

**APPENDIX 4D**  
**Half-year Report**  
**Half-year ended 31 December 2008**

<b>Name of Entity:</b>	<b>ING Real Estate Community Living Group</b>
<b>ARSN:</b>	107 459 576

**Results for announcement to the market**

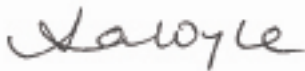
	<b>\$'000</b>	
Revenues from ordinary activities	up 14% to 25,747	
Profit /(loss) from ordinary activities after tax attributable to members	down 4,373% to 242,409 loss	
Net profit / (loss) for the period attributable to members	down 4,373% to 242,409 loss	
Net operating income	down 37% to 15,020	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
Net tangible assets per unit (excluding outside equity interest)	\$0.55	\$1.13

<b>Distributions</b>	<b>Amount per unit (cents)</b>	<b>\$'000</b>
Interim - 30 September 2008	1.5	6,615
Interim - 31 December 2008	-	-
<b>Total</b>	<b>1.5</b>	<b>6,615</b>
Previous Corresponding Period	5.725	24,894
Record date for determining entitlements to the distribution	30 September 2008 N/A	
Details of any distribution reinvestment plan in operation	The fund has a distribution reinvestment plan, however it has not been in operation since June 2008.	
Last date for receipt of an election notice for participation in any distribution reinvestment plan	N/A	

Note : Franked amount per unit is not applicable

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

- Media release
- Directors' report
- Financial report
- Results presentation



Anna Wyke  
Company Secretary

27 February 2009



# ING REAL ESTATE COMMUNITY LIVING GROUP

**INTERIM REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

# ING Real Estate Community Living Group

## Interim report

### For the half-year ended 31 December 2008

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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 the Trusts, is incorporated and domiciled in Australia.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by the Group during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# ING Real Estate Community Living Group

## Directors' report

### For the half-year ended 31 December 2008

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 (the "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 half-year ended 31 December 2008 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 half-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

These persons were directors of the Responsible Entity during the whole of the half-year and up to the date of this report, except as noted.

#### Review and results of operations

The Responsible Entity uses the Group'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 Group's investment properties and derivatives.

A summary of the Trust's results for the half-year is:

	Group		Management Trust	
	2008	2007	2008	2007
Net profit/(loss) for the half-year (\$'000)	(242,409)	(5,419)	6,097	8,775
Net operating income/(loss) (\$'000)	15,020	23,896	(266)	5,440
Distributions per unit (cents)	1.500	5.725	-	-
Net operating income / (loss) per stapled unit (cents)	3.4	5.5	(0.1)	1.3
Earnings per stapled unit - basic and diluted	(55.0)	(1.3)	n/a	n/a

**ING Real Estate Community Living Group**  
**Directors' report**  
**For the half-year ended 31 December 2008**

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

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net profit/(loss) attributable to unitholders	(242,409)	(5,419)	6,097	8,775
Adjusted for:				
Net foreign exchange loss	-	152	-	-
Net (gain)/loss on change in fair value of:				
Investment properties	36,637	(16,821)	(7,890)	(21,897)
Derivatives	103,687	18,550	-	-
Resident loan liabilities	(2,058)	10,714	(2,058)	10,714
Investment properties included in share of net profit/(loss) of equity accounted investments	104,458	-	(2,905)	-
Gain on revaluation of newly constructed retirement villages	2,672	3,841	2,672	3,841
Borrowing costs amortisation returned	92	123	-	-
Impairment loss on equity accounted investments	21,263	3,145	602	-
Provision for impairment of receivables	21,112	-	-	-
Other items included in share of net profit/(loss) of equity accounted investments:				
Non-current asset depreciation and amortisation	2,362	2,776	1,329	-
Discount on deferred purchase consideration	260	-	-	-
Deferred income tax (benefit) / expense	(35,894)	6,835	1,887	4,007
Asset Manager termination costs	2,838	-	-	-
Net operating income/(loss)	<u>15,020</u>	<u>23,896</u>	<u>(266)</u>	<u>5,440</u>

Net operating income decreased by \$8,876,000 to \$15,020,000 from \$23,896,000 for the December 2008 half-year. The decrease is largely attributable to an increase in property expenses and other costs.

Net operating income per unit for the 2008 half-year was 3.4 cents, compared to 5.5 cents per unit previously.

The distributions per unit were 1.50 cents for the half-year, compared to 5.725 cents previously. The Group suspended the December 2008 distribution.

Earnings per unit as calculated under applicable accounting standards for the half-year ended 31 December 2008 were (55.0) cents, compared to (1.3) cents per unit for the previous half-year.

Total assets decreased by \$61,734,000 to \$817,513,000 over the half-year primarily as a result of unfavourable change in the fair value of derivatives, investment property devaluations and impairment of investments.

At December 2008 the Group reviewed the fair value of investment properties resulting in a devaluation of the portfolio of \$141,095,000 (including a change in the fair value of associate's investment properties of \$104,458,000 but before deferred income tax benefit). The net asset value per unit decreased by \$0.39 to \$0.55.

**ING Real Estate Community Living Group  
Directors' report  
For the half-year ended 31 December 2008**

**Outlook**

The economic outlook for Australia and the world is very uncertain, and performance of the Group's property portfolio is likely to be impacted in some form. All types of property have been adversely impacted by tightening credit conditions; which, have reduced the availability of debt and increased its cost where it is available. This in turn has reduced the ability to transact real estate and has been a major factor in decreased property valuations.

