

ING Real Estate Community Living Group Annual Report

INVESTING

30 JUNE 2011



REAL ESTATE INVESTMENT MANAGEMENT



www.ingrealstate.com.au



ILF

69%

LOOK-THROUGH
GEARING IMPROVED
TO 69% COMPARED
TO 73% IN FY10

\$13.1m

NET PROFIT OF
\$13.1M COMPARED
TO NET LOSS OF
\$67.7M IN FY10

\$0.26

NET ASSET VALUE
PER UNIT INCREASED
TO \$0.26 IN FY11



ILF is the largest pure-play seniors living fund on the ASX

ING Real Estate Community Living Group (ASX code: ILF) is an externally managed ASX-listed real estate investment trust that owns, manages and develops a diversified portfolio of seniors housing communities. The Fund has total look-through assets under management of \$644 million with operations located predominantly throughout Australia and the United States.

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FRONT COVER IMAGE:
Our residents practising
Tai Chi at Settlers
Ridgewood Rise, WA

THIS PAGE:
Residents dog walking
at Settlers Noyea, QLD

LETTER FROM THE CEO

“Management is confident that ILF now has a stable operating platform with capital flexibility to consider various go-forward strategies for the business.”



Dear Unitholder,

Over the past 18 months, we have spent a significant amount of time in improving our operational capabilities, developing and executing a strategy for the Australian Rental business and repairing the balance sheet as we continue our transition from passive landlord to active business manager.

The Fund's financial performance is steadily improving off a considerably smaller and more focused asset base, however Management remains intensely aware that substantial work remains to be done to improve returns and rebuild unitholder value. It is pleasing to report that for the second year in a row, the Fund finished the financial year in far better condition than when it entered.

Over the course of the past 12 months, the Fund has been able to deliver on various strategic initiatives to improve its operating platform and restore its balance sheet including:

- Achieving the successful conversion of three Queensland rental villages to the DMF model in October 2010 which has resulted in 18 sales totalling \$3.1 million as at 30 June 2011, with a further \$4.2 million under contract;
- Improving the Garden Villages Rental occupancy by 8% in FY11 to 81% as at 30 June 2011;
- Announcing the sale of 15 non-core assets in the US Seniors portfolio unlocking equity of A\$30 million which will be used to retire debt in Australia;
- Improving the Fund's liquidity position with Australian loan to value ratio expected to fall to circa 40% upon settlement of the partial sale of the US Seniors portfolio; and
- Divesting five non-core Australian rental villages at a significant premium to book value.

Particularly pleasing is the growing performance of the three DMF Conversion villages which are forecast to release approximately \$35 million in cashflow over the next three to five years.

As you may be aware, in June 2010, ING Groep (ING) announced that it was conducting a strategic review of its global Real Estate Investment Management (REIM) platform, and its position within the broader ING banking business. The Australian real estate investment management operation, ING Real Estate Investment Management Australia (REIMA), was included in the review. In February 2011 ING announced that as a result of the evaluation, it would undertake a phased withdrawal from the REIMA business in a timely and controlled manner. To date the ING Industrial Fund (previous ASX: IIF), ING Office Fund (ASX: IOF) and ING Healthcare Fund (previous ASX: IHF) have changed ownership or management structures.

I would like to assure investors that ING will continue to provide full support to ILF as it completes the transition of the business.



SETTLERS NOYEA, MOUNT WARREN PARK, QLD

Over the course of the next 12 months, the Fund is planning to advance and execute a series of operational initiatives to improve unitholder value in the core Australian Seniors business. These include:

- Forecast sale of 48 units across the three DMF Conversion villages which will be a key driver to improving Fund cashflows over the period;
- Continuing to drive occupancy growth in the Garden Villages Rental portfolio towards a long term sustainable target of 89%;
- Finalising the feasibility and commencing the expansion of the Gladstone DMF Conversion village which is experiencing very strong demand;
- Assessing the selection and conversion of an additional rental village to the DMF model which has been very successful to date;
- Divesting of a further three non-core rental villages allowing Management to focus on the core profitable assets;
- Maintaining a patient and disciplined approach to monetise offshore equity to seed growth capital;
- Investigating the acquisition of land adjacent to existing high occupancy villages to seed the Fund's emerging development pipeline; and
- Investigating the acquisition of bolt-on or partially built DMF villages in retiree attractive locations.

Operationally, the Fund remains focused on providing unitholders with exposure to a quality, high performing portfolio of seniors communities. On a strategic level, the Board and Management are aligned with unitholder interests in achieving the best future ownership and management structure for ILF.

The Fund has forecast no distributions in FY12 due to banking covenants however the distribution policy is currently being assessed in the context of the Fund's financial position post settlement of the non-New York assets. Unitholders can be assured that the Fund will recommence paying distributions at the earliest possible time when it is financially responsible to do so.

The Fund's 2011 financial results are outlined in the following report and further information about the Fund's FY11 operational results is detailed in the accompanying Unitholder Review. You can also visit www.ingrealestate.com.au to view both reports, the Fund's 2011 Annual Results presentation or previous ASX announcements.

On behalf of the Directors and the Fund's management team, I would like to thank unitholders for your continued support over the past 12 months, and I look forward to meeting with you at the upcoming Unitholder Briefing.

Yours sincerely,

Simon Owen
Chief Executive Officer
ING Real Estate Community Living Group



DIRECTOR INFORMATION – IML BOARD AS AT 30 JUNE 2011

1 Kevin McCann **Independent Director and Chairman**

Appointed 23 September 2010
Retired 30 June 2011

Mr Kevin McCann was appointed to the ING Management Limited Board in September 2010 and served as Independent Director and Chairman until 30 June 2011. Mr McCann brought a strong approach to corporate governance and an extensive depth of commercial skills to a number of key initiatives resulting from the ING global strategic review. Mr McCann is also Chairman of Origin Energy Limited, Chairman of Macquarie Group Limited and Blue Scope Steel. Mr McCann was Partner (from 1970 – 2004) and Chairman of Allens Robinson, a leading firm of Australian Lawyers.

2 Philip Clark AM **Independent Director, Chairman of the Audit Committee**

Appointed 21 February 2006

Acting most recently as Managing Partner and CEO of Minter Ellison, Mr Clark has experience in a wide variety of sectors including legal, funds management, property, and education. During his career, Mr Clark led the successful growth and development of Minter Ellison and Mallesons Stephen Jaques, Australia's two largest law firms. He also sits on a number of public and private boards.

3 Michael Easson AM **Independent Director**

Appointed 11 November 2004

Mr Easson is co-founder and Executive Chairman of EG Property Group. Mr Easson has a wealth of experience in high-level strategic consulting in both the private sector and government. He also sits on a number of public and private boards.

4 Paul Scully **Independent Director,** **Chairman of the Board Compliance Committee**

Appointed 30 May 2002
Retired 30 June 2011

Mr Scully has over 30 years experience in investment management and many aspects of financial services. Mr Scully now maintains a portfolio of non-executive directorships and related activities, is a visiting lecturer at Macquarie University and provides a broad range of consulting services.

5 Hein Brand **Non-Independent Director**

Appointed 1 June 2011

Mr Brand has more than 30 years of experience in real estate and banking. Mr Brand joined ING in 1983 and has since held various executive roles in finance including Global Head of Credit Restructuring where he was responsible for restructuring large credit facilities at ING. From 2001 until 2009 he was responsible for ING Real Estate Finance, and now is Global Head of ING Real Estate Development.

6 Scott MacDonald **Non-Independent Director**

Appointed 4 April 2011
Resigned 13 July 2011

Mr MacDonald joined the IML Board on 4 April 2011 for a transitional management period until Investa Listed Funds Management Limited became the responsible entity of ING Office Fund. Mr MacDonald has worked in the real estate industry for more than 30 years, serving as CEO or President of five operating companies. He has developed specialised expertise in corporate management and leadership, as well as formulating and executing corporate repositioning.

Mark Lamb
Company Secretary

Appointed 23 October 2009
Resigned 14 July 2011

As well as Company Secretary, Mr Lamb is General Counsel for ING Real Estate Investment Management Australia and is responsible for all property investment and funds management legal activities. Mr Lamb has over 20 years legal and property experience.

Sarah Wiesener
Company Secretary

Appointed 23 October 2009

Ms Wiesener is the Company Secretary for ING Real Estate Investment Management Australia and is a practicing solicitor and has over 12 years experience within the banking and finance sector.

OTHER BOARD CHANGES DURING THE YEAR

Richard Colless AM
Independent Director and Chairman

Appointed 30 May 2002
Retired 22 September 2010

Christophe Tanghe
Non-Independent Director

Appointed 1 September 2009
Resigned 31 May 2011

APPOINTMENT OF NEW CHAIRMAN TO THE BOARD OF IML

Michael Coleman (M Comm, FCA, FCPA, FAICD)

Michael Coleman was appointed to the IML Board, effective 1 July 2011.

Mr Coleman's appointment follows the previous announced changes to the IML board resulting from progress made on ING's phased withdrawal from its Australian real estate investment management business.

Professional background

Mr Coleman has had a career with KPMG which included almost 30 years as a partner and involved client facing and executive positions. His clients included significant international and domestic entities. He had executive responsibilities both in audit and risk management within Australia and Asia Pacific, including membership of Global Steering Groups responsible for policy setting and oversight. He was a member of KPMG Australia's National Executive Committee from 1998 to 2010.

He is a specialist in financial services, property and funds management as well as media companies, and has extensive experience in corporate governance and director-related matters.

His current positions include:

- Chairman – Reporting Committee, Australian Institute of Company Directors (AICD)
- Member – NSW Advisory Council for the Committee of Economic Development of Australia (CEDA)
- Deputy Chairman – Financial Reporting Council
- Member – Not for Profit Sector Reform Council

IML BOARD AS AT 31 AUGUST 2011

Directors

Michael Coleman – Independent Chairman
Michael Easson – Independent Director
Philip Clark – Independent Director
Hein Brand – Non Independent Director

Company Secretary

Sarah Wiesener

This statement outlines the main corporate governance practices currently in place for ING Management Limited (IML), the Responsible Entity of the ING Real Estate Community Living Group (comprising ING Real Estate Community Living Fund (ILF Fund) and ING Real Estate Community Living Management Trust (ILF Trust)) (the Fund) and addresses the ASX Corporate Governance Council Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd edition and the extent of compliance with these recommendations. The Board of the Responsible Entity has followed all of the recommendations, except that it has not established measurable objectives for diversity, a nomination committee or a remuneration committee or other recommendations related to disclosure – of remuneration or executive performance, for the reasons set out in this Corporate Governance Statement.

