8.3%
Newtown Gardens	4,413	30 Jun 09	3,950	3,950	4,300	8.8%	8.3%
Glenvale Gardens	3,966	30 Jun 09	2,700	2,700	3,300	8.8%	8.3%
Welcome Inn	-	-	-	-	1,350	-	9.0%
Wynnum	-	-	-	-	335	-	8.0%
Forest Lake Gardens	13,464	30 Jun 09	10,650	10,650	11,100	8.3%	7.8%
South Gladstone Gardens	7,950	30 Jun 09	5,460	5,460	7,000	8.3%	7.8%
Rockhampton Gardens	10,296	30 Jun 09	7,350	7,350	7,600	8.3%	7.8%
US Students							
Ashford Hills Apartments	5,021	30 Jun 09	1,550	1,550	2,698	9.4%	7.5%
Campus View	6,683	30 Jun 09	4,805	4,805	3,632	8.7%	7.9%
Clubhouse Apartments	6,098	30 Jun 09	3,968	3,968	4,151	8.7%	7.2%
Kelly Gardens Apartments	5,014	30 Jun 09	2,077	2,077	1,816	10.4%	7.5%
Knollwood Apartments	18,157	30 Jun 09	7,068	7,068	7,886	8.6%	7.4%
Maplewood Apartments	4,850	30 Jun 09	2,573	2,573	2,957	8.7%	7.1%
Millbrook Apartmetns	1,663	30 Jun 09	775	775	1,064	9.3%	7.2%
Oakridge	3,502	30 Jun 09	1,859	1,859	2,415	9.5%	7.5%
Oakwood	970	30 Jun 09	434	434	493	9.1%	7.0%
Orchard Acres Apartments	10,023	30 Jun 09	4,865	4,865	7,865	8.9%	7.3%
Perry Hill estates	5,909	30 Jun 09	2,883	2,883	4,477	8.9%	7.3%
Renwood Apartments	8,212	30 Jun 09	4,338	4,338	6,856	9.2%	7.3%
Ridgeview heights	5,371	30 Jun 09	2,976	2,976	4,251	9.0%	7.3%
Springwood Apartments	7,632	30 Jun 09	3,162	3,162	2,854	10.4%	10.0%
Willington Oaks Apartments	17,895	30 Jun 09	10,818	10,818	14,923	8.9%	7.3%

ING Real Estate Community Living Group
Notes to the financial statements
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11. Property investments (continued)

Property	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
		Date	Valuation \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
Campus Club	16,072	30 Jun 09	11,531	11,531	13,801	8.0%	6.8%
Ramz Hall	-	-	-	-	16,364	-	6.5%
Capital Garage Apartments	-	-	-	-	5,396	-	7.4%
34 Fairview Street	-	-	-	-	1,505	-	7.3%
45 Oakwood Ave.	-	-	-	-	1,038	-	7.3%
Hunting Lodge Apartments	-	-	-	-	8,128	-	7.0%
The Preserve	-	-	-	-	24,385	-	7.0%
US Seniors							
Lynbrook, New York	26,990	30 Jun 09	32,238	32,238	21,782	8.3%	7.0%
Settlers ⁽²⁾						Discount rate	
Lakeside	69,645	31 Dec 08	78,216	73,975	83,221	13.0%	13.0%
Noyea Park	2,463	31 Dec 08	2,662	2,497	3,110	13.0%	13.0%
Meadow Springs	20,200	31 Dec 08	18,350	17,822	19,682	13.0%	13.0%
Ridgewood	73,849	31 Dec 08	81,685	86,156	74,595	13.0%	13.5%
Consolidated - non-current	500,648		429,472	429,009	504,910	4.9%	4.8%
Total investment properties	539,917		463,599	462,931	504,910	5.2%	4.8%

ING Real Estate Community Living Group
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Year ended 30 June 2009

11. Property investments (continued)

Property	Cost to date \$'000	Latest external valuation		Carrying amount	
		Date	Valuation \$'000	2009 \$'000	2008 \$'000
Property under construction - non current ⁽³⁾					
Garden Villages Portfolio					
Lovely Banks Gardens - land	862	-		330	862
Wangaratta - land	551	-		311	551
Settlers					
Noyea Park	500	-		500	500
Ridgewood	7,037	-		4,037	7,037
Meadow Springs	3,792	-		3,397	3,792
	<u>12,742</u>		<u>-</u>	<u>8,575</u>	<u>12,742</u>
Total all property investments	<u>552,659</u>		<u>463,599</u>	<u>471,506</u>	<u>517,652</u>

- (1) These properties were disclosed as non current in 2008. Investment properties that are held for sale and are expected to be realised within twelve months after the reporting date are classified as current.
- (2) Valuations of retirement villages are provided to the Group net of residents' loans (after deducting any accrued deferred management fees and maintenance reserve fund liabilities). 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) Valuations of these properties under construction were as at an earlier stage of development and thus are no longer comparable to the carrying amounts shown.
- (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(n). 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.