The Group is unlikely to be immune from these market conditions. Refinancing of the Group's existing debt facilities on their expiry, and the possibility of acceleration of repayment due to loan covenant breaches, remain key risks which require the Responsible Entity's focus.

The Responsible Entity considered this issue in reviewing the applicability of the going concern concept and the Group's ability to pay its debts as and when they fall due. Further information is provided in note 1(c) 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 4.

**Rounding of amounts**

The Group is 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 the financial report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars.

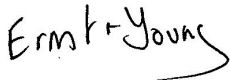
Signed in accordance with a resolution of the directors of the Responsible Entity

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

Richard Colless AM  
Chairman  
Sydney  
27 February 2009

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

In relation to our review of the financial report of ING Real Estate Community Living Fund and the controlled entities within its stapled group and the ING Real Estate Community Living Management Trust and its controlled entities for the half year ended 31 December 2008, 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.



Ernst & Young



Douglas Bain  
Partner  
Sydney  
27 February 2009

**ING Real Estate Community Living Group**  
**Consolidated income statements**  
**For the half-year ended 31 December 2008**

	Note	Group		Management Trust	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Revenue</b>					
Rental income		19,910	16,708	7,694	93
Deferred management fee		1,681	2,228	1,681	2,228
Other property income		2,661	1,070	1,464	41
Interest income		1,495	2,555	202	245
		<u>25,747</u>	<u>22,561</u>	<u>11,041</u>	<u>2,607</u>
<b>Other income</b>					
Net gain/(loss) on change in fair value of:					
Investment properties		(36,637)	16,821	7,890	21,897
Derivatives		(103,687)	(18,550)	-	-
Resident loan liabilities		2,058	(10,170)	2,058	(10,170)
Other		21	658	-	658
<b>Expenses</b>					
Property expenses		(19,129)	(8,368)	(13,092)	(2,469)
Finance costs		(3,858)	(3,409)	(819)	(826)
Responsible Entity's fees		(1,715)	(2,873)	-	-
Impairment loss on:					
Equity accounted investments	5	(21,263)	(3,145)	(602)	-
Receivables	5	(21,112)	-	-	-
Other		(2,090)	(679)	(92)	(65)
Net foreign exchange loss		(120)	(205)	-	-
Share of net profit/(loss) of equity accounted investments	5	(96,518)	8,775	1,600	1,150
<b>Profit/(loss) before income tax</b>		<u>(278,303)</u>	<u>1,416</u>	<u>7,984</u>	<u>12,782</u>
Income tax benefit/(expense)		35,894	(6,835)	(1,887)	(4,007)
<b>Net profit/(loss) for the half-year</b>		<u>(242,409)</u>	<u>(5,419)</u>	<u>6,097</u>	<u>8,775</u>
Attributable to unit holders of:					
ING Real Estate Community Living Fund		(248,506)	(14,194)	-	-
ING Real Estate Community Living Management Trust		6,097	8,775	6,097	8,775
		<u>(242,409)</u>	<u>(5,419)</u>	<u>6,097</u>	<u>8,775</u>
		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Distributions per unit	2	1.500	5.725	-	-
Earnings/(loss) per unit - basic and diluted					
Per unit of each Trust	3	(56.3)	(3.3)	1.4	2.0
Per stapled unit	3	(55.0)	(1.3)	na	na
Net operating income/(loss) per unit					
Per unit of each Trust	3	3.5	4.3	(0.1)	1.3
Per stapled unit	3	3.4	5.5	na	na

**ING Real Estate Community Living Group**  
**Consolidated balance sheets**  
**As at 31 December 2008**

	Note	Group		Management Trust	
		31 Dec 2008 \$'000	30 Jun 2008 \$'000	31 Dec 2008 \$'000	30 Jun 2008 \$'000
<b>Current assets</b>					
Cash and cash equivalents		11,409	31,525	3,129	6,522
Trade and other receivables		13,980	15,091	9,325	4,844
Investment properties - held for sale	4	72,166	-	-	-
Derivatives		102	26,674	-	-
		<u>97,657</u>	<u>73,290</u>	<u>12,454</u>	<u>11,366</u>
<b>Non-current assets</b>					
Trade and other receivables		798	21,558	-	-
Investment properties	4	472,266	504,910	209,665	181,327
Properties under construction	4	10,861	12,742	2,890	3,683
Plant & equipment		457	-	457	-
Equity accounted investments	5	235,474	266,747	13,571	12,801
		<u>719,856</u>	<u>805,957</u>	<u>226,583</u>	<u>197,811</u>
<b>Total assets</b>		<u>817,513</u>	<u>879,247</u>	<u>239,037</u>	<u>209,177</u>
<b>Current liabilities</b>					
Payables		28,245	21,768	19,574	13,250
Retirement village residents' loans		118,247	113,961	118,247	113,961
Borrowings	6	222,174	9,452	2	2
Derivatives		77,115	-	-	-
Provision for distribution		-	10,640	-	-
		<u>445,781</u>	<u>155,821</u>	<u>137,823</u>	<u>127,213</u>
<b>Non-current liabilities</b>					
Borrowings	6	113,779	269,816	73,746	59,960
Deferred tax liabilities		15,834	37,928	7,711	5,620
		<u>129,613</u>	<u>307,744</u>	<u>81,457</u>	<u>65,580</u>
<b>Total liabilities</b>		<u>575,394</u>	<u>463,565</u>	<u>219,280</u>	<u>192,793</u>
<b>Net assets</b>		<u>242,119</u>	<u>415,682</u>	<u>19,757</u>	<u>16,384</u>
<b>Unitholders' interest</b>					
Issued units	7	490,279	490,371	3,351	3,351
Reserves		11,133	(64,329)	(1,174)	1,549
Retained earnings / (accumulated losses)		(259,293)	(10,360)	17,580	11,484
<b>Total unitholders' interest</b>		<u>242,119</u>	<u>415,682</u>	<u>19,757</u>	<u>16,384</u>
<b>Attributable to unit holders of:</b>					
ING Real Estate Community Living Fund					
Issued units		486,928	487,020	-	-
Reserves		12,307	(65,878)	-	-
Retained earnings / (accumulated losses)		(276,873)	(21,844)	-	-
		<u>222,362</u>	<u>399,298</u>	<u>-</u>	<u>-</u>
ING Real Estate Community Living Management Trust					
		19,757	16,384	19,757	16,384
		<u>242,119</u>	<u>415,682</u>	<u>19,757</u>	<u>16,384</u>
Net asset value per stapled unit		\$0.55	\$0.94		