ING REAL ESTATE COMMUNITY LIVING GROUP AND ITS CONSTITUTIONS

The corporate governance structure that has been established by IML reflects its role as the Responsible Entity of a listed property trust. This is different to the corporate governance structure adopted for a listed company. IML's primary responsibility is to operate the Fund and perform functions conferred on it by the Fund Constitution, the ASX Listing Rules and *Corporations Act 2001 (Cth)* (the Law). Most importantly, IML must ensure it acts in the best interests of unitholders and ensure that the activities of the Fund are conducted in a proper and efficient manner.

The ING Real Estate Community Living Group comprises two trusts, each with its own Constitution. Each Constitution has been lodged with ASIC and a copy may be obtained from IML upon request.

Constitution for ING Real Estate Community Living Fund

The ING Real Estate Community Living Fund (ILF Fund) is governed by a Constitution dated 25 November 2003, as amended. The ILF Fund has been registered with the Australian Securities and Investments Commission (ASIC) as a managed investment scheme under Chapter 5C of the Corporations Act.

The following is a summary of the key features of the Constitution of the ILF Fund.

Responsible Entity

As the Responsible Entity of the ILF Fund, IML is responsible to unitholders for its operation and owes duties under Chapter 5C of the Corporations Act and also fiduciary duties as trustee of the ILF Fund. IML may retire as the Responsible Entity of the Fund if it complies with section 601FL of the Corporations Act, and must retire when required by law. Unitholders may remove IML by complying with the procedures set out in section 601FM of the Corporations Act.

Powers of the Responsible Entity

As the Responsible Entity, IML has all the powers in respect of the ILF Fund that it is possible under the law to confer on a trustee as though it were the absolute owner of the assets of the ILF Fund and acting in its personal capacity. IML may appoint a person, including an Affiliate of IML, as its delegate, attorney or agent to exercise its powers and perform its obligations. The Constitution allows IML during the lifetime of the ILF Fund to staple shares of a company to the ILF Fund's units and to permit the stapling of ILF Fund's units to units in ILF Trust.

Remuneration of the Responsible Entity

IML is entitled under the Constitution to receive fees for acting as the Responsible Entity of the ILF Fund and to be paid or reimbursed for certain expenses, out of the assets of the ILF Fund, incurred in the proper performance of its duties in relation to the ILF Fund.

Limitation on liability

Subject to the Corporations Act, the liability of the Responsible Entity to a unitholder or any person in respect of the ILF Fund is limited to IML's ability to be indemnified from the assets of the ILF Fund.

Termination of the ILF Fund

The ILF Fund terminates on the earlier of the:

- the date unitholders fix as a termination date, or the date on which unitholders resolve to terminate the ILF Fund, by a resolution of unitholders entitled to vote on a poll by at least 50% of the total votes that may be cast;
- the date determined by the Responsible Entity in a notice given to unitholders as the date on which the ILF Fund is to be terminated; and
- the date on which the ILF Fund is terminated in accordance with the Constitution, an order of court or by Law.

Beneficial interest in the ILF Fund

The beneficial interest in the ILF Fund is divided into units which may be fully or partly paid units.

Issue of units

The power to issue units in the ILF Fund is governed by the provisions of the Corporations Act, the Constitution and the ASX Listing Rules.

Redemption

The Responsible Entity is not obliged to redeem units while the Fund is listed.

Transfer of units

Subject only to restrictions imposed by Law, the Constitution and the ASX Listing Rules, units in the ILF Fund may be transferred.

Stapling

The Constitution provides for the stapling of a unit to a share in a company or a unit in a trust.

Distribution of income

The distributable income of the ILF Fund is determined by the Responsible Entity and allocated to unitholders in accordance with the Constitution

Meeting of unitholders

Every unitholder is entitled to receive notices of unitholder meetings, to attend those meetings, and subject to certain restrictions on voting by interested parties, to vote at those meetings.

Amendments

Subject to the Corporations Act, the Responsible Entity may by deed amend the Constitution.

Constitution for ING Real Estate Community Living Management Trust

The ING Real Estate Community Living Management Trust (ILF Trust) is governed by a Constitution dated 24 November 2006, as amended. The rights and obligations of unitholders and IML are governed by the Constitution and the Corporations Act. The Constitution has been lodged with ASIC and a copy may be obtained from IML upon request.

The terms of the ILF Trust are substantially the same as the terms of the Constitution of the ILF Fund.

COMPLIANCE PLAN

In accordance with Corporations Act requirements, the Responsible Entity has registered Compliance Plans with ASIC. The Compliance Plans for the Fund describe the procedures that the Responsible Entity will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitutions.

The IML Board is responsible for monitoring IML's compliance with the Compliance Plan. Further details are provided in 7.2.

ROLE OF BOARD AND MANAGEMENT

1.1 Role of the Board

ING Management Limited (IML) is wholly owned by ING Groep. IML has a Board Charter which details the functions and responsibilities of the Board and Management. A copy of the Board Charter is available on the ING Real Estate Investment Management Australia website. IML's activities are confined to managing real estate based investment funds in its role as Responsible Entity.

ING Real Estate Investment Management Australia is responsible for providing the resources, including experienced and skilled staff, to enable IML to appropriately and adequately conduct its funds management operations and to administer its affairs.

The Board of IML oversees these activities and provides strategic guidance.

Key responsibilities of the Board include:

- assisting ING Groep in determining the composition and structure of the IML Board;
- reviewing the performance of Management, including the CEO and the adequacy of resources allocated by ING Real Estate Investment Management Australia to IML;
- providing input into and final approval of Management's strategy and performance objectives for the Fund;
- reviewing and if appropriate approving significant transactions;
- overseeing the administration of IML, including risk and compliance monitoring functions;
- reviewing the appropriateness of Management's risk management processes;
- reviewing IML's Code of Conduct, unitholder communications procedures and Continuous Disclosure Policy annually; and
- establishing formal committees, as appropriate, to assist in discharging its responsibilities, e.g. Audit Committee.

1.2 Role of Management

Management is responsible for all matters not specifically the responsibility of the Board and is responsible for implementing the strategy and performance objectives of the Fund and the day to day operations of the Fund.

BOARD STRUCTURE

2.1 Structure of the Board

The Constitution of IML provides for a minimum of three and not more than 12 Directors. As at 30 June 2011, the Board comprised four independent directors and two non independent directors.

Directors' appointment and selection

The Board's policy and procedure for selection and appointment of directors is included in the Board Charter.

Directors are appointed by the sole, indirect, shareholder ING Groep, with the aim of ensuring the Board has:

- an appropriate range of skills, experience and expertise;
- a proper understanding of, and competence to deal with current and emerging issues in real estate and the funds management industry;
- the ability to effectively review and challenge the performance of Management and exercise independent judgement; and
- a majority of independent directors.

The Board assists ING Groep in the process of appointing new directors by recommending and reviewing candidates, when vacancies arise and by performing an annual review that covers, among other matters, the adequacy of the Board's composition and the independence of existing directors.

Board meetings

There are 11 scheduled Board meetings each year. The agenda for each meeting is prepared by the Company Secretary in conjunction with the Chairman and CEO.

2.2 Director Independence

As at 30 June 2011, four of the directors of the IML Board were independent. Following the resignation of Paul Scully from the Board effective 30 June, this will reduce to three as of 1 July 2011. IML has adopted the following procedures for assessing the independence of each director, with the aim of ensuring that the majority of the ING Management Limited Board remains independent.

Test for independence

The criterion in place for determining independence is whether the director is independent of Management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

Materiality

The IML Board has determined that where an assessment of materiality is required to determine whether a director is independent, this will be determined on a case by case basis taking into account all of the facts available at the time.

Annual performance reviews

The IML Board assesses directors' independence annually in conjunction with the Board's annual performance evaluation and a regular review of their register of interests and directorships.

Disclosure of directors who are independent

Those directors who are assessed to be independent are identified in the Corporate Governance section of the Annual Report. In the event, an existing director is assessed to no longer be independent, IML on behalf of the Fund, will disclose this fact to the ASX as soon as practicable after the assessment has been made.

Independent decision making

Directors of the Board have individually and collectively the right to seek independent professional advice on matters relating to the Fund, including matters relating to the discharge of their obligations under a Fund's Constitution and the Law. The cost of such may be borne by IML or where permitted by the Fund.

Directors must notify the Company Secretary if they are seeking independent professional advice, and as soon as possible provide an estimate of the likely cost.

Conflicts of Interest and Directors' Standing Notice Register

Directors owe a duty to avoid any conflicts of interest that may arise. A conflict may arise through a personal interest or a duty to some third party.

Therefore, if faced with a possible conflict of interest i.e. a material personal interest in a matter, the director should make full disclosure to the directors meeting as soon as possible or contact the Company Secretary.

A Register of interests is maintained for each director and all directors are required to disclose any personal interests. The Board then considers the Register provided and decides on a collective basis whether, the personal interest is material or not i.e. whether in the Board's opinion a reasonable disinterested party would be considered likely to take it into account in exercising judgement or making a decision. This is noted on the Directors' Standing Notice Register and forms a permanent agenda item at all Board meetings.

In the event a conflict or potential conflict situation exists, the conflicted director is absent from the meeting whilst the Board discusses the matter and may not vote on the matter, unless the other directors, who do not have a material personal interest in the matter are satisfied that the interest should not disqualify the director from voting or being present.

2.3 Role of the Chair

The role of the Chairman and CEO are not exercised by the same individual.