ING Real Estate Community Living Group
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Year ended 30 June 2009

11. Property investments (continued)

(c) Movements in carrying amounts

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<i>Investment property</i>				
Carrying amount at beginning of year	504,910	491,785	101,711	113,991
Exchange rate fluctuations	38,235	(21,769)	-	-
Additions - initial acquisitions	-	25,272	-	-
Additions - to existing property	9,524	7,557	3,112	678
Transferred from property under construction	13,017	27,253	-	-
Disposals	(32,079)	-	(2,400)	-
Net change in fair value	(70,676)	(25,188)	(7,806)	(12,958)
Carrying amount at end of year	462,931	504,910	94,617	101,711
<i>Property under construction</i>				
Carrying amount at beginning of year	12,742	18,972	1,413	1,509
Additions	9,623	21,023	-	(96)
Impairment	(773)	-	(772)	-
Transferred to investment property	(13,017)	(27,253)	-	-
Carrying amount at end of year	8,575	12,742	641	1,413

(d) Leasing arrangements

In 2008 some investment properties were leased to tenants under long-term operating leases and with the restructure of the Garden Villages portfolio no longer exist. Lease terms varied between tenants. Future minimum rentals receivable under these leases were:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Within one year	-	2,663	-	-
Later than one year but not later than five years	-	11,477	-	-
Later than five years	-	10,373	-	-
	-	24,513	-	-

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12. Equity accounted investments

(a) Details of investments

Name	Principal activity	Ownership interest	
		2009	2008
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%
Oak Tree Property Holdings Pty Ltd ⁽³⁾	Real estate investment	-	50%
Oak Tree Retirement Villages Pty Ltd ⁽³⁾	Retirement village operator	-	50%
Regency LTC Operating LP	Operator of long term care facilities	50%	50%
SCV Group Limited	Real estate investment	-	10%

- (1) Although the Group has the economic interest shown, it does not hold a controlling interest in the voting rights of these entities. Consequently, the Responsible Entity has determined that the Group's ownership interest does not give the Group the capacity to control the entities 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 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.
- (3) The Group sold its investment in these companies for \$2 on 13 February 2009 and recognised an impairment loss of \$15,254,000 during the year on its investments in the Oak Tree group.

	Consolidated	
	2009	2008
	\$'000	\$'000
(b) Share of assets and liabilities		
Total assets	645,248	798,649
Total liabilities	(510,502)	(531,902)
Net assets	134,746	266,747
(c) Share of results		
Revenue	178,582	102,261
Loss on change in fair value of:		
Investment properties	(178,951)	(44,478)
Derivatives	(341)	-
Retirement village residents' loans	-	(1,937)
Other income	-	-
Expenses	(159,686)	(86,513)
Loss before income tax	(160,396)	(30,667)
Income tax expense	-	-
Loss for the year	(160,396)	(30,667)

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Year ended 30 June 2009

13. Payables

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current liabilities				
Trade payables	25,983	21,768	7,333	5,764

14. Borrowings

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current liabilities	21				
Bank debt	(a)	167,219	9,452	132,500	-
Non-current liabilities					
Bank debt	(a)	73,376	240,761	-	141,600
Other external debt	(b)	34,718	29,055	-	-
		108,094	269,816	-	141,600

(a) Bank debt

The bank debt of the Group is denominated in Australian and United States dollars.

The Australian dollar denominated debt of \$132,500,000 (2008: \$141,600,000) is a variable rate facility expiring in December 2009, and has a facility limit of \$132,500,000. The principal loan to value ratios to be maintained are 65% of completed properties and 50% for properties under construction. The carrying value at reporting date of the Group's Australian investment properties and properties under construction pledged as security is \$220,400,000 (2008: \$356,915,000).

The United States dollar denominated current bank debt consists of an unsecured facility of \$9,919,000 (2008: \$9,452,000). In addition, bank debt of \$24,800,000 (2008: nil) maturing in greater than one year secured by investment property classified as current and available for sale has been classified as current.

The United States dollar denominated non-current bank debt of \$73,376,000 (2008: \$99,161,000) is comprised of a number of fixed rate facilities which are fully drawn and whose terms exceed five years. The current and non current facilities are secured against certain of the Group's United States investment properties with an aggregate carrying amount at reporting date of \$97,964,000 (2008: \$138,955,000).

(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 \$32,238,000 (2008: \$21,782,000).