**ING Real Estate Community Living Group**  
**Consolidated cash flow statements**  
**For the half-year ended 31 December 2008**

	Note	Group		Management Trust	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>					
Rental and other property income		28,480	17,022	9,456	343
Proceeds from residents' loans		7,725	11,459	7,725	11,459
Repayment of residents' loans		-	(1,831)	-	(1,831)
Property and other expenses		(18,867)	(9,259)	(14,246)	(2,494)
Proceeds on termination of derivatives		-	663	-	-
Distributions received from equity accounted investments		5,681	8,411	-	-
Interest received		1,067	5,256	202	112
Borrowing costs paid		(4,006)	(7,774)	(127)	(128)
Goods and services tax recovered from investing and financing activities		193	505	372	313
		<u>20,273</u>	<u>24,452</u>	<u>3,382</u>	<u>7,774</u>
<b>Cash flows from investing activities</b>					
Purchase of and additions to investment properties and properties under construction		(17,532)	(45,936)	(11,452)	(9,638)
Proceeds from sale of investment properties		-	408	-	-
Purchase of equity accounted investments	5	(13,001)	(17,700)	-	-
Other loans made		-	495	-	1,774
		<u>(30,533)</u>	<u>(62,733)</u>	<u>(11,452)</u>	<u>(7,864)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of units	7	-	8,539	-	70
Unit issue costs	7	-	(81)	-	(1)
Distributions to unitholders	2	(17,255)	(23,822)	-	-
Proceeds from borrowings		12,371	48,753	4,715	-
Repayment of borrowings		(6,577)	(410)	-	-
		<u>(11,461)</u>	<u>32,979</u>	<u>4,715</u>	<u>69</u>
<b>Net decrease in cash</b>		(21,721)	(5,302)	(3,355)	(21)
Cash at the beginning of the half-year		31,525	20,061	6,522	4,193
Effects of exchange rate changes on cash		1,605	(263)	(38)	-
Cash at the end of the half-year		<u>11,409</u>	<u>14,496</u>	<u>3,129</u>	<u>4,172</u>

**ING Real Estate Community Living Group**  
**Consolidated statements of changes in unitholders' interest**  
**For the half-year ended 31 December 2008**

	Note	Group		Management Trust	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Total unitholders' interest at the beginning of the half-year</b>		415,682	523,101	16,384	3,844
Exchange differences on translation of foreign operations		79,109	(7,075)	(1,111)	116
Share of revaluations of property, plant and equipment made/(reversed) by equity accounted investments		(3,648)	1,028	(1,613)	-
<b>Net income/(loss) recognised directly in unitholders' interest</b>		75,461	(6,047)	(2,724)	116
Net profit/(loss) for the half-year		(242,409)	(5,419)	6,097	8,775
<b>Total recognised income and expense for the half-year</b>		(166,948)	(11,466)	3,373	8,891
Transactions with unitholders in their capacity as equity holders:					
Issue of units	7	-	8,527	-	69
Distributions paid or payable	2	(6,615)	(24,894)	-	-
		(6,615)	(16,367)	-	69
<b>Total unitholders' interest at the end of the half-year</b>		242,119	495,268	19,757	12,804
Total recognised income and expense for the half-year is attributable to:					
ING Real Estate Community Living Fund		(170,321)	(20,357)	-	-
ING Real Estate Community Living Management Trust		3,373	8,891	3,373	8,891
		(166,948)	(11,466)	3,373	8,891

# ING Real Estate Community Living Group

## Notes to the financial statements

### For the half-year ended 31 December 2008

#### 1. Basis of preparation

##### (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 (the "Management Trust") (collectively the "Trusts").

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

##### (b) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (the "Act").

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

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this interim financial report is a combined interim financial report that presents the financial statements and accompanying notes of both the ING Real Estate Community Living Group (being the consolidated financial statements and notes of the ING Real Estate Community Living Fund) and the ING Real Estate Community Living Management Trust.

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Act.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

##### (c) Going concern

At 31 December 2008, the carrying amount of the Group's Australian secured bank debt was \$136,100,000 under a fully drawn facility. As at 27 February 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 31 December 2008 was \$77,013,000. Payments under these agreements extend to 1 November 2012, but may be accelerated in the circumstances described below.

The facility agreement for the Australian bank debt imposes covenants including the maintenance of certain financial ratios. One of these is that the amount of debt does not exceed the total of agreed percentages of the last independent valuations of the secured properties (the "LVR Amount"). At 31 December 2008 the LVR Amount was \$138,102,000, \$2,002,000 more than the amount of debt drawn under that facility.