ING Groep has appointed an independent Chairman. Mr Kevin McCann was appointed Chairman of IML Board in September 2010 and stepped down as of 30 June 2011. Mr Michael Coleman replaced Mr McCann as Chairman of the IML Board as of 1 July 2011. In selecting the Chairman, due consideration has been given to his expertise and skills, to ensure they complement those of the existing Board, as well as his reputation and standing in the market.

2.4 Board Nomination and Remuneration Committee

Nomination Committee

The existing size of the Board and the frequency of Board meetings are such that the Board's role in assisting in the appointment process can be undertaken in an efficient manner by the Board itself, without the need for a separate Nomination Committee.

Remuneration Committee

The fees of the directors of IML and the remuneration of its staff are determined and paid by ING Groep and not by the Fund itself. For this reason no Remuneration Committee has been established.

The remuneration of IML in its capacity as Responsible Entity during the year was regulated by the Fund's Constitution. IML and the management company have a right to be paid a fee or reimbursed an expense from the Fund only in relation to the proper performance of their duties.

Executive performance and remuneration

As stated above, ING Groep, and not the Fund itself, is responsible for the remuneration and performance of any staff. However, the Board is responsible for reviewing the adequacy of the resources, including remuneration and incentive structures for key executives, and for making any recommendations to ING Groep it feels necessary. This process has been followed during the year.

Associates of IML are entitled to fees for the provision of property management, development and project management services to the Fund's properties. Formal arm's length agreements are in place to regulate these arrangements and these fees are based on normal commercial terms. The fees paid for these services are set out in the Financial Report of the Fund.

2.5 Board education and performance evaluation

IML undertakes a review of the Board's performance annually, covering among other matters, the adequacy of the Board's composition and the independence of existing directors.

Board education & strategy days

Directors have the opportunity to visit the Fund's properties and to meet with Management to gain a better understanding of the Fund's operations. The Board also conducts Fund Strategy days to inform directors about current issues concerning the Fund and corporate strategies.

PROMOTING RESPONSIBLE AND ETHICAL BEHAVIOUR

3.1 Code of Conduct

IML has established a Code of Conduct in accordance with the ING Business Principles which outlines acceptable standards of behaviour and attitudes expected from staff to promote and maintain the confidence and trust of all those dealing with ING Real Estate Investment Management Australia. The Code of Conduct covers among other matters:

- Personal conduct
- Dealing with conflict of interests
- Personal trading in securities and insider trading prohibitions
- Whistleblower procedures
- Safeguarding confidential and personal information
- Environment

In accordance with the Whistleblower Procedures set out in the ING Real Estate Investment Management Australia Whistleblower Policy, staff are expected to report any serious issues and these will be investigated fairly. Individuals who report serious issues in good faith are appropriately protected. A copy of IML's Code of Conduct is available on the ING Real Estate Investment Management Australia website.

3.2 Personal Trading Policy

A personal trading policy is in place which sets out the approval procedures to be followed by all ING Real Estate Investment Management Australia staff members and directors wishing to buy or sell units in the Fund and other listed real estate securities. The purpose of this policy is to satisfy the relevant legal requirements and protect the reputation and integrity of ING Real Estate Investment Management Australia.

Any director wishing to purchase or sell units in ING Real Estate Investment Management Australia listed Funds is required to notify the Chairman of the Board (or in his absence, another independent director) prior to the trade taking place.

At the commencement of employment or appointment each staff member and director must sign a declaration that he/she will abide by the personal trading policy.

A copy of the personal trading policy for directors and staff is available on the ING Real Estate Investment Management Australia website in the Corporate Governance Documents section.

FINANCIAL REPORTING

4.1 Review and authorisation

In accordance with section 295A of the Corporations Act, the CEO and CFO have declared in writing to the Board that the financial records of the Fund for the financial year have been properly maintained in accordance with section 286 of the Corporations Act and that the Fund's financial reports present a true and fair view of the Fund's financial position and performance, and are in accordance with relevant accounting standards.

4.2 Board Audit Committee and Charter

The Audit Committee operates under a Board approved Charter which is available in the corporate governance section of the ING Real Estate Investment Management Australia website.

The purpose of the Board Audit Committee is to verify and safeguard the integrity of the Fund's financial reporting, oversee the independence of the external auditors and maintain the internal control framework.

The Committee consists of three members, all of which are non-executive directors, with an independent Chairman, who is not the Chairman of the Board. The Audit committee meets four times a year, or more frequently if required.

As at 30 June 2011, the members of the Audit Committee were Philip Clark (Chairman), Kevin McCann and Michael Easson. As at 1 July 2011, Kevin McCann was replaced by Michael Coleman.

4.3 External audit firm guidelines

The Board Audit Committee is responsible for recommending the initial appointment of the external auditor, the appointment of a new external auditor when any vacancy arises and removal of external auditors. The Audit Committee is also responsible for maintaining procedures for the rotation of the external audit engagement partner.

Under the Audit Committee Charter, the external audit engagement partner must be rotated every five years and the statutory Fund audit must be tendered at least every seven years.

The Fund's statutory and compliance plan audit was put out to tender in 2007 and following careful consideration of all the proposals and recommendations from the Audit Sub Committee, the Board appointed Ernst & Young as the Fund's Financial & Compliance Plan Auditor for the year ended 30 June 2008. The next tender process will take place in 2012 or prior.

CONTINUOUS DISCLOSURE

5.1 Continuous disclosure

As the Responsible Entity of listed funds, IML must comply with the continuous disclosure provisions of the ASX Listing Rules.

Broadly, IML is required to immediately notify the ASX of any information concerning the Fund of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of units in the Fund, subject to certain limited exceptions, including but not limited to confidential information.

IML has established a written policy document that deals with:

- information that needs to be disclosed to the market;
- responsibility for responding to market rumours or speculation;
- communications with analysts and major investors; and
- procedures for dealing with the media.

The Company Secretary has been appointed as the person responsible for communications with the ASX. The Investor Relations and Marketing Manager, in conjunction with the Company Secretary, is responsible for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, unitholders, media and the public.

INVESTOR COMMUNICATIONS

6.1 Unitholder meetings

IML may convene a unitholder meeting during the year at a time and place that is considered convenient for the majority of its investors.

The Fund will place a copy of the most recent notice of meeting and any accompanying explanatory memorandum on its website, when released to the ASX, under the ASX Announcements section.

The Chairman at the unitholder meeting ensures that a reasonable opportunity exists for unitholders to ask questions relating to the operations of the Fund and if applicable, the resolutions being voted on.

Unitholders are encouraged to attend all unitholder meetings.

Audit attendance at unitholder meetings

If the Responsible Entity convenes a unitholder meeting, the Company Secretary will request the external auditor or a qualified representative of the auditor to attend the unitholder meeting and be available to answer any unitholder questions about the conduct of the audit, the auditor's independence, accounting policies or the preparation and content of the auditor's report.

6.2 Communication with unitholders

The Fund has procedures in place to ensure that all unitholders and other interested stakeholders have access to balanced, understandable and timely information concerning the operations of the Fund.

The Investor Relations and Marketing Manager, in conjunction with the Company Secretary and CEO, is primarily responsible for ensuring communications with unitholders are delivered in accordance with these procedures and the guidelines relating to continuous disclosure.

In addition to the formal requirements of half year and annual financial statements, the Fund aims to keep unitholders informed about new developments within the Fund by making copies of all ASX Announcements and presentations available on the ING Real Estate Investment Management Australia website, circulating Fund Updates and encouraging participation of unitholders in unitholder meetings.

Further details on the unitholder communication procedures may be obtained by accessing our website at www.ingrealestate.com.au

The website provides Fund specific information, as well as information relevant to existing or prospective investors.

This website is regularly updated and contains recent announcements, webcasts, presentations, past and current reports to unitholders and answers to frequently asked questions. Analyst and investor roadshow presentations released to the ASX are included on the website.

The website also contains:

- a corporate overview of ING Real Estate Investment Management Australia;
- IML's corporate governance policies;
- profiles of Senior Management and IML's Board; and
- other relevant corporate information.

RISK MANAGEMENT AND COMPLIANCE PROCEDURES

7.1 Risk management framework

The Board and Management recognise that having a well developed system in place for risk management is an integral part of good management practice. ING Real Estate Investment Management Australia actively promotes a culture of compliance and risk management awareness with the aim of ensuring all activities comply with laws, regulations, codes and in-house policies and procedures.

An Operational Risk Committee (ORC) has been established, made up of key management executives, with the objective of promoting and facilitating the development of effective risk management processes.

The ORC meets regularly and assists the Board by identifying, measuring and monitoring key risks affecting ING Real Estate Investment Management Australia and the Fund, as well as taking appropriate action to control and mitigate the level of risks.

In line with the ING Groep guidelines, Integrated Risk Assessments (IRA) sessions are held with key members of senior management and the results are presented at the ORC meetings.

The purposes of the IRA sessions are:

- to identify key risks that could lead to an operational loss, reputational damage or regulatory sanctions;
- assess the risk and identify any risk exposures; and
- put in place appropriate mitigation measures to address the risks including developing adequate procedures.

The key risks identified through the IRA workshops are primarily risks associated with managing property as well as risks arising from the general business environment including, but not limited to, general market, capital management, financial reporting, operational and compliance risks. Through the ORC, Management puts in place adequate internal controls including specific policies and procedure manuals that are in sufficient detail for individual staff members to refer to in performing their daily duties.

Compliance Plan

Each of the ILF Fund and ILF Trust has a formal Compliance Plan in place which has been lodged with ASIC. The purpose of each Compliance Plan is to set out key processes, systems and measures the Responsible Entity will apply to ensure compliance with:

- the *Corporations Act (Cth) 2001*;
- constitution of the relevant scheme;
- industry practice standards relevant to the particular scheme; and
- internal policies and procedures.

Each Compliance Plan is a "how to" document and has been prepared following a structured and systematic process to consider the Responsible Entity's key obligations under the Act and Constitution, the risk of non-compliance and measures required to meet the risks of non-compliance.

Each Compliance Plan describes the key obligations that must be met by the Responsible Entity, the measures in place to comply with these obligations, and how compliance with these measures will be monitored. In addition, the Compliance Plans detail the risk of not complying with these obligations, and how breaches are to be reported and addressed.