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15. Deferred tax liabilities

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Investment properties	3,608	2,154	-	-
Equity accounted investments	1,606	35,774	-	-
	<u>5,214</u>	<u>37,928</u>	-	-
Deferred tax (benefit)/expense recognised in the income statement in respect of deferred tax liabilities is attributable to temporary differences arising from:				
Investment properties	1,824	33	-	-
Equity accounted investments	(45,955)	231	-	-
	<u>(44,131)</u>	<u>264</u>	-	-
Deductible temporary differences for which no deferred tax asset has been recognised	(67,601)	-	-	-
Potential tax benefit	<u>(23,660)</u>	-	-	-

16. Issued units

(a) Carrying amounts

Note	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
At beginning of year	490,371	477,032	487,020	473,793
Issued during the year:				
Distribution reinvestment plan	-	13,779	-	13,667
Unit issue costs	-	(82)	-	(82)
Transfer to retained profits (d)	-	(141)	-	(141)
Borrowing cost amortisation returned (e)	(185)	(217)	(185)	(217)
At end of year	<u>490,186</u>	<u>490,371</u>	<u>486,835</u>	<u>487,020</u>
The closing balance is attributable to the unitholders of:				
ING Real Estate Community Living Fund	486,835	487,020	486,835	487,020
ING Real Estate Community Living Management Trust	3,351	3,351	-	-
	<u>490,186</u>	<u>490,371</u>	<u>486,835</u>	<u>487,020</u>

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16. Issued units (continued)

(b) Number of issued units

	Consolidated		Parent entity	
	2009	2008	2009	2008
	thousands	thousands	thousands	thousands
At beginning of year	441,029	430,267	441,029	430,267
Issued during the year:				
Distribution reinvestment plan	-	10,762	-	10,762
At 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) Transfer to retained profits

The transfer to retained profits represents the portion of distributions paid to holders of new units for that part of the period to which the distribution relates that occurred before the issue of the units.

(e) 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 distributed amortisation of debt issue costs as shown.

17. Reserves

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation				
Balance at beginning of year	(67,976)	(30,174)	-	-
Translation differences arising during the year	56,424	(37,802)	-	-
Balance at end of year	(11,552)	(67,976)	-	-
Share of asset revaluation reserve of equity accounted investment				
Balance at beginning of year	3,647	-	-	-
Revaluations made/(reversed) during the year	(3,647)	3,647	-	-
Balance at end of year	-	3,647	-	-
Total reserves at end of year	(11,552)	(64,329)	-	-
The closing balance is attributable to the unitholders of:				
ING Real Estate Community Living Fund	(9,407)	(65,878)	-	-
ING Real Estate Community Living Management Trust	(2,145)	1,549	-	-
	(11,552)	(64,329)	-	-

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 arises on the revaluation of land and buildings held by an equity accounted investment.

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18. Retained earnings

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of year		(10,360)	76,243	(90,449)	20,921
Net loss for the year		(284,176)	(38,803)	(223,481)	(63,570)
Transfer from issued units	16	-	141	-	141
Distributions paid or payable	3	(6,615)	(48,158)	(6,615)	(48,158)
Borrowing cost amortisation returned	16(e)	185	217	185	217
Balance at end of year		(300,966)	(10,360)	(320,360)	(90,449)

19. Commitments

Commitments for capital expenditure on investment property contracted but not provided for at reporting date amounted to \$2,816,000 (2008: \$15,380,000), all payable within one year (2008: \$14,992,000) and \$nil payable between one and two years (2008: \$389,000).

The Parent Entity has guaranteed the obligations of an equity accounted investment (CSH_INGRE LLC) in respect of deferred purchase consideration in the amount of \$7,291,000 (2008: \$10,678,000).

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.

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Notes to the financial statements

Year ended 30 June 2009

20. Capital management (continued)

The Group's capital is primarily monitored through its ratio: of debt to total assets ("Gearing 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 Gearing Ratio in the range of 40% - 60%. At 30 June 2009, the gearing ratio was 74.0%, compared to 57.0% at 30 June 2008, calculated as follows:

	Consolidated 2009 \$'000	2008 \$'000
Total consolidated borrowings	275,313	279,268
Less cash & cash equivalents	(15,123)	(31,525)
Net consolidated debt	260,190	247,743
Plus share of net debt of equity accounted investments	485,932	458,357
Net look-through debt	746,122	706,100
Total consolidated assets	632,446	879,247
Less cash & cash equivalents	(15,123)	(31,525)
Less retirements village residents loans	(119,569)	(113,961)
Less equity accounted investments	(134,746)	(266,747)
Plus share of assets of equity accounted investments	645,248	798,649
Less share of retirements village residents loans of equity accounted investments	-	(27,732)
Total look-through assets	1,008,256	1,237,931
Gearing ratio	74.0%	57.0%

A range of initiatives to reduce gearing to within the target range in the medium term are being pursued.

21. Financial instruments

(a) Introduction

The Group's 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 to enable the Group to meet 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.