In addition, at 31 December 2008 the carrying amount of the Group's United States unsecured bank debt was \$25,116,000 (United States dollars 17,702,000). As at 27 February 2009, the amount drawn had been reduced to 15,391,000 United States dollars. This debt is repayable 120 days after demand. On 17 February 2009, the Group received such a demand from the bank, Huntington National Bank ("Huntington"), so that the debt is now due for repayment on 17 June 2009.

# ING Real Estate Community Living Group

## Notes to the financial statements

### For the half-year ended 31 December 2008

#### 1. Basis of preparation (continued)

##### (c) Going concern (continued)

The Group's ability to refinance the United States bank debt on or before 17 June 2009 is dependent on future market conditions including the state of credit and real estate markets and foreign currency exchange rates. On current projections, the Group expects that its current cash resources will be insufficient to discharge the United States bank debt. However, the directors believe there is a reasonable prospect of achieving a required combination of revised arrangements with Huntington, new debt and asset sales such that the Huntington demand will be withdrawn. If the Group could not achieve this outcome, it is likely that assets would not be realised, and liabilities would not be discharged, in the ordinary course of business.

The directors believe the Group will be able to pay its debts as and when they fall due in the ordinary course of business for the next twelve months. However, continued compliance with the facility agreements, even if the United States bank debt is refinanced, is dependent on future market conditions including fair values of investment properties, foreign currency exchange rates and interest rates. If changes in future market conditions result in the LVR Amount falling below the amount of debt drawn, or if there is some other breach of the facility agreements, the breach could be waived by the bank concerned or rectified by a capital raising or by asset sales. There can be no assurance that these could be achieved. If a breach occurred and was not waived or rectified to the bank's satisfaction, it would have the right to require immediate repayment of the debt and settlement of any derivatives entered into with it. If a 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 Group's ability to refinance the Australian bank debt on or before its expiry is also 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 a capital raising or by asset sales. There is 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.

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

#### 2. Distributions

	Group		Management Trust	
	2008	2007	2008	2007
	Cents	Cents	Cents	Cents
<b>(a) Rates and amounts of distributions</b>				
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	-	-
Quarter ended 31 December	-	2.8625	-	-
	1.5000	5.7250	-	-
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
The total amounts of these distributions were:				
Quarter ended 30 September	6,615	12,389	-	-
Quarter ended 31 December	-	12,505	-	-
	6,615	24,894	-	-

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**2. Distributions (continued)**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Net operating income</b>				
Net operating income is calculated as follows:				
Net profit/(loss) attributable to unitholders	(242,409)	(5,419)	6,097	8,775
Adjusted for:				
Net foreign exchange loss	-	152	-	-
Net (gain)/loss on change in fair value of:				
Investment properties	36,637	(16,821)	(7,890)	(21,897)
Derivatives	103,687	18,550	-	-
Resident loan liabilities	(2,058)	10,714	(2,058)	10,714
Investment properties included in share of net profit of equity accounted investments	104,458	-	(2,905)	-
Gain on revaluation of newly constructed retirement villages	2,672	3,841	2,672	3,841
Borrowing costs amortisation returned	92	123	-	-
Impairment loss on equity accounted investments	21,263	3,145	602	-
Provision for impairment of receivables	21,112	-	-	-
Other items included in share of net profit of equity accounted investments:				
Non-current asset depreciation and amortisation	2,362	2,776	1,329	-
Discount on deferred purchase consideration	260	-	-	-
Deferred income tax (benefit)/expense	(35,894)	6,835	1,887	4,007
Asset Manager termination costs	2,838	-	-	-
<b>Net operating income</b>	<b>15,020</b>	<b>23,896</b>	<b>(266)</b>	<b>5,440</b>
Net operating income is attributable to the unitholders of:				
ING Real Estate Community Living Fund	15,286	18,456	-	-
ING Real Estate Community Living Management Trust	(266)	5,440	(266)	5,440
	<b>15,020</b>	<b>23,896</b>	<b>(266)</b>	<b>5,440</b>

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**3. Earnings per unit**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>(a) Per unit of each Trust</b>				
Net operating income - \$'000	15,286	18,456	(266)	5,440
Profit/(loss) attributable to unitholders - \$'000	(248,506)	(14,194)	6,097	8,775
Weighted average number of units outstanding - thousands	441,029	433,312	441,029	433,312
Net operating income per unit - cents	3.5	4.3	(0.1)	1.3
Basic and diluted earnings per unit - cents	(56.3)	(3.3)	1.4	2.0
<b>(b) Per stapled unit</b>				
Net operating income - \$'000	15,020	23,896	na	na
Profit/(loss) attributable to unitholders - \$'000	(242,409)	(5,419)	na	na
Weighted average number of units outstanding - thousands	441,029	433,312	na	na
Net operating income per unit - cents	3.4	5.5	na	na
Basic and diluted earnings per unit - cents	(55.0)	(1.3)	na	na

**4. Property investments**

**(a) Summary of carrying amounts**

	<b>Group</b>		<b>Management Trust</b>	
	<b>31 Dec 2008</b>	<b>30 Jun 2008</b>	<b>31 Dec 2008</b>	<b>30 Jun 2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment properties:				
Current	72,166	-	-	-
Non-current	472,266	504,910	209,665	181,327
Total investment properties	544,432	504,910	209,665	181,327
Properties under construction (non-current)	10,861	12,742	2,890	3,683
	555,293	517,652	212,555	185,010