Each year Ernst & Young conducts an Annual Compliance Plan audit and reports to ASIC on:

- whether the procedures and controls set out in the Compliance Plans continue to meet the relevant requirements of the Act; and
- if the controls and procedures described in the Compliance Plans have been in place and operating effectively in all material respects over the year.

Risk management review and reporting to the board and its committees

The ORC reports to the Board and its Committees regularly on the effectiveness of the management of material business risks. The Board undertakes a review annually on whether Management's risk management processes and internal controls are appropriate, including whether Management's procedures for monitoring the effectiveness of the risk management processes are adequate.

The CEO and the CFO confirm in writing to the Board, at the time the financial statements are being considered for approval by the Board, that in all material respects:

- the financial statements present a true and fair view;
- that this assertion is founded on a sound system of financial risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the Fund's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

7.2 Board Compliance Committee

The Board places a strong emphasis on compliance and has established a Compliance Committee that operates under an approved charter. A copy of the charter is available in the corporate governance section of the ING Real Estate Investment Management Australia website. Under the managed investments regime, the Responsible Entity is required to register a Compliance Plan with ASIC on behalf of each managed investment scheme it operates. The Compliance Plan outlines the measures which are to be applied by the Company to ensure compliance with the Corporations Act and the relevant scheme's Constitution and other regulatory requirements.

The Compliance Committee is responsible for:

- monitoring the Responsible Entity's compliance with the Compliance Plan and reporting on its findings to the Board; and
- assessing at regular intervals whether the Fund's Compliance Plan is adequate to ensure compliance with the Law and the Fund's constitution, and to monitor the extent to which the Responsible Entity complies with the Fund's Compliance Plan.

As at 30 June 2010, the members of the Compliance Committee comprised Paul Scully (Chairman), Kevin McCann and Danny Agnoletto. During July 2011, Michael Coleman replaced Kevin McCann, Michael Easson replaced Paul Scully as Chairman, and Greg Inkson replaced Danny Agnoletto. Four meetings were held during the year. The Compliance Committee reports to the Board after each meeting and otherwise as required.

DIVERSITY

ING Real Estate Investment Management Australia (REIMA) is an equal opportunity employer and is committed to promoting diversity in the work place. REIMA recognises that its continued success depends largely on its staff, who must continually meet the high customer expectations generated by a very competitive and rapidly changing financial services industry. REIMA therefore depends on the support of a body of competent, informed and motivated employees. To maintain these standards and to continue meeting our business goals, the recruitment of appropriate qualified personnel is essential.

It is REIMA's policy to recruit the best person for every job. Candidates are selected based on relevant skills and competencies, qualifications, abilities, prior work performance, reference checks and aptitude. Discrimination on grounds such as race, colour, national origin, gender marital status, disability, age, pregnancy, sexual preference, religious or political conviction will not be tolerated and forms no part of the selection process.

As at 30 June 2011, 49% of REIMA and 40% of ILF employees were women.

In respect of the IML board, please see section 2.1 as to how candidates are recruited to fill vacancies on the board.

REIMA and the IML board have each chosen not to adopt measurable objectives for achieving gender diversity as ING have determined that they will make a phased withdrawal from the Australian Real Estate Investment Management business.

CORPORATE GOVERNANCE DOCUMENTS

In accordance with the ASX Corporate Governance Guidelines, the following documents are available in the corporate governance section of the ING Real Estate Investment Management Australia website:

- Board Charter
- Board Compliance Committee Charter
- Board Audit Committee Charter
- Code of Conduct
- Investor Communications Procedures
- IML Company Constitution
- IML Personal Trading Policy
- IML Complaints Policy
- Summary of the Funds' Constitutions

Financial and Associated Reports

Year ended 30 June 2011

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

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

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 2011. The Fund and the Trust have the power to amend and reissue the financial report.

The ING Real Estate Community Living Group (the "Group") was formed on 11 January 2007 by the stapling of the units in two property trusts, ING Real Estate Community Living Fund (the "Fund") and ING Real Estate Community Living Management Trust ("ILMT") (collectively the "Trusts"). The Responsible Entity for both Trusts is ING Management Limited, which now presents its report together with the financial report for the year ended 30 June 2011 and the auditor's report thereon.

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

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

Directors

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

Michael Coleman	Chairman; appointed 1 July 2011
Hein Brand	Appointed 1 June 2011
Philip Clark AM	
Michael Easson AM	
Richard Colless AM	Resigned 22 September 2010
Scott MacDonald	Appointed 4 April 2011; resigned 13 July 2011
Kevin McCann AM	Appointed 23 September 2010; resigned 30 June 2011
Paul Scully	Resigned 30 June 2011
Christophe Tanghe	Resigned 31 May 2011

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

Principal activity

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

Operating and financial review

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

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011	2010	2011	2010
Profit/(loss) from continuing operations	14,455	(50,508)	9,868	(15,634)
Net profit/(loss) attributable to unitholders (\$'000)	13,051	(67,717)	9,854	(25,939)
Operating income from continuing operations (\$'000)	6,101	15,189	(3,994)	(2,449)
Distributions per unit (cents)	—	—	—	—
Basic and diluted earnings per stapled unit from continuing operations (cents)	3.3	(11.5)	na	na
Basic and diluted earnings per stapled unit	3.0	(15.4)	na	na
Operating income from continuing operations per stapled unit (cents)	1.4	3.4	na	na
Operating income per stapled unit (cents)	1.6	4.1	na	na

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

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

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net profit/(loss) attributable to unitholders	13,051	(67,717)	9,854	(25,939)
Adjusted for:				
– Net foreign exchange (gain)/loss	503	1,298	(19)	—
– Net gain on disposal of investment property	(2,256)	—	—	—
– Net (gain)/loss on change in fair value of:				
– Investment properties	(612)	21,488	(14,128)	(4,123)
– Derivatives	2,149	(14,045)	—	—
– Retirement village residents' loans	(182)	7,825	(182)	7,825
– Investment properties included in share of net profit of equity accounted investments	(9,310)	39,936	(216)	—
– Gain on revaluation of newly constructed retirement villages	2,743	3,456	2,072	3,687
– Deferred income tax (benefit)/expense	(1,389)	5,796	(1,389)	5,796
– Loss from discontinued operations	1,404	17,209	14	10,305
– Other	—	(57)	—	—
Operating income from continuing operations	6,101	15,189	(3,994)	(2,449)
Operating income from discontinuing operations	788	3,071	—	1,382
Operating income	6,889	18,260	(3,994)	(1,067)

Operating income for the 2011 financial year decreased by 62% to \$6,889,000 from \$18,260,000 for the 2010 financial year. This was largely due to the sale in the 2010 financial year of the United States Seniors Meridian portfolio (included in continuing operations because it formed part of a segment) and Canadian seniors Regency portfolio (included in discontinuing operations). Operating income per unit for the 2011 financial year was down 61% to 1.6 cents, compared to 4.1 cents per unit previously.

The Group made no distributions during either the 2010 and 2011 financial years.

Earnings per unit as calculated under applicable accounting standards for the year ended 30 June 2011 were a gain of 3.0 cents per stapled unit, compared to a loss of 15.4 cents per stapled unit for the previous financial year. In addition to changes in operating income, this was largely due to a reduced loss from changes in fair value of investment properties, the related retirement village residents' loans and derivatives.

Total assets decreased by \$73,621,000 or 15% to \$420,657,000 over the year primarily due to disposals and revaluations. A major contributor to the decrease was the partial sale of the United States Students portfolio. Net asset value per unit increased slightly from 25 cents per unit at 30 June 2010 to 26 cents per unit at 30 June 2011, reflecting retained earnings and firming valuations, partially offset by an appreciation of the Australian dollar against the United States dollar.

Capital management

The capital position of the Group at 30 June 2011 is considerably improved following a series of asset sales combined with growing asset level performance. Overall look-through gearing for the Fund decreased to 69% compared to 73% as at 30 June 2010. A major contributor to the reduction was the sale of five non-core properties from the Garden Villages portfolio, the proceeds of which were applied to debt reduction.

Asset management

The Group's portfolio remains focused on its core Australian and United States seniors markets.

Within the Garden Villages rental portfolio, initiatives to drive occupancy growth including increasing sales lead conversions, providing sales training to front line staff and improved product presentation have resulted in occupancy increasing to 81% from approximately 73% a year ago. The core focus of management with Garden Villages is to grow the occupancy rate to the long term maintainable target of 89%.

The Settlers deferred management fee ("DMF") portfolio located in and around Perth and Brisbane has been adversely affected by soft residential property markets affecting price growth and time on market. Notwithstanding these challenging circumstances, occupancy remains firm at 95%.

The DMF conversion strategy launched across three villages in Queensland in late 2010 continues to build momentum. The Gladstone village on the Central Queensland coast has experienced strong demand in particular and feasibility planning is advanced to add an additional 20 units on adjacent land already owned by the Group. Building on the success of the project to date, management is also assessing the conversion of an additional rental village to the DMF model with expectations of launch in 2012.

The United States seniors portfolio is tracking well with unit refurbishments and reconfigurations continuing to drive occupancies and meet market demand. The Bristol (New York) portfolio had an occupancy rate of 91.9%, up 0.2% from six months ago while the non-Bristol portfolio had an occupancy rate of 85.8%, down 1% from 6 months ago.

The New Zealand student portfolio has seen a decline in student occupancy levels largely because of a fall in international student numbers and a reduction in government funding of tertiary education. Despite this, the earnings remain underpinned by an income guarantee from Victoria University of Wellington (VUW) referable to occupancy of 90% throughout the student academic year. Management is progressing discussions with VUW for the renewal of the contracts that expire in 2012 and 2013. It is anticipated that, as part of entering into these new long-term contracts, VUW will require the Group to commit to considerable capital expenditure to improve the buildings and meet the increasing expectations of its students. This capital expenditure has been taken into account in the 30 June 2011 property valuations.

Development pipeline

ILF now has an internal development pipeline attached to existing villages, including the three existing DMF conversion villages, with an end value of \$95 million. The expansion of existing villages typically offers a higher risk adjusted return on capital compared to commencing a new greenfields village due to existing infrastructure, existing wait lists and an established presence in the local community.