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Notes to the financial statements

Year ended 30 June 2009

21. Financial instruments (continued)

(b) Interest rate risk

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

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a five-year time horizon.

At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 99% of the Group's borrowings are at a fixed rate of interest (2008: 91%) (Parent: 97%; 2008: 89%).

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.

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21. Financial instruments (continued)

(c) Interest rate risk exposure

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

30 June 2009	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	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	-	5.3%	-	5.6%	na
Other external debt denominated in USD	-	-	-	6.4%	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.

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Notes to the financial statements
Year ended 30 June 2009

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 2008	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	10,054	-	-	-	10,054
Short term deposits	21,471	-	-	-	21,471
Loans to equity accounted investments	-	-	20,342	-	20,342
Financial liabilities					
Bank debt denominated in AUD	141,600	-	-	-	141,600
Bank debt denominated in USD	9,452	-	-	99,161	108,613
Other external debt denominated in USD	-	-	-	29,055	29,055
Cross currency swaps - receive AUD	(128,226)	-	(172,063)	-	(300,289)
Cross currency swaps - pay USD	-	-	236,239	-	236,239
Cross currency swaps - pay CAD	-	-	41,919	-	41,919
Weighted average interest rates					
Financial assets					
Cash at bank	2.4%	-	-	-	na
Short term deposits	7.5%	-	-	-	na
Loans to equity accounted investments	-	-	9.0%	-	na
Financial liabilities					
Bank debt denominated in AUD	8.3%	-	-	-	na
Bank debt denominated in USD	4.6%	-	-	-	na
Other external debt denominated in USD	-	-	-	6.4%	na
Cross currency swaps - receive AUD	9.8%	-	6.9%	-	na
Cross currency swaps - pay USD	-	-	2.6%	-	na
Cross currency swaps - pay CAD	-	-	5.1%	-	na

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Notes to the financial statements
Year ended 30 June 2009

21. Financial instruments (continued)

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

30 June 2009	Floating interest rate	Parent entity Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	2,284	-	-	-	2,284
Short term deposits	5,815	-	-	-	5,815
Financial liabilities					
Bank debt denominated in AUD	132,500	-	-	-	132,500
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	3.0%	-	-	-	na
Financial liabilities					
Bank debt denominated in AUD	3.6%	-	-	-	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

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21. Financial instruments (continued)

The Parent'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 2008	Floating interest rate	Parent entity Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	438	-	-	-	438
Short term deposits	21,415	-	-	-	21,415
Loans to equity accounted investments	-	-	20,342	-	20,342
Financial liabilities					
Bank debt denominated in AUD	141,600	-	-	-	141,600
Cross currency swaps - receive AUD	(128,226)	-	(172,063)	-	(300,289)
Cross currency swaps - pay USD	-	-	236,239	-	236,239
Cross currency swaps - pay CAD	-	-	41,919	-	41,919
Weighted average interest rates					
Financial assets					
Cash at bank	1.9%	-	-	-	na
Short term deposits	7.5%	-	-	-	na
Loans to equity accounted investments	-	-	9.0%	-	na
Financial liabilities					
Bank debt denominated in AUD	8.3%	-	-	-	na
Cross currency swaps - receive AUD	9.8%	-	6.9%	-	na
Cross currency swaps - pay USD	-	-	2.6%	-	na
Cross currency swaps - pay CAD	-	-	5.1%	-	na

(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 Group has 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).

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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			
	Consolidated		Parent entity	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	34	160	16	85
United States dollars	(51)	(76)	15	-
Canadian dollars	7	-	7	-
	(10)	84	38	85

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

	Effect on profit after tax			
	Consolidated		Parent entity	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	(4,439)	(2,156)	(4,439)	(2,156)
United States dollars	6,065	3,714	6,065	3,714
Canadian dollars	1,296	1,708	1,296	1,708
	2,922	3,266	2,922	3,266

(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			
	Consolidated		Parent entity	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	(34)	(160)	(16)	(85)
United States dollars	51	76	(15)	-
Canadian dollars	(7)	-	(7)	-
	10	(84)	(38)	(85)

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Notes to the financial statements
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21. Financial instruments (continued)

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

	Effect on profit after tax			
	Consolidated		Parent entity	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	4,578	2,246	4,578	2,246
United States dollars	(6,246)	(3,863)	(6,246)	(3,863)
Canadian dollars	(1,317)	(1,788)	(1,317)	(1,788)
	<u>(2,985)</u>	<u>(3,405)</u>	<u>(2,985)</u>	<u>(3,405)</u>

(e) Foreign exchange risk

By acquiring 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 its 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 reduces 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.

(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 North American and New Zealand subsidiaries and equity accounted investments, whose functional currency is not the Australian dollar.