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**4. Property investments (continued)**

**(b) Individual valuations and carrying amounts**

Property	Cost to date \$'000	Latest external valuation		Carrying amount	
		Date	Valuation \$'000	31 Dec 2008 \$'000	30 Jun 2008 \$'000
<b>Investment properties</b>					
<b>Current</b>					
1301 West Broad Street, City of Richmond, VA, USA <sup>(5)</sup>	7,481	30 Jun 08	7,378	7,094	-
933 West Broad Street, City of Richmond, VA, USA <sup>(5)</sup>	18,470	01 Apr 08	22,375	20,148	-
5651 East Fletcher Ave, Tampa, FL, USA <sup>(5)</sup>	15,812	15 Apr 08	18,871	14,188	-
1560 San Luis Road, Tallahassee, FL, USA <sup>(5)</sup>	28,085	15 Apr 08	33,343	29,086	-
19 Kingston View Drive, Kingston, Tas <sup>(5)</sup>	3,128	30 Jun 08	1,350	1,650	-
	<u>72,975</u>			<u>72,166</u>	-
<b>Non-current</b>					
Unit 51, 107-115 Condon Street, Bendigo, Vic	347	30 Jun 08	325	307	325
Unit 71, 104 Country Club Drive, Safety Beach, Vic	486	30 Jun 08	440	417	440
Unit 43, 134-136 King Street, Caboolture, Qld	251	30 Jun 08	300	279	300
Unit 102, 107-115 Condon Street, Bendigo, Vic	347	30 Jun 08	325	307	325
Unit 49, 55-59 Drayton Road, Toowoomba, Qld	335	30 Jun 08	315	298	315
Unit 54, 6-12 Matthews Street, Grovedale, Vic	368	30 Jun 08	355	335	355
Unit 41, 10 Federation Street, Wynnum, Qld	280	30 Jun 08	335	312	335
Unit 51, 11 - 15 Hollywood Blvd, Salisbury Downs, SA	338	30 Jun 08	280	266	280
44 Grange Rd, Ipswich, Qld	4,780	30 Jun 08	3,700	3,600	3,700
35 Landsborough Ave, Newstead, Launceston, Tas	4,514	30 Jun 08	3,800	3,700	3,800
52 Chatsbury Street, Goulburn, NSW	4,962	30 Jun 08	4,000	3,900	4,000
15 Brechin Retreat, Seville Grove, WA	4,011	30 Jun 08	3,700	3,500	3,700
19 Kingston View Drive, Kingston, Tas <sup>(5)</sup>	-	na	-	-	1,350
15 Coburns Road, Brookfield, Vic	4,272	30 Jun 08	3,300	3,200	3,300
23-29 Coburns Road, Brookfield, Vic	4,210	30 Jun 08	3,400	3,300	3,400
37 Alexandra Street, Sebastopol, Vic	3,669	30 Jun 08	3,300	3,200	3,300
94 Taloumbi Road, Coffs Harbour, NSW	4,897	30 Jun 08	4,900	4,700	4,900
38 Hickey Street, Cessnock, NSW	5,582	30 Jun 08	5,500	5,400	5,500
12 Sheriff Way, Port Macquarie, NSW	4,559	30 Jun 08	3,800	3,600	3,800
16 Dove Court, Claremont, Tas	4,631	30 Jun 08	3,600	3,500	3,600
10 Barnesby Drive, Yakamia, WA	5,876	30 Jun 08	5,100	5,000	5,100
130 Forrest Avenue, Bunbury, WA	4,821	30 Jun 08	3,900	3,800	3,900

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**4. Property investments (continued)**

Property	Cost to date \$'000	Latest		Carrying amount	
		external valuation		31 Dec	30 Jun
		Date	Valuation \$'000	2008 \$'000	2008 \$'000
142-152 Townsend Road, St Albans Park 1, Vic	4,948	30 Jun 08	4,000	3,900	4,000
142-152 Townsend Road, St Albans Park 2, Vic	4,948	30 Jun 08	4,000	3,800	4,000
11 - 23 River Road, Horsham, Vic	4,574	30 Jun 08	4,600	4,500	4,600
490 Wheelers Lane, Dubbo, NSW	4,596	30 Jun 08	4,100	4,000	4,100
477 Union Road Lavington, NSW	5,557	30 Jun 08	5,600	5,400	5,600
26 Vieste Drive, Glenorchy, Tas	4,336	30 Jun 08	3,800	3,700	3,800
3 Church Street, Grovedale, Vic	5,366	30 Jun 08	4,800	4,600	4,800
Lot 15 & 16 Morrison Road, Swan View, WA	7,079	30 Jun 08	6,400	6,200	6,400
26-28 Freesia Crescent, Kingston, Tas	4,464	30 Jun 08	3,100	3,000	3,100
425 Anakie Road, Lovely Banks 1, Vic	5,871	30 Jun 08	5,250	5,100	5,250
279 Bridge Street, Toowoomba, Qld	4,348	30 Jun 08	4,300	4,200	4,300
2 Bower Drive, Erskine, WA	4,443	30 Jun 08	3,900	3,800	3,900
93 Lovett Street, Devonport, Tas	4,174	30 Jun 08	3,400	3,300	3,400
1 Village Court, Toowoomba, Qld	3,940	30 Jun 08	4,150	3,200	4,150
2 Village Court, Toowoomba, Qld	3,957	30 Jun 08	3,300	4,000	3,300
100 Edinburgh Drive, Taree, NSW	4,628	30 Jun 08	4,100	4,000	4,100
55 Jefferis St, Bundaberg North, Qld	5,021	30 Jun 08	4,200	4,100	4,200
33-41 High Street, Forest Lake, Qld	13,415	30 Jun 08	11,100	10,800	11,100
586-594 Browns Plains Road, Marsden Qld	8,630	30 Jun 08	8,800	8,500	8,840
5 French St, South Gladstone, Qld	7,914	30 Jun 08	7,000	6,350	7,000
95 Varga Road, Ashford, CT, USA	4,885	04 Jun 08	3,689	3,689	2,698
52 Perry Hill Road, Ashford, CT, USA	5,828	30 Jun 08	6,122	5,250	4,477
Cheney and Ball Hill Drives, Storrs Mansfield, CT, USA	9,881	30 Jun 08	10,754	8,229	7,865
Dartmouth, Cornell & Yale Rds. Storrs Mansfield, CT, USA	8,096	30 Jun 08	9,374	7,591	6,856
16 Hunting Heights Drive, Storrs Mansfield, CT USA	4,859	30 Jun 08	11,114	8,584	8,128
188-192 Allen Street, New Britain, CT, USA	4,785	30 May 08	2,483	2,483	1,816
East Street & Paul Manafort Drive, New Britain, CT, USA	6,587	30 May 08	4,966	4,966	3,632
172-184 Allen Street, New Britain, CT, USA	7,379	28 May 08	3,902	3,902	2,854
45 Oakwood Avenue, West Hartford, CT, USA	1,423	30 May 08	1,419	1,325	1,038
34 Fairview Street, West Hartford, CT, USA	1,970	30 May 08	2,058	1,943	1,505
317, 357 & 379 Roanoak Avenue, Willimantic, CT, USA	3,452	30 Jun 08	3,302	2,873	2,415
456 Tolland Turnpike, Willington, CT, USA	5,298	30 Jun 08	5,813	5,108	4,251