The timely build-through and sell-down of this development pipeline, subject to rigorous return thresholds, will be a key focus of management over the coming year and is expected to be a significant contributor to earnings and cash flows over the next five years.

Significant changes in the state of affairs

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

Events subsequent to reporting date

On 19 July 2011, the Group announced that it had contracted to sell its 50% interest in 15 of its 21 US Seniors communities (the (non-New York assets) to its joint venture partner, Chartwell Seniors Housing Real Estate Investment Trust for \$160 million (at 30 June 2011 exchange rate). The sale price is in line with the December 2010 book value and settlement of this transaction is anticipated in October 2011, pending regulatory and property debt approvals. The debt associated with these properties is included in this sale transaction. After this sale, the Group's sole United States seniors exposure will be six properties located on Long Island, New York.

Likely developments

In June 2010, ING Group (ING) announced that it was conducting a strategic review of its global real estate investment management (REIM) platform, and its position within the broader ING banking business. The Australian real estate investment management operation, ING Real Estate Investment Management Australia (REIMA), was included in this review. In February 2011, ING announced that as a result of the evaluation it would undertake a phased withdrawal from the REIMA business in a timely and controlled manner. To date the ING Industrial Fund, ING Office Fund and ING Healthcare Fund have changed either ownership or management structures. ING will continue to provide full support to REIMA as it completes the transition of the business.

On a continuing portfolio basis, the Group forecasts improved operating cash flows over the course of the next financial year. Key drivers of this performance include:

- accelerating sell down of DMF conversion units across the Gladstone, Forest Lake and Rockhampton conversion villages;
- continuing growth in the occupancy rate across the Garden Villages rental portfolio; and
- reduced interest expense due to reduced debt and a significant reduction in margin once the Australian loan to value ratio falls below 40%.

Management is continuing to explore options with various parties to unlock the remaining value within the United States Seniors and New Zealand students portfolios. These discussions are in preliminary stages.

No distribution is currently forecast for the next financial year due to banking covenants. However, the distribution policy is currently being assessed in the context of the Group's financial position after settlement of the United States Seniors non-New York assets. Any payment of distributions would need to be balanced against the Group's existing capital requirements.

Overall, the Group remains focused on providing unitholders with exposure to a quality, high performing portfolio of Seniors communities in Australia and the United States.

Environmental regulation

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

Indemnities

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

Interests of directors of the Responsible Entity

Units in the Fund held by directors of the Responsible Entity as at 30 June 2011 were:

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

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

Other information

Fees paid to the Responsible Entity and its associates, and the number of units in the Fund 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 18.

Rounding of amounts

The Fund 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 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.



Michael Coleman

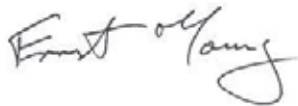
Chairman

Sydney

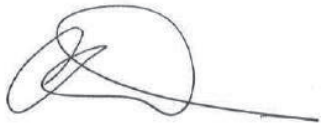
26 August 2011

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

In relation to our audit of the financial report of ING Real Estate Community Living Fund and its controlled entities and the ING Real Estate Community Living Management Trust and its controlled entities for the financial year ended 30 June 2011, 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



Chris Lawton
Partner
26 August 2011

Consolidated Income Statements

Year ended 30 June 2011

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue					
Rental income		21,225	19,849	21,225	19,796
Deferred management fee		4,256	4,937	4,256	4,937
Other property income		2,908	3,042	2,908	3,041
Interest income		469	463	80	358
		28,858	28,291	28,469	28,132
Other income					
Net foreign exchange gain/(loss)		(448)	(1,271)	81	(6)
Net gain on disposal of investment properties		2,256	—	—	—
Net gain/(loss) on change in fair value of:					
– Investment properties		612	(21,488)	14,128	4,123
– Derivatives		(2,149)	14,045	—	—
– Retirement village residents' loans		182	(7,825)	182	(7,825)
Expenses					
Property expenses		(19,242)	(19,286)	(30,166)	(29,589)
Finance costs	4	(8,737)	(3,666)	(3,899)	(3,540)
Responsible Entity's fees	23	(1,836)	(3,274)	(379)	(342)
Other		(1,498)	(3,268)	(220)	(791)
Share of net profit/(loss) of equity accounted investments	11	15,137	(26,954)	284	—
Profit/(loss) from continuing operations before income tax		13,135	(44,696)	8,480	(9,838)
Income tax benefit/(expense)	5	1,320	(5,812)	1,388	(5,796)
Profit/(loss) from continuing operations		14,455	(50,508)	9,868	(15,634)
Loss from discontinued operations	6	(1,404)	(17,209)	(14)	(10,305)
Net profit/(loss) attributable to unitholders		13,051	(67,717)	9,854	(25,939)
Attributable to unit holders of:					
– ING Real Estate Community Living Fund		3,197	(41,778)	—	—
– ING Real Estate Community Living Management Trust		9,854	(25,939)	9,854	(25,939)
		13,051	(67,717)	9,854	(25,939)
	Note	2011 Cents	2010 Cents	2011 Cents	2010 Cents
Distributions per unit		—	—	—	—
Basic and diluted earnings per unit from continuing operations (cents):					
– Per stapled unit	3	3.3	(11.5)	na	na
– Per unit of each Trust	3	1.1	(8.0)	2.2	(3.5)
Basic and diluted earnings per unit:					
– Per stapled unit	3	3.0	(15.4)	na	na
– Per unit of each Trust	3	0.8	(9.6)	2.2	(5.8)

Consolidated Statements of Comprehensive Income

Year ended 30 June 2011

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net profit/(loss) for the year		13,051	(67,717)	9,854	(25,939)
Other comprehensive income:					
– Exchange differences on translation of foreign operations	16	(8,759)	71	1,837	(252)
Total comprehensive income/(loss) for the year		4,292	(67,646)	11,691	(26,191)
Total comprehensive income for the year is attributable to:					
– ING Real Estate Community Living Fund		(7,399)	(41,455)	—	—
– ING Real Estate Community Living Management Trust		11,691	(26,191)	11,691	(26,191)
		4,292	(67,646)	11,691	(26,191)

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

Consolidated Balance Sheets

As at 30 June 2011

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets					
Cash and cash equivalents	7	14,855	19,731	3,105	3,230
Trade and other receivables	8	4,252	5,531	3,709	12,370
Derivatives	9	—	2,418	—	—
Assets of discontinued operations	6	10,047	58,233	—	100
		29,154	85,913	6,814	15,700
Non-current assets					
Trade and other receivables	8	1,297	2,104	4,810	2,303
Investment properties	10	344,490	352,823	241,845	206,712
Plant and equipment		309	228	309	228
Equity accounted investments	11	45,407	53,210	913	—
		391,503	408,365	247,877	209,243
Total assets		420,657	494,278	254,691	224,943
Current liabilities					
Payables	12	19,597	39,183	8,808	13,603
Retirement village residents loans	20(l)	150,761	140,945	150,761	140,945
Borrowings	13	266	—	27,521	1,247
Derivatives	9	213	141	—	—
Liabilities of discontinued operations	6	5,675	62,143	—	4,347
		176,512	242,412	187,090	160,142
Non-current liabilities					
Borrowings	13	121,515	131,798	60,088	67,591
Derivatives	9	269	611	—	—
Deferred tax liabilities	14	8,047	9,435	8,047	9,435
		129,831	141,844	68,135	77,026
Total liabilities		306,343	384,256	255,225	237,168
Net assets / (liabilities)		114,314	110,022	(534)	(12,225)
Unitholders' interest					
Issued units	15	490,044	490,044	3,351	3,351
Reserves	16	(20,240)	(11,481)	(560)	(2,397)
Accumulated losses	17	(355,490)	(368,541)	(3,325)	(13,179)
Unitholders' interest		114,314	110,022	(534)	(12,225)
Attributable to unit holders of:					
ING Real Estate Community Living Fund					
– Issued units	15	486,693	486,693	—	—
– Reserves	16	(19,680)	(9,084)	—	—
– Accumulated losses	17	(352,165)	(355,362)	—	—
		114,848	122,247	—	—
ING Real Estate Community Living Management Trust		(534)	(12,225)	(534)	(12,225)
		114,314	110,022	(534)	(12,225)
Net asset value per unit		\$0.26	\$0.25	\$0.00	(\$0.03)

Consolidated Cash Flow Statements

Year ended 30 June 2011

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities	27				
Rental and other property income		30,270	38,220	30,121	22,010
Property and other expenses		(27,753)	(37,207)	(29,967)	(32,362)
Proceeds from residents' loans		11,622	18,915	11,622	18,915
Repayment of residents' loans		(2,951)	(1,034)	(2,951)	(1,034)
Distributions received from equity accounted investments		3,801	5,891	17	743
Interest received		471	688	80	358
Borrowing costs paid		(6,912)	(10,895)	(1,834)	(2,322)
Goods and services taxes recovered from investing and financing activities		85	55	—	—
		8,633	14,633	7,088	6,308
Cash flows from investing activities					
Additions to investment properties		(7,759)	(4,972)	(6,915)	(4,082)
Proceeds from sale of investment properties		12,738	8,134	—	—
Purchase of equity accounted investments		—	(7,786)	—	(418)
Return of capital from equity accounted investments		766	44,177	—	—
		5,745	39,553	(6,915)	(4,500)
Cash flows from financing activities					
Termination of derivatives		(16,020)	—	—	—
Proceeds from borrowings		19,870	139,068	—	—
Repayment of borrowings		(22,806)	(186,286)	(267)	(1,028)
		(18,956)	(47,218)	(267)	(1,028)
Net increase/(decrease) in cash		(4,578)	6,968	(94)	780
Cash at the beginning of the year		20,246	13,233	3,230	2,371
Effects of exchange rate changes on cash		(627)	45	(31)	79
Cash at the end of the year		15,041	20,246	3,105	3,230