	Net foreign currency asset/(liability)			
	Consolidated		Parent entity	
	2009		2008	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
United States dollars	1,536	1,821	1,536	1,821
Canadian dollars	693	2	693	2
New Zealand dollars	-	333	-	333
	<u>2,229</u>	<u>2,156</u>	<u>2,229</u>	<u>2,156</u>

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21. Financial instruments (continued)

(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%:

	Consolidated			
	Effect on profit after tax		Effect on unitholders' interest	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Foreign exchange risk exposures denominated in:				
United States dollars	24,624	11,536	-	-
Canadian dollars	4,989	5,281	-	-
New Zealand dollars	113	1,069	-	-
	29,726	17,886	-	-

The effect on the Parent entity would have been the same as on the consolidated entity.

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

	Consolidated			
	Effect on profit after tax		Effect on unitholders' interest	
	Higher/(lower)		Higher/(lower)	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Foreign exchange risk exposures denominated in:				
United States dollars	(30,241)	(14,100)	-	-
Canadian dollars	(5,751)	(6,455)	-	-
New Zealand dollars	(136)	(1,307)	-	-
	(36,128)	(21,862)	-	-

The effect on the Parent entity would have been the same as on the consolidated entity.

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. As all of these instruments are held by the Parent, figures for the Parent are the same as for the consolidated entity.

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21. Financial instruments (continued)

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 loss for the year ended 30 June 2009 was \$55,071,000 (2008: \$15,505,000 gain).

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

Maturing	Weighted average exchange rate		Principal amount			
	2009	2008	2009 AUD \$'000	2009 USD \$'000	2008 AUD \$'000	2008 USD \$'000
			Consolidated			
Within one year	-	0.7606	-	-	10,157	7,725
Later than one year but not later than five years	-	0.7606	-	-	43,258	32,902
			-	-	53,415	40,627

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

Maturing	Weighted average exchange rate		Principal amount			
	2009	2008	2009 AUD \$'000	2009 CAD \$'000	2008 AUD \$'000	2008 CAD \$'000
			Consolidated			
Within one year	0.8693	0.8763	2,280	1,982	3,676	3,221
Later than one year but not later than five years	0.8693	0.8693	7,335	6,376	10,761	9,354
			9,615	8,358	14,437	12,575

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

Maturing	Weighted average exchange rate		Principal amount			
	2009	2008	2009 AUD \$'000	2009 NZD \$'000	2008 AUD \$'000	2008 NZD \$'000
			Consolidated			
Within one year	1.1830	1.2385	922	1,091	10,575	13,096
Later than one year but not later than five years	1.1785	1.1801	424	500	2,619	3,091
			1,346	1,591	13,194	16,187

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

Maturing	Weighted average exchange rate		Principal amount			
	2009	2008	2009 AUD \$'000	2009 USD \$'000	2008 AUD \$'000	2008 USD \$'000
			Consolidated			
Later than one year but not later than five years	0.9300	0.9300	254,021	236,239	254,021	236,239

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Year ended 30 June 2009

21. Financial instruments (continued)

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

Maturing	Weighted average exchange rate		Principal amount			
	2009	2008	2009 AUD \$'000	2009 CAD \$'000	2008 AUD \$'000	2008 CAD \$'000
	Consolidated					
Later than one year but not later than five years	0.9060	0.9060	46,268	41,919	46,268	41,919

(i) Credit risk

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

The major credit risk for the Group is default by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant. In addition, a default of one of the Group's major tenants may trigger the right for one or more of the lenders to the Group to review or call in its loan.

The Group assesses the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into account when assessing credit risk include the aggregate exposure the Group may have to the prospective tenant if the counterparty is already a tenant in the Group's portfolio; the strength of the prospective tenant's business; the level of its commitment to locating in the Group's 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 the Group's receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Group. The Group's 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 the Group, after allowing for appropriate set offs which are legally enforceable.

The Group's maximum exposure to credit risk at reporting date in relation to each class of financial instrument is its carrying 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.

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Notes to the financial statements
Year ended 30 June 2009

21. Financial instruments (continued)

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.

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

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.

	Consolidated 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	207,795	403,939
Derivatives that are liabilities	-	(8,775)	(52,384)	(61,159)
	<u>299,684</u>	<u>33,237</u>	<u>155,411</u>	<u>488,332</u>
	Consolidated 2008			
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	21,768	-	-	21,768
Retirement village residents loans	113,961	-	-	113,961
Borrowings	30,516	187,053	199,624	417,193
	<u>166,245</u>	<u>187,053</u>	<u>199,624</u>	<u>552,922</u>
Cross currency swaps that are assets	-	(15,687)	(23,890)	(39,577)

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21. Financial instruments (continued)

The contractual maturities of the Parent's financial liabilities at reporting date, on the same basis, were:

	Parent entity 2009			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
	Trade & other payables	7,333	-	
Borrowings	134,933	-	-	134,933
Derivatives that are liabilities	-	(8,775)	(52,384)	(61,159)
	142,266	(8,775)	(52,384)	81,107

	Parent entity 2008			Total \$'000
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	
	Trade & other payables	5,764	-	
Borrowings	12,413	148,859	-	161,272
	18,177	148,859	-	167,036
Cross currency swaps that are assets	-	(15,687)	(23,890)	(39,577)

(k) Other financial instrument risk

The Group carries retirement village residents' loans at fair value with resulting fair value adjustments recognised in the income statement. 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. The effects reported are the changes in the fair value of these loans net of the corresponding changes in the fair values of the investment properties that are leased to the residents. This analysis is based on the retirement village residents' loans in existence at reporting date.