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**4. Property investments (continued)**

Property	Cost to date \$'000	Latest external valuation		Carrying amount	
		Date	Valuation \$'000	31 Dec 2008 \$'000	30 Jun 2008 \$'000
1301 West Broad Street, City of Richmond, VA, USA <sup>(5)</sup>	-	na		-	5,396
933 West Broad Street, City of Richmond, VA, USA <sup>(5)</sup>	-	na		-	16,364
5651 East Fletcher Ave, Tampa, FL, USA <sup>(5)</sup>	-	na		-	13,801
101 S Eagleville Road, Storrs Mansfield, CT, USA	17,785	04 Jun 08	10,783	10,074	7,886
3 Clubhouse Circle, Storrs Mansfield, CT, USA	5,973	04 Jun 08	5,676	5,413	4,151
1 Carlton Rd, Storrs Mansfield, CT, USA	4,751	04 Jun 08	4,043	3,831	2,957
170 Spring Hill Road, Storrs Mansfield, CT, USA	1,630	04 Jun 08	1,455	1,390	1,064
114 S. Eagleville Road, Storrs Mansfield, CT, USA	950	04 Jun 08	674	642	493
380 Daleville Road, Willington, CT, USA	17,590	30 Jun 08	20,405	14,614	14,923
Lot 11 Campbell Street, Rockhampton, Qld	10,265	30 Jun 08	7,600	6,800	7,600
5 Martens Street Mount Warren Park, Qld <sup>(1)</sup>	2,463	31 Dec 08	2,662	2,662	3,110
Ridgewood Blvd & Whitsunday Ave, Ridgewood, WA <sup>(1)</sup>	74,635	31 Dec 08	81,685	81,685	74,595
Lot 601 Old Mandurah Road, Ravenswood, WA <sup>(1)</sup>	69,338	31 Dec 08	78,216	78,216	83,221
21& 43 Oakmont Avenue, Meadow Springs, WA <sup>(1)</sup>	18,729	31 Dec 08	18,350	18,350	19,682
1560 San Luis Road, Tallahassee, FL, USA <sup>(5)</sup>	-	na		-	24,385
8 Freer Street Lynbrook, New York	36,861	31 Dec 08	43,275	43,275	21,782
	<u>501,159</u>			<u>472,266</u>	<u>504,910</u>
<b><i>Properties under construction</i></b>					
425 Anakie Road, Lovely Banks 2, Vic <sup>(2)</sup>	862	na		862	862
Lot 1, 18-20 Handley Street, Wangaratta, Qld <sup>(2)</sup>	551	na		551	551
5 Martens Street Mount Warren Park, Qld <sup>(2)</sup>	500	na		500	500
Ridgewood Blvd & Whitsunday Ave, Ridgewood, WA <sup>(2)</sup>	4,534	na		4,534	7,037
21& 43 Oakmont Avenue, Meadow Springs, WA <sup>(2)</sup>	4,414	na		4,414	3,792
	<u>10,861</u>			<u>10,861</u>	<u>12,742</u>
<b><i>Total all property investments</i></b>	<u>584,995</u>			<u>555,293</u>	<u>517,652</u>

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**4. Property investments (continued)**

- (1) Valuations of retirement villages are provided to the Group net of residents' loans (after deducting any accrued deferred management fees). For presentation in this note, the external valuations shown are stated before deducting this liability to reflect its separate balance sheet presentation. The carrying amounts include the fair value of units completed since the date of the external valuation.
- (2) 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.
- (3) 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 Group's accounting policy.
- (4) Valuations made in a foreign currency have been converted at the rate of exchange ruling at reporting date.
- (5) Investment properties that are held for sale and are expected to be realised within twelve months after the reporting date are classified as current.