Statements of Changes in Unitholders' Interest

Year ended 30 June 2011

ING Real Estate Community Living Group

	Issued Capital \$'000	Reserves \$'000	Retained accumulated losses \$'000	Total \$'000
Carrying amounts at 1 July 2009	490,187	(11,552)	(300,967)	177,668
Net loss for the year	—	—	(67,717)	(67,717)
Other comprehensive income	—	71	—	71
Total comprehensive income for the year	—	71	(67,717)	(67,646)
Transactions with unitholders in their capacity as equity holders:				
– Borrowing cost amortisation returned	(143)	—	143	—
Carrying amounts at 30 June 2010	490,044	(11,481)	(368,541)	110,022
Net profit for the year	—	—	13,051	13,051
Other comprehensive loss	—	(8,759)	—	(8,759)
Total comprehensive income for the year	—	(8,759)	13,051	4,292
Transactions with unitholders in their capacity as equity holders	—	—	—	—
Carrying amounts at 30 June 2011	490,044	(20,240)	(355,490)	114,314

ING Real Estate Community Living Management Trust

	Issued Capital \$'000	Reserves \$'000	Retained accumulated losses \$'000	Total \$'000
Carrying amounts at 1 July 2009	3,351	(2,145)	12,760	13,966
Net loss for the year	—	—	(25,939)	(25,939)
Other comprehensive loss	—	(252)	—	(252)
Total comprehensive income for the year	—	(252)	(25,939)	(26,191)
Transactions with unitholders in their capacity as equity holders	—	—	—	—
Carrying amounts at 30 June 2010	3,351	(2,397)	(13,179)	(12,225)
Net profit for the year	—	—	9,854	9,854
Other comprehensive income	—	1,837	—	1,837
Total comprehensive income for the year	—	1,837	9,854	11,691
Transactions with unitholders in their capacity as equity holders	—	—	—	—
Carrying amounts at 30 June 2011	3,351	(560)	(3,325)	(534)

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The Group

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

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

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

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

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

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

b) Basis of preparation

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

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

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

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

ILMT has a deficiency of net assets on a consolidated basis. The going concern basis is nevertheless appropriate for this trust because the Fund has provided a letter of financial support for the 12 months from the date of this report.

c) Adoption of new and revised accounting standards

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

d) Principles of consolidation

The Fund's consolidated financial statements comprise the Parent and its subsidiaries (including ILMT and its subsidiaries) as at 30 June 2011 (the "Group"). ILMT's consolidated financial statements comprise ILMT and its subsidiaries as at 30 June 2011 (the "ILMT Group"). Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies the Trusts have the power to govern, so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. 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 the Parent obtains control. They are de consolidated from the date that control ceases.

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

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

e) Discontinued operations and assets held for sale

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Details of discontinued operations and disposal groups are given at note 6.

f) Distributions

A liability 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 designated as a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment at which time they are recognised in the 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.

h) Leases

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

Leases where the lessor retains substantially all the risk and benefits of ownership are classified as operating leases. For operating leases for which the Group is lessor, initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the term of the lease on the same basis as the lease income.

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

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 at fair value through profit or loss are recorded in the income statement.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For those with no active market, fair values are determined using valuation techniques.

Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

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.

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

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

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

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.

Investment property includes property under construction.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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) 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.

p) 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.

q) 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.

For more information on these loans, see note 20(k) and 20(l).

r) Borrowings

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

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

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

s) Issued units

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

t) 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.

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

u) Income tax

i) Current income tax

Under the current tax legislation, the Fund 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 income tax (including withholding tax) expected to be payable or recoverable by 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.

v) Earnings per unit

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

w) 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.

x) Pending Accounting Standards

IFRS 10 *Consolidated Financial Statements* is applicable to annual reporting periods beginning on or after 1 January 2013. The Group has not early adopted this standard. It establishes a new control model that broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations. It may lead to more entities being consolidated into the Group.

IFRS 12 *Disclosure of Interests in Other Entities* is applicable to annual reporting periods beginning on or after 1 January 2013. The Group has not early adopted this standard. It includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

IFRS 13 *Fair Value Measurement* is applicable to annual reporting periods beginning on or after 1 January 2013. The Group has not early adopted this standard. It establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. It does not change when an entity is required to use fair value, but rather provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this guidance may result in different fair values being determined for the relevant assets, particularly the Group's investment property; the precise impact is not known at this time. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value.

The Board is expected to promulgate IFRS 10, 12 and 13 as Australian Accounting Standards in due course.

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

NOTE 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 \$344,490,000 (ILMT Group: \$241,845,000) (2010: Group \$352,823,000; ILMT Group \$206,712,000) (see note 10), and retirement village residents' loans with a carrying amount of \$150,761,000 (Group & ILMT Group) (2010: Group & ILMT Group \$140,945,000) representing estimated fair value. In addition, the carrying amount of the Group's equity accounted investments of \$45,407,000 (ILMT Group: \$913,000) (2010: Group \$53,210,000; ILMT Group: nil) (see note 11) also reflects investment properties carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs, expected residents' tenure and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents and discount and capitalisation rates, for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

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.

NOTE 3: EARNINGS PER UNIT

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011	2010	2011	2010
a) Per stapled unit				
Profit/(loss) from continuing operations (\$'000)	14,455	(50,508)	na	na
Loss from discontinuing operations (\$'000)	(1,404)	(17,209)	na	na
Weighted average number of units outstanding (thousands)	441,029	441,029	na	na
Basic and diluted earnings per unit from continuing operations (cents)	3.3	(11.5)	na	na
Basic and diluted earnings per unit from discontinuing operations (cents)	(0.3)	(3.9)	na	na
Basic and diluted earnings per unit (cents)	3.0	(15.4)	na	na
b) Per unit of each Trust				
Profit/(loss) from continuing operations (\$'000)	4,587	(34,874)	9,868	(15,634)
Loss from discontinuing operations (\$'000)	(1,390)	(6,904)	(14)	(10,305)
Weighted average number of units outstanding (thousands)	441,029	441,029	441,029	441,029
Basic and diluted earnings per unit from continuing operations (cents)	1.1	(8.0)	2.2	(3.5)
Basic earnings per unit from discontinuing operations (cents)	(0.3)	(1.6)	—	(2.3)
Basic and diluted earnings per unit	0.8	(9.6)	2.2	(5.8)

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 4: FINANCE COSTS

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest paid or payable	11,430	10,950	4,026	3,688
Less cross currency swap interest received	(2,513)	(7,031)	—	—
Less interest capitalised	(180)	(253)	(127)	(148)
	8,737	3,666	3,899	3,540

The rate used to capitalise finance costs to qualifying assets was 8.4% (2010: 8.4%).

NOTE 5: INCOME TAX EXPENSE

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
a) Income tax (benefit)/expense					
Current tax		69	16	1	—
Increase/(decrease) in deferred tax liabilities	14	(1,389)	5,796	(1,389)	5,796
		(1,320)	5,812	(1,388)	5,796
b) Reconciliation between tax expense and pre-tax net profit					
Profit/(loss) before income tax		13,135	(44,696)	8,480	(9,838)
Income tax at the Australian tax rate of 30% (2010: 30%)		3,941	(13,409)	2,544	(2,951)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
– Australian income		196	9,273	(2,995)	7,255
– Foreign tax law and rate adjustment		(5,457)	9,948	(937)	1,492
Income tax (benefit)/expense		(1,320)	5,812	(1,388)	5,796

NOTE 6: DISCONTINUED OPERATIONS

a) Details of discontinued operations

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

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

The Group's 90% interest in ING NZ Subsidiary Trust No.1 has also been classified as a discontinued operation, consistent with the Group's previously announced policy to focus on its Seniors business in Australia and the United States.

NOTE 6: DISCONTINUED OPERATIONS (CONTINUED)**b) Financial performance**

The financial performance of components of the Trusts disposed of or classified as discontinued operations at 30 June 2011 was:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	4,390	12,664	—	—
Net gain/(loss) on change in fair value of:				
– Borrowings	—	27,131	—	—
– Investment properties	3,302	(37,366)	—	163
Other income	293	655	—	—
Expenses	(5,069)	(16,798)	—	(232)
Share of net profit/(loss) of equity accounted investments	(4,310)	(4,967)	(14)	(10,638)
Loss from operating activities before income tax	(1,394)	(18,681)	(14)	(10,707)
Income tax benefit/(expense)	(10)	1,472	—	402
Loss from discontinued operations for the year	(1,404)	(17,209)	(14)	(10,305)

c) Cash flows

The cash flows of components of the Trusts disposed of or classified as discontinued operations at 30 June 2011 were:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net cash flow from operating activities	85	(4,305)	—	670
Net cash flows from investing activities:				
– Proceeds on sale of discontinued operations	—	15,569	—	—
– Other	(340)	(1,598)	—	—
Net cash flow from financing activities	—	(14,848)	—	(743)
Net cash flows from discontinued operations	(255)	(5,182)	—	(73)

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 6: DISCONTINUED OPERATIONS (CONTINUED)

d) Assets and liabilities

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

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Assets				
Cash and cash equivalents	186	515	—	—
Trade and other receivables	662	1,444	—	100
Investment properties	5,325	56,274	—	—
Equity accounted investments	3,874	—	—	—
Total assets	10,047	58,233	—	100
Liabilities				
Payables	114	1,432	—	—
Borrowings	5,561	60,711	—	4,347
	5,675	62,143	—	4,347
Net assets of disposal groups	4,372	(3,910)	—	(4,247)

e) Details of disposals

During the year the Fund disposed of investment properties within seven US Student LLCs with a carrying amount of \$42,294,000 in exchange for discharge of the associated interest bearing liabilities.

NOTE 7: CASH AND CASH EQUIVALENTS

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank and in hand	20	8,398	7,041	3,095	3,069
Short term deposits	20	6,457	12,690	10	161
		14,855	19,731	3,105	3,230
Reconciliation to statement of cash flows					
For the purposes of the statement of cash flows, cash and cash equivalents include the following:					
– Cash at bank and in hand attributable to discontinued operations					
		186	515	—	—
		15,041	20,246	3,105	3,230

NOTE 8: TRADE AND OTHER RECEIVABLES

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current	20				
Rental and other amounts due		116	140	116	140
Amounts receivable from stapled entity		—	—	—	9,535
Accrued income, prepayments and deposits		4,136	5,391	3,593	2,695
		4,252	5,531	3,709	12,370
Non-current					
Amounts receivable from stapled entity		—	—	2,320	—
Accrued income, prepayments and deposits		1,297	2,104	2,490	2,303
		1,297	2,104	4,810	2,303

Rental and other amounts due are receivable within 30 days.