	Effect on profit after tax			
	Consolidated Higher/(lower)		Parent entity Higher/(lower)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Increase in market prices of investment properties of 10%	1,255	1,104	-	-
Decrease in market prices of investment properties of 10%	(1,255)	(1,104)	-	-

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

ING Real Estate Community Living Group
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21. Financial instruments (continued)

(I) Fair value of financial assets and liabilities

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

	Consolidated			
	2009		2008	
	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000
Bank debt	86,178	108,095	122,969	99,161
Other external debt	28,663	34,718	24,440	29,055
	<u>114,841</u>	<u>142,813</u>	<u>147,409</u>	<u>128,216</u>

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

22. Auditor's remuneration

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
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	228,145	200,000	228,145	200,000
Other services - assurance related	82,314	105,000	82,314	105,000
	<u>310,459</u>	<u>305,000</u>	<u>310,459</u>	<u>305,000</u>

23. Related parties

(a) Responsible Entity

The Responsible Entity of both 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.

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Notes to the financial statements
Year ended 30 June 2009

23. Related parties (continued)

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
ING Management Limited:				
Asset management fees	3,355,487	3,280,220	3,028,487	3,280,220

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 \$1,306,290 of its fee for the year ended 30 June 2008 and \$724,458 of its fee for the year ended 30 June 2009.

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

Holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2009, and distributions received and receivable for the year then ended, were:

Name	Number of units held	Distributions Receivable	
		Consolidated 2009	Parent entity 2009
		\$	\$
ING (NZ) Limited	-	27,675	27,675
ING Real Estate International Investments III BV	28,193,963	422,909	422,909
	<u>28,193,963</u>	<u>450,584</u>	<u>450,584</u>

Holdings of those parties as at 30 June 2008, and distributions receivable for the year then ended, were:

Name	Number of units held	Distributions Receivable	
		Consolidated 2008	Parent entity 2008
		\$	\$
ING Community Property Mangement Pty Ltd	-	438,323	438,323
ING Clarion	237,000	24,563	24,563
ING (NZ) Limited	1,845,013	73,136	73,136
ING Real Estate Investment Management Australia Pty Ltd	-	238,317	238,317
ING Real Estate International Investments III BV	28,111,342	2,413,011	2,413,011
	<u>30,193,355</u>	<u>3,187,350</u>	<u>3,187,350</u>

(d) Other transactions with the Responsible Entity and its related parties

In prior periods, some of the Group's investment properties were leased to a related party of the Responsible Entity at commercial rates. The lease expired on 30 June 2008. The group has not received any rental income from related parties during the year. Rental income recognised for the year ended 30 June 2008 was \$13,200,000.

(e) 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.

ING Real Estate Community Living Group

Notes to the financial statements

Year ended 30 June 2009

23. Related parties (continued)

(e) Key management personnel (continued)

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	
Philip Redmond	
Paul Scully	
David Blight	Resigned 1 December 2008
Hugh Thomson	Alternate director for David Blight – ceased 1 December 2008
Adrian Astridge	Alternate director for David Blight – ceased 1 December 2008

The names of other key management personnel, are:

Hugh Thomson	Group Chief Executive Officer
Ian Muir	Chief Investment Officer
David Hunt	Chief Financial Officer

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.

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

	2009	2008
Paul Scully		
Held at the beginning of the financial year	20,352	19,076
Acquisitions	-	1,276
Held at the end of the financial year	<u>20,352</u>	<u>20,352</u>
Hugh Thomson		
Held at the beginning of the financial year	82,271	-
Acquisitions	-	82,271
Disposals	(15,000)	-
Held at the end of the financial year	<u>67,271</u>	<u>82,271</u>
Adrian Astridge		
Held at the beginning of the financial year	20,375	20,375
Disposals	(20,375)	-
Held at the date of cessation as a director	<u>-</u>	<u>20,375</u>
Ian Muir		
Held at the beginning of the financial year	363,149	340,383
Acquisitions	200,000	22,766
Held at the end of the financial year	<u>563,149</u>	<u>363,149</u>
David Hunt		
Held at the beginning of the financial year	148,645	111,205
Acquisitions	130,342	37,440
Held at the end of the financial year	<u>278,987</u>	<u>148,645</u>