**(c) Movements in carrying amounts**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>Investment properties</i></b>				
Carrying amount at beginning of half-year	504,910	491,785	181,327	111,991
Exchange rate fluctuations	56,695	(5,587)	7,327	-
Additions - initial acquisitions	-	29,018	-	-
Additions - to existing property	10,697	551	5,553	3,114
Transferred from property under construction	8,767	1,881	7,568	1,881
Net change in fair value	(36,637)	16,821	7,890	21,897
Carrying amount at end of half-year	544,432	534,469	209,665	138,883
<b><i>Properties under construction</i></b>				
Carrying amount at beginning of half-year	12,742	18,972	3,683	5,176
Additions	6,886	16,448	6,775	6,524
Transferred to investment property	(8,767)	(1,881)	(7,568)	(1,881)
Carrying amount at end of half-year	10,861	33,539	2,890	9,819

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
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**5. Equity accounted investments**

**(a) Details of investments**

Name	Principal activity	Ownership interest	
		31 December 2008	2007
<b>ING Real Estate Community Living Fund</b>			
Chartwell ING Regency Master LP	Real estate investment	50%	50%
CSH - INGRE LLC	Real estate investment	49%	49%
ING NZ Subsidiary Trust No 1 <sup>(1)</sup>	Real estate investment	90%	90%
ING Real Estate CC Trust No 1 <sup>(1) (4)</sup>	Real estate investment	90%	90%
Oak Tree Property Holdings Pty Ltd <sup>(3)</sup>	Real estate investment	50%	-
SCV Group Limited <sup>(2)</sup>	Real estate investment	na	10%
<b>ING Real Estate Community Living Management Trust</b>			
Oak Tree Retirement Villages Pty Ltd <sup>(3)</sup>	Retirement village operator	50%	-
Regency LTC Operating LP	Operator of long term care facilities	50%	50%

- (1) Although the Group has the economic interest shown, it does not hold a controlling interest in the voting rights of these entities. Consequently, the Responsible Entity has determined that the Group's ownership interest does not give the Group the capacity to control these entities but rather the power to exercise significant influence.
- (2) The Group recognised an impairment loss of \$3,145,000 during the 2007 half-year on its investment in this company. The loss reduced the investment's carrying amount to nil and equity accounting was accordingly suspended. Subsequently, the Group lost significant influence when it lost board representation and the investment was reclassified as an available-for-sale financial asset.
- (3) The Group recognised an impairment loss of \$15,230,000 during the 2008 half-year on its investments in the Oak Tree group. The loss reduced the investments' carrying amount to nil. The Group sold its investment in these companies for \$2 on 13 February 2009.
- (4) This trust holds the Group's investment in the Country Club Villages joint venture (CCV). During the 2008 half-year, the Group recognised an impairment loss of \$6,033,000 on its investment in this trust and an impairment loss of \$21,112,000 on a receivable from this trust for a total impairment loss of \$27,144,000. CCV's debt expired in December 2008 and has yet to be refinanced. Given the current economic climate, the reduced availability of debt and the reduced ability to transact real estate, the carrying amount of this investment has been reduced to nil and the receivable impaired.

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**5. Equity accounted investments (continued)**

**(b) Share of net profit/(loss)**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Share of net profit/(loss) of:				
Chartwell ING Regency Master LP	(6,723)	(1,221)	-	-
CSH - INGRE LLC	(89,624)	8,937	-	-
ING NZ Subsidiary Trust No 1	(1,381)	228	-	-
ING Real Estate CC Trust No 1	(361)	(319)	-	-
Oak Tree Property Holdings Pty Ltd	(29)	-	-	-
Oak Tree Retirement Villages Pty Ltd	(529)	-	-	-
Regency LTC Operating LP	2,129	1,150	1,600	1,150
SCV Group Limited	-	-	-	-
	<b>(96,518)</b>	<b>8,775</b>	<b>1,600</b>	<b>1,150</b>

The Group's share of net profit/(loss) includes \$104,458,000 (2007: nil) attributable to loss on change in fair value of investment properties. Share of net profit before this item was \$7,940,000 (2007: \$8,775,000). The Management Trust's share of net profit did not include any amount attributable to change in fair value of investment properties in either year.

**6. Borrowings**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>				
Bank debt secured over current investment properties	60,958	-	-	-
Bank debt (note 1(c))	161,216	9,452	-	-
Finance leases	-	-	2	2
	<b>222,174</b>	<b>9,452</b>	<b>2</b>	<b>2</b>
<b>Non-current liabilities</b>				
Bank debt	74,051	240,761	-	-
Other external debt	39,728	29,055	39,728	29,055
Finance leases	-	-	17,543	17,538
Loans from stapled entity	-	-	16,475	13,367
	<b>113,779</b>	<b>269,816</b>	<b>73,746</b>	<b>59,960</b>

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**7. Issued units**

**(a) Carrying amounts**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At beginning of half-year	490,371	473,793	3,351	3,239
Issued during the half-year:				
Distribution reinvestment plan	-	8,539	-	70
Unit issue costs	-	(81)	-	(1)
Transfer to distributable income (note (c))	-	(88)	-	-
Borrowing cost amortisation returned (note (d))	(92)	(123)	-	-
At end of half-year	<u>490,279</u>	<u>482,040</u>	<u>3,351</u>	<u>3,308</u>

**(b) Number of issued units**

	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>	<b>thousands</b>
At beginning of half-year	441,029	430,267	441,029	430,267
Issued during the half-year:				
Distribution reinvestment plan	-	6,593	-	6,593
At end of half-year	<u>441,029</u>	<u>436,860</u>	<u>441,029</u>	<u>436,860</u>

**(c) Transfer to distributable income**

The transfer to distributable income 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.