NOTE 9: DERIVATIVES

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	20				
Cross currency swap contracts		—	2,418	—	—
Current liabilities	20				
Interest rate swap contracts		213	141	—	—
Non-current liabilities	20				
Interest rate swap contracts		269	611	—	—

NOTE 10: INVESTMENT PROPERTIES

a) Summary of carrying amounts

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Completed properties	342,820	346,163	241,545	203,152
Properties under construction	1,670	6,660	300	3,560
	344,490	352,823	241,845	206,712

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 10: INVESTMENT PROPERTIES (CONTINUED)

b) Individual valuations and carrying amounts

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate	
			Date	Valuation \$'000	2011 \$'000	2010 \$'000	2011 %	2010 %
Investment property ^{(1) (2)}								
Non-current								
<i>Garden Villages</i>								
Albany	Jun 04	5,957	Jun 11	3,870	3,870	4,850	10.0%	8.8%
Mardross Gardens	Jun 04	5,576	Dec 09	3,850	2,830	3,850	10.3%	9.3%
Seville Grove Gardens	Jun 04	4,065	Dec 10	3,100	3,410	3,550	10.0%	9.0%
Hertford Gardens	Jun 04	3,737	Dec 09	2,400	2,140	2,400	10.0%	8.8%
Carey Park Gardens	Jun 04	4,886	Jun 11	3,840	3,840	3,450	10.0%	8.8%
Jefferis Gardens	Jun 04	5,094	Dec 09	2,500	2,669	2,500	10.0%	7.8%
Cessnock Gardens	Jun 04	5,652	Dec 09	4,570	3,290	4,570	10.0%	9.0%
Claremont Gardens	Jun 04	4,716	Dec 09	4,570	3,520	2,900	10.0%	9.0%
Taloumbi Gardens	Jun 04	4,963	Dec 10	3,730	4,160	4,150	10.3%	9.0%
Davenport Gardens	Jun 04	4,246	Dec 09	2,350	3,220	2,350	10.0%	8.3%
Wheeler's Gardens	Jun 04	4,629	Dec 09	3,000	2,768	3,000	10.3%	9.3%
Elphinwood Gardens	Jun 04	4,578	Dec 10	3,600	3,840	3,100	10.0%	9.0%
Glenorchy Gardens	Jun 05	4,360	Dec 09	3,500	3,350	3,500	10.0%	9.0%
Chatsbury Gardens	Jun 04	4,982	Dec 09	3,200	3,212	3,200	10.0%	9.0%
Grovedale Gardens	Jun 05	5,436	Dec 10	3,400	3,200	3,550	10.3%	9.3%
Horsham Gardens	Jun 04	4,629	Dec 09	2,800	3,280	2,800	10.0%	9.0%
Ipswich Gardens	Jun 04	—	Dec 09	1,950	—	901	—	9.5%
Kingston Gardens	Jun 05	—	Dec 09	2,250	—	2,250	—	8.8%
Lovely Banks Gardens	Jun 05	5,946	Dec 09	3,750	2,649	3,750	10.0%	9.0%
Sea Scape Gardens	Jun 04	4,531	Jun 11	4,060	4,060	3,850	10.0%	9.3%
Marsden Gardens	Jun 05	8,867	Dec 10	7,300	8,680	8,340	10.0%	9.5%
Coburns Gardens	Jun 04	4,343	Dec 09	2,350	2,380	2,350	10.0%	9.0%
Brooklyn Gardens	Jun 04	4,243	Dec 09	2,500	1,680	2,500	10.5%	9.5%
Oxley Gardens	Jun 04	4,602	Jun 11	2,720	2,720	2,600	10.0%	8.0%
Townsend Gardens	Jun 04	4,982	Dec 09	3,100	2,830	3,100	10.0%	9.0%
St Albans Park Gardens	Jun 04	4,995	Dec 09	3,250	2,840	3,250	10.0%	9.0%
Swan View Gardens	Jan 06	7,192	Dec 10	6,130	6,210	7,000	10.0%	9.0%
Taree Gardens	Dec 04	4,653	Jun 11	2,990	2,768	2,800	10.0%	8.0%
Toowoomba Gardens	Dec 04	—	Dec 09	3,000	—	3,000	—	8.5%
Newtown Gardens	Jun 04	—	Dec 09	3,450	—	3,450	—	9.3%
Glenvale Gardens	Jun 04	—	Dec 09	2,250	—	2,250	—	5.3%
<i>US Seniors</i>								
Lynbrook, New York	Dec 07	27,773	Dec 09	23,667	21,130	23,667	7.3%	9.0%

NOTE 10: INVESTMENT PROPERTIES (CONTINUED)

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Discount rate	
			Date	Valuation \$'000	2011 \$'000	2010 \$'000	2011 %	2010 %
<i>Garden Villages DMF Conversions^{(3) (4)}</i>								
Forest Lake Gardens	Nov 05	13,856	Jun 11	10,124	10,124	11,050	16.6%	9.3%
South Gladstone Gardens	Nov 05	8,356	Jun 11	9,344	9,044	5,260	22.9%	8.0%
Rockhampton Gardens	Nov 05	10,740	Dec 09	6,800	10,770	6,800	15.1%	8.0%
<i>Settlers⁽³⁾</i>								
Lakeside	Apr 07	69,692	Jun 11	79,099	79,099	75,120	13.5%	13.5%
Noyea Park	Apr 07	2,463	Dec 10	741	741	1,327	14.0%	13.5%
Meadow Springs	Apr 07	20,885	Jun 11	17,472	17,472	17,367	14.0%	13.5%
Ridgewood	Apr 07	85,215	Jun 11	105,024	105,024	100,461	13.3%	13.5%
		370,840		357,601	342,820	346,163		
Total completed properties		370,840		357,601	342,820	346,163		
Property under construction								
<i>Non-current</i>								
<i>Garden Villages</i>								
Lovely Banks Gardens – land	Jun 05	862	Dec 09	310	310	310	—	—
<i>Settlers</i>								
Noyea Park	Apr 07	—	Dec 09	—	—	—	—	13.5%
Ridgewood	Apr 07	—	Dec 09	3,040	—	3,040	—	13.5%
Lakeside	Apr 07	—	Dec 09	1,350	—	1,350	—	13.5%
Meadow Springs	Apr 07	2,470	Dec 09	1,960	1,360	1,960	—	13.5%
		3,332		6,660	1,670	6,660		
Total all investment properties		374,172		364,261	344,490	352,823		

1) 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.

2) Valuations made in a foreign currency have been converted at the rate of exchange ruling at reporting date.

3) 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.

4) The Garden Villages DMF Conversion villages were converted from a rental model to a deferred management fee model in December 2010 and June 2011. June 2010 comparatives are reflective of the rental valuation and the capitalisation rate.

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 10: INVESTMENT PROPERTIES (CONTINUED)

c) Movements in carrying amounts

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Completed investment property				
Carrying amount at beginning of year	346,163	462,931	203,152	197,757
Exchange rate fluctuations	(5,309)	(1,800)	(5,309)	(1,800)
Additions to existing property	1,640	1,202	21,160	1,085
Transferred from property under construction	8,605	3,547	6,782	2,970
Disposals	(10,482)	(1,394)	—	—
Transferred to discontinued operations	—	(97,965)	—	—
Net change in fair value	2,203	(20,358)	15,760	3,140
Carrying amount at end of year	342,820	346,163	241,545	203,152
Property under construction				
Carrying amount at beginning of year	6,660	8,575	3,560	2,680
Additions	5,700	2,972	5,647	2,867
Disposals	—	(312)	—	—
Net change in fair value	(2,085)	(1,028)	(2,125)	983
Transferred to investment property	(8,605)	(3,547)	(6,782)	(2,970)
Carrying amount at end of year	1,670	6,660	300	3,560

NOTE 11: EQUITY ACCOUNTED INVESTMENTS

a) Details of investments

Name	Principal activity	Ownership interest	
		2011	2010
ING Real Estate Community Living Fund			
CSH – INGRE LLC	Real estate investment	49%	49%
ING NZ Subsidiary Trust No 1 ^(1,4)	Real estate investment	—	90%
ING Real Estate CC Trust No 1 ^(1,2)	Real estate investment	—	90%
ING Real Estate Community Living Management Trust			
CSH – INGRE LLC ⁽³⁾	Real estate investment	1%	—

1) Although the Group has the economic interest shown, it does not hold a controlling interest in the voting rights of this company. Consequently, the Responsible Entity has determined that the Group's ownership interest does not give the Group the capacity to control the company but rather the power to exercise significant influence.

2) During the year ILMT acquired the interest in ING Real Estate CC Trust No 1 not held by the Fund for \$10 and as a result the entity is now a subsidiary in the Group's financial statements.

3) During the year, ILMT acquired its interest in CSH – INGRE LLC. ILMT holds 1% series A voting common shares which entitles ILMT to a 1% share of distributions and 50% of voting rights.

4) This investment is now classified as a discontinued operation and a disposal group – see note 6.