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23. Related parties (continued)

(e) Key management personnel (continued)

	<u>2009</u>	<u>2008</u>
Philip Clark		
Held at the beginning of the financial year	-	-
Acquisitions	30,000	-
Held at the end of the financial year	<u>30,000</u>	<u>-</u>

Distributions received and receivable from the Group by each key management person were:

	<u>2009</u>	<u>2008</u>
	\$	\$
Paul Scully	305	2,190
Hugh Thomson	1,234	3,481
Adrian Astridge	-	2,241
Ian Muir	5,447	39,260
David Hunt	2,605	13,549
	<u>9,591</u>	<u>60,721</u>

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 Group are given at note (c) above.

(f) Transactions with equity accounted investments

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

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Amounts receivable at reporting date		-	20,342,000	-	20,342,000
Impairment loss	12	20,611,931	-	20,611,931	-
Interest income		770,075	1,541,412	770,075	1,541,412

(g) Transactions with subsidiaries

The Parent has lent monies to and borrowed from its subsidiaries. Loans are generally interest free and repayable on demand. Certain loans bear interest at commercial rates and are repayable in less than one to later than five years. Amounts recognised were:

Loans to subsidiaries

	Parent entity	
	2009	2008
	\$	\$
Amounts receivable at reporting date	37,212,850	36,167,437
Interest income	1,030,413	-

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

24. Subsidiaries

(a) Names of 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(e):

Name	Country of residence	Ownership interest	
		2009 %	2008 %
<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

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Notes to the financial statements
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24. Subsidiaries (continued)

Name	Country of residence	Ownership interest	
		2009 %	2008 %
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
Subsidiaries of ING Real Estate Community			
Living Management Trust:			
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 Group's voting interest in its subsidiaries is the same as its ownership interest.

A loss on change in fair value of investment properties, together with a loss in impairment of equity accounted investments was recognised by the Parent some of its subsidiaries. Consequently, the Responsible Entity tested the carrying amounts of the investments in these subsidiaries for impairment and recognised an impairment loss of \$138,105,000 during the financial year (2008: \$99,097,000). The recoverable amount of these investments was fair value less costs to sell, which was estimated by reference to the estimated fair value of the assets and liabilities owned by those subsidiaries.

25. Segment information

(a) Description of segments

The Group operates in the one business segment, investment in real estate utilised as social infrastructure, in three geographical areas, Australia, North America and New Zealand.

(b) Segment accounting policies

Segment accounting policies are the same as the Group's policies described in note 1. During the financial year, there were no changes in segment policies that had a material effect on segment information.

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

25. Segment information (continued)

(c) Primary reporting format - geographical segments

	Australia \$'000	North America \$'000	New Zealand \$'000	Total \$'000
Year ended 30 June 2009				
Segment revenue				
Rental income	16,804	20,883	-	37,687
Deferred management fee	3,123	-	-	3,123
Other property income	4,519	1,930	-	6,449
Total segment revenue	<u>24,446</u>	<u>22,813</u>	-	<u>47,259</u>
Interest income				1,541
Total revenue				<u>48,800</u>
Segment result				
Segment result	(19,768)	(39,867)	-	(59,635)
Share of net loss of equity accounted investments	(779)	(154,838)	(4,779)	(160,396)
	<u>(20,547)</u>	<u>(194,705)</u>	<u>(4,779)</u>	<u>(220,031)</u>
Interest income				1,541
Net foreign exchange loss				(109)
Net loss on change in fair value of derivatives				(55,071)
Finance costs				(7,979)
Impairment loss on:				
Receivables				(20,612)
Equity accounted investment				(21,350)
Other non-current assets				(773)
Other expenses				<u>(3,751)</u>
Loss before income tax				<u>(328,135)</u>
Segment assets				
Unallocated	<u>344,797</u>	<u>266,103</u>	<u>11,466</u>	622,366
Consolidated assets				<u>10,080</u>
				<u>632,446</u>
Segment liabilities				
Unallocated	<u>141,789</u>	<u>151,660</u>	-	293,449
Consolidated liabilities				<u>161,329</u>
				<u>454,778</u>
Other segment information				
Impairment loss on:				
Receivables	20,612	-	-	20,612
Equity accounted investment	21,350	-	-	21,350
Other non-current assets	773	-	-	773
Carrying amount of investment in associates	-	123,331	11,415	134,746

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Notes to the financial statements
Year ended 30 June 2009