**(d) Borrowing cost amortisation**

As set out in the Product Disclosure Statement lodged with the Australian Securities and Investments Commission on 21 May 2004, the Group has distributed amortisation of debt issue costs as shown.

**ING Real Estate Community Living Group**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2008**

**8. Segment information**

	<b>Group</b>		<b>Management Trust</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Segment revenue</b>				
Australia	13,129	10,203	10,839	1,750
North America	11,123	9,803	-	612
New Zealand	-	-	-	-
	<u>24,252</u>	<u>20,006</u>	<u>10,839</u>	<u>2,362</u>
Interest income	1,495	2,555	202	245
Total revenue	<u>25,747</u>	<u>22,561</u>	<u>11,041</u>	<u>2,607</u>
<b>Segment result</b>				
Australia	(16,803)	17,136	(3,432)	22,448
North America	(16,405)	9,108	9,069	-
New Zealand	-	-	-	-
	<u>(33,208)</u>	<u>26,244</u>	<u>5,637</u>	<u>22,448</u>
Share of net profit/(loss) of equity accounted investments				
Australia	(918)	(319)	(529)	-
North America	(94,218)	8,866	2,129	1,150
New Zealand	(1,382)	228	-	-
	<u>(96,518)</u>	<u>8,775</u>	<u>1,600</u>	<u>1,150</u>
Interest income	1,495	2,555	202	245
Net foreign exchange loss	(120)	(205)	-	-
Net loss on change in fair value of derivatives	(103,687)	(18,550)	-	-
Net change in fair value of resident loan liabilities	2,058	(10,170)	2,058	(10,170)
Finance costs	(3,858)	(3,409)	(819)	(826)
Provision for impairment of receivables	(21,112)	-	-	-
Impairment loss on equity accounted investment	(21,263)	(3,145)	(602)	-
Other expenses	(2,090)	(679)	(92)	(65)
Profit/(loss) before income tax	<u>(278,303)</u>	<u>1,416</u>	<u>7,984</u>	<u>12,782</u>

**ING Real Estate Community Living Group  
Directors' declaration  
For the half-year ended 31 December 2008**

In the opinion of the directors of ING Management Limited, the Responsible Entity of ING Real Estate Community Living Group:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
  - (ii) complying with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Group 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).

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



Richard Colless AM  
Chairman  
Sydney  
27 February 2009

To the stapled security holders of ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust (collectively "the Funds")

### **Report on the Interim Financial Report**

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

- the balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the six months ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration for the consolidated stapled entity (the "Group" and "ING Living Fund") comprising both ING Real Estate Community Living Fund and the entities it controlled during the period, and ING Real Estate Community Management Trust and the entities it controlled during the period; and
- the balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the six months ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration for ING Real Estate Community Living Management Trust and the entities it controlled during the period.

### **Directors' Responsibility for the Interim Financial Report**

The directors of ING Management Limited, the Responsible Entity of the Funds, are responsible for the preparation and fair presentation of the interim financial report in accordance with 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 interim 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.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entities' financial position as at 31 December 2008 and their performance for the six months ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ING Community Living Group and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ING Community Living Group is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entities' financial position as at 31 December 2008 and of their performance for the six months ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Significant Uncertainty as to Going Concern

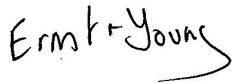
Without qualifying our conclusion, we draw attention to Note 1(c) in the interim financial report which sets out the terms and timing of the Group's debt refinancing and its compliance with banking covenants.

The note states that the Group's ability to refinance the United States bank debt on or before 17 June 2009 is dependent on future market conditions including the state of credit and real estate markets and foreign currency exchange rates. On current projections, the Group expects that its current cash resources will be insufficient to discharge the United States bank debt. However, the directors believe there is a reasonable prospect of achieving a required combination of revised arrangements with Huntington National Bank ("Huntington"), new debt and asset sales such that the Huntington demand will be withdrawn. There is no assurance that this will be achieved and if not the Group would not be able to continue as a going concern.

Continued compliance with the facility agreements, even if the United States bank debt is refinanced, is dependent on future market conditions including fair values of investment properties, foreign currency exchange rates and interest rates. If changes in future market conditions result in the LVR Amount falling below the amount of debt drawn, or if there is some other breach of the facility agreements, the breach could be waived by the bank concerned or rectified by a capital raising or by asset sales. There can be no assurance that these could be achieved. If a breach occurred and was not waived or rectified to the bank's satisfaction, it would have the right to require immediate repayment of the debt and settlement of any derivatives entered into with it. If a bank exercised that right, the Group would not be able to continue as a going concern.

The Group's ability to refinance the Australian debt on 22 December 2009 is also dependent on future market conditions including the state of credit and real estate markets and foreign currency exchange rates. The Group may be able to obtain the required amount by a capital raising, new debt or by asset sales. There is no assurance that these could be achieved and if not the Group would not be able to continue as a going concern.

If the Group is not able to continue as a going concern, there would be uncertainty as to whether it would realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

A handwritten version of the Ernst & Young logo, written in black ink.

Ernst & Young

A handwritten signature in black ink, which appears to read 'Douglas Bain'.

Douglas Bain  
Partner  
Sydney  
27 February 2009