NOTE 11: EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
b) Share of assets and liabilities				
Total assets	272,783	355,199	5,456	—
Total liabilities	(227,376)	(301,989)	(4,543)	—
Net assets	45,407	53,210	913	—
c) Share of results				
Revenue	64,888	90,879	729	—
Gain/(loss) on change in fair value of:				
– Investment properties	9,310	(39,936)	216	—
– Derivatives	—	—	—	—
Expenses	(59,061)	(77,897)	(661)	—
Profit/(loss) before income tax	15,137	(26,954)	284	—
Income tax expense	—	—	—	—
Profit/(loss) for the year	15,137	(26,954)	284	—

NOTE 12: PAYABLES

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current liabilities				
Trade payables	19,597	39,183	8,808	13,603

NOTE 13: BORROWINGS

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current liabilities					
Other external debt	20 (b)	266	—	266	—
Finance leases	(c)	—	—	2,876	1,247
Loans from stapled entity	(d)	—	—	24,379	—
		266	—	27,521	1,247
Non-current liabilities					
Bank debt	(a)	96,161	98,800	—	—
Other external debt	(b)	25,354	32,998	25,354	32,999
Finance leases	(c)	—	—	34,734	16,300
Loans from stapled entity	(d)	—	—	—	18,292
		121,515	131,798	60,088	67,591

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 13: BORROWINGS (CONTINUED)

a) Bank debt

The Australian dollar denominated bank debt of \$96,161,000 (2010: \$98,800,000) is a variable rate facility expiring in February 2013. The main financial covenants to be maintained include:

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

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

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

The carrying value net of resident liabilities at reporting date of the Group's Australian properties pledged as security is \$172,599,000 (2010: \$188,211,000) (ILMT Group \$69,954,000; 2010: \$42,099,000).

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 value of \$21,130,000 (2010: \$23,667,000).

c) Finance agreements

Subsidiaries of ILMT have entered into agreements with subsidiaries of the Fund. The subject of each agreement is to lease a retirement village. The remaining term of each agreement varies between 95 and 99 years. There are no purchase options.

Minimum payments under the agreements and their present values are:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Minimum lease payments:				
Within one year	—	—	3,003	1,298
Later than one year but not later than five years	—	—	12,011	5,192
Later than five years	—	—	275,616	117,904
Total minimum lease payments	—	—	290,630	124,394
Future finance charges	—	—	(253,020)	(106,847)
Present value of minimum lease payments	—	—	37,610	17,547
Present value of minimum lease payments:				
Within one year	—	—	2,876	1,247
Later than one year but not later than five years	—	—	9,461	733
Later than five years	—	—	25,273	15,567
	—	—	37,610	17,547

d) Loans from stapled entity

The ILMT Group has a number of outstanding borrowings from the Fund and its subsidiaries. The loans are unsecured and either repayable within the next financial year or are at call.

NOTE 14: DEFERRED TAX LIABILITIES

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:				
– Investment properties	8,047	9,435	8,047	9,435
Deferred tax (benefit)/expense recognised in the income statement in respect of deferred tax liabilities is attributable to temporary differences arising from:				
– Investment properties	(1,389)	5,796	(1,389)	5,796
Deductible temporary differences for which no deferred tax asset has been recognised	117,383	161,847	—	—
Potential tax benefit	37,983	54,669	—	—

NOTE 15: ISSUED UNITS

a) Carrying amounts

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At beginning of year		490,044	490,187	3,351	3,351
Borrowing cost amortisation returned	(d)	—	(143)	—	—
At end of year		490,044	490,044	3,351	3,351
The closing balance is attributable to the unitholders of:					
– ING Real Estate Community Living Fund		486,693	486,693	—	—
– ING Real Estate Community Living Management Trust		3,351	3,351	3,351	3,351
		490,044	490,044	3,351	3,351

b) Number of issued units

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 thousands	2010 thousands	2011 thousands	2010 thousands
At beginning and end of year	441,029	441,029	441,029	441,029

c) Terms of units

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

d) Borrowing cost amortisation

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

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 16: RESERVES

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Foreign currency translation				
Balance at beginning of year	(11,481)	(11,552)	(2,397)	(2,145)
Translation differences arising during the year	(8,759)	71	1,837	(252)
Balance at end of year	(20,240)	(11,481)	(560)	(2,397)
Total reserves at end of year	(20,240)	(11,481)	(560)	(2,397)
The closing balance is attributable to the unitholders of:				
– ING Real Estate Community Living Fund	(19,680)	(9,084)	—	—
– ING Real Estate Community Living Management Trust	(560)	(2,397)	(560)	(2,397)
	(20,240)	(11,481)	(560)	(2,397)

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.

NOTE 17: ACCUMULATED LOSSES

	Note	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance at beginning of year		(368,541)	(300,967)	(13,179)	12,760
Net profit/(loss) for the year		13,051	(67,717)	9,854	(25,939)
Borrowing cost amortisation returned	15(d)	—	143	—	—
Balance at end of year		(355,490)	(368,541)	(3,325)	(13,179)

NOTE 18: COMMITMENTS

There were no commitments for capital expenditure on investment property, contracted but not provided for, at reporting date (2010: \$4,709,000, all payable within one year).

NOTE 19: 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.

NOTE 19: CAPITAL MANAGEMENT (CONTINUED)

The Group's capital position is primarily monitored through its ratio of total liabilities to total assets ("Leverage Ratio"), calculated on a look-through basis, in which the Group's interest in its joint ventures and associates are proportionately consolidated based on the Group's ownership interest. The Group's medium term strategy is to maintain the Leverage Ratio in the range of 45% – 55%. At 30 June 2011, the Leverage Ratio was 82.4%, compared to 86.2% at 30 June 2010, calculated as follows:

	ING Real Estate Community Living Group	
	2011 \$'000	2010 \$'000
Total consolidated liabilities	306,343	384,256
Plus share of liabilities of equity accounted investments	227,376	301,989
Total look-through liabilities	533,719	686,245
Total consolidated assets	420,657	494,278
Less equity accounted investments	(45,407)	(53,210)
Plus share of assets of equity accounted investments	272,783	355,199
Total look-through assets	648,033	796,267
Leverage ratio	82.4%	86.2%

In addition, the Group monitors the ratio of debt to total assets ("Gearing Ratio"), calculated on a look-through basis. At 30 June 2011, the Gearing Ratio was 69.3%, compared to 73.2% at 30 June 2010, calculated as follows:

	ING Real Estate Community Living Group	
	2011 \$'000	2010 \$'000
Total consolidated borrowings	127,342	192,509
Less cash & cash equivalents (including associates)	(20,180)	(23,332)
Net consolidated debt	107,162	169,177
Plus share of debt of equity accounted investments	235,035	293,310
Net look-through debt	342,197	462,487
Total consolidated assets	420,657	494,278
Less cash & cash equivalents	(15,041)	(20,246)
Less retirements village residents loans	(150,761)	(140,945)
Less equity accounted investments	(49,281)	(53,210)
Plus share of assets of equity accounted investments	293,425	355,199
Less cash & cash equivalents of equity accounted investments	(5,139)	(3,086)
Total look-through assets	493,860	631,990
Gearing ratio	69.3%	73.2%

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

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: 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 with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Treasury Policy are accepted and no plan of action is put in place to meet the Treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

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

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

b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates arises primarily from 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 ten-year time horizon.

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

At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 70% of the Group's borrowings are at a fixed rate of interest (30 June 2010: 100%) (ILMT Group: 100%; 30 June 2010: 73%).

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.

NOTE 20: 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:

ING Real Estate Community Living Group

30 June 2011	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
<i>Financial assets</i>					
Cash at bank	8,398	—	—	—	8,398
Short term deposits	6,457	—	—	—	6,457
<i>Financial liabilities</i>					
Bank debt denominated in AUD	96,161	—	—	—	96,161
Other external debt denominated in USD	—	266	1,250	24,104	25,620
Interest rate swaps:					
– denominated in AUD; Group pays fixed rate	(60,000)	60,000	—	—	—
Weighted average interest rates					
<i>Financial assets</i>					
Cash at bank	4.3%	—	—	—	na
Short term deposits	4.7%	—	—	—	na
<i>Financial liabilities</i>					
Bank debt denominated in AUD	6.7%	—	—	—	na
Other external debt denominated in USD	—	6.0%	6.0%	6.5%	na
Interest rate swaps:					
– denominated in AUD; Group pays fixed rate	4.9%	5.5%	—	—	na

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:

ING Real Estate Community Living Group

30 June 2010	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
<i>Financial assets</i>					
Cash at bank	7,041	—	—	—	7,041
Short term deposits	12,690	—	—	—	12,690
<i>Financial liabilities</i>					
Bank debt denominated in AUD	98,800	—	—	—	98,800
Other external debt denominated in USD	—	327	1,499	31,172	32,998
Cross currency swaps – receive AUD	(103,495)	(95,275)	—	—	(198,770)
Cross currency swaps – pay USD	—	219,857	—	—	219,857
Interest rate swaps:					
– denominated in AUD; Group pays fixed rate	(60,000)	60,000	—	—	—
Weighted average interest rates					
<i>Financial assets</i>					
Cash at bank	1.3%	—	—	—	na
Short term deposits	3.8%	—	—	—	na
<i>Financial liabilities</i>					
Bank debt denominated in AUD	6.5%	—	—	—	na
Bank debt denominated in USD	3.8%	—	—	—	na
Other external debt denominated in USD	—	6.0%	6.0%	6.5%	na
Interest rate swaps:					
– denominated in AUD; Group pays fixed rate	2.8%	5.5%	—	—	na

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

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

ING Real Estate Community Living Group Management Trust

30 June 2011	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
<i>Financial assets</i>					
Cash at bank	3,095	—	—	—	3,095
Short term deposits	10	—	—	—	10
<i>Financial liabilities</i>					
Finance leases	—	2,876	9,461	25,273	37,610
Other external debt denominated in USD	—	266	1,250	24,104	25,620
Weighted average interest rates					
<i>Financial assets</i>					
Cash at bank	4.3%	—	—	—	na
Short term deposits	4.7%	—	—	—	na
<i>Financial liabilities</i>					
Finance leases	—	8.0%	8.0%	8.0%	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.

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

ING Real Estate Community Living Group Management Trust

30 June 2010	Floating interest rate	Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
<i>Financial assets</i>					
Cash at bank	3,069	—	—	—	3,069
Short term deposits	161	—	—	—	161
<i>Financial liabilities</i>					
Finance leases	—	1,247	733	15,567	17,547
Other external debt denominated in USD	—	327	1,499	31,173	32,999
Loan from stapled entity	18,292	—	—	—	18,292
Weighted average interest rates					
<i>Financial assets</i>					
Cash at bank	1.3%	—	—	—	na
Short term deposits	3.8%	—	—	—	na
Loan to stapled