25. Segment information (continued)

	Australia \$'000	North America \$'000	New Zealand \$'000	Total \$'000
Year ended 30 June 2008				
Segment revenue				
Rental income	16,288	17,256	-	33,544
Deferred management fee	5,356	-	-	5,356
Other property income	1,067	1,859	-	2,926
Total segment revenue	<u>22,711</u>	<u>19,115</u>	<u>-</u>	<u>41,826</u>
Interest income				2,470
Total revenue				<u>44,296</u>
Segment result				
Segment result	4,665	(25,034)	(127)	(20,496)
Share of net profit/(loss) of equity accounted investments	1,751	(33,017)	599	(30,667)
	<u>6,416</u>	<u>(58,051)</u>	<u>472</u>	<u>(51,163)</u>
Interest income				2,470
Net foreign exchange gain				2,649
Net gain on change in fair value of derivatives				15,505
Finance costs				(6,565)
Other expenses				(1,435)
Loss before income tax				<u>(38,539)</u>
Segment assets				
Unallocated	394,162	405,851	14,041	814,054
Consolidated assets				<u>65,193</u>
				<u>879,247</u>
Segment liabilities				
Unallocated	133,050	40,607	-	173,657
Consolidated liabilities				<u>289,908</u>
				<u>463,565</u>
Other segment information				
Impairment loss on equity accounted investment	3,145	-	-	3,145
Acquisition of investment properties and other non-current assets	70,949	28,813	5,185	104,947
Carrying amount of investment in associates	53,012	199,694	14,041	266,747

ING Real Estate Community Living Group
Notes to the financial statements
Year ended 30 June 2009

26. Notes to the cash flow statements

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net loss for the year	(284,176)	(38,803)	(223,481)	(63,570)
Adjustments for:				
Unrealised foreign exchange gain	(602)	(54)	(520)	-
Net loss on disposal of investment properties	1,085	-	150	-
Net (gain)/loss on change in fair value of:				
Investment properties	71,939	25,188	7,960	12,958
Derivatives	55,071	(15,505)	55,071	(15,505)
Retirement village residents' loans	(7,774)	13,237	-	-
Impairment loss on:				
Receivables	20,612	-	43,554	-
Equity accounted investment	21,350	3,145	6,203	3,145
Investment in subsidiaries	-	-	138,105	99,097
Other non-current assets	773	-	773	-
Excess of distributions received from equity accounted investments over share of profits	178,442	64,841	(87)	-
Deferred income tax (benefit)/expense	(44,131)	264	-	-
Operating profit for the year before changes in working capital	12,589	52,313	27,728	36,125
Changes in working capital:				
(Increase)/decrease in receivables	9,569	(7,454)	(15,814)	(30,421)
Increase in retirement village residents' loans	10,848	10,940	-	-
Increase/(decrease) in other payables	2,598	10,490	306	(14)
Net cash provided by operating activities	35,604	66,289	12,220	5,690

(b) Non-cash financing and investing activities

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Re-investment of distributions pursuant to Distribution Investment Plan	-	13,779	-	13,667

27. Subsequent events

On 20 August 2009 the Group announced that one of its equity accounted investments (ING NZ Subsidiary Trust No 1), which owns the New Zealand Students portfolio, finalised negotiations with its lender on terms of a refinance of its existing facility \$16,656,000 (New Zealand dollars 20,800,000). The refinance agreement is for an interest only two year term expiring in August 2011.

**ING Real Estate Community Living Group
Directors' declaration
Year ended 30 June 2009**

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 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Parent's and the Group's financial position as at 30 June 2009 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 Fund will be able to pay its debts as and when they become due and payable.. In reaching this conclusion, the directors considered the matters discussed at note 1(c).

2. 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 2009.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Richard Colless', written in a cursive style.

Richard Colless
Chairman
Sydney, 26 August 2009

Independent auditor's report to the unitholders of ING Real Estate Community Living Fund

Report on the Financial Report

We have audited the accompanying financial report of ING Real Estate Community Living Fund, which comprises the balance sheet as at 30 June 2009, and the income statement, 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 Management Limited, the Responsible Entity of ING Real Estate Community Living Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of ING Management Limited as Responsible Entity for ING Real Estate Community Living Fund 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 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.

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 ING Real Estate Community Living Fund 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.

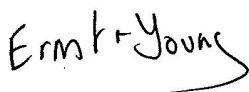
Auditor's Opinion

In our opinion:


1. the financial report of ING Real Estate Community Living Fund 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 the consolidated entity at 30 June 2009 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).

Significant Uncertainty as to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 (c) in the financial report which indicates that the Fund needs to refinance its Australian secured bank debt within 12 months; that continued compliance with the terms of the Australian secured bank debt is dependent on future market conditions including fair values of investment properties; and the Fund may have insufficient finances to satisfy a guarantee provided in relation to its share of a deferred purchase obligation of a joint venture. These factors cast doubt over whether the Fund will realise its assets and liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the fund not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain' in a cursive style.

Douglas Bain
Partner
Sydney
26 August 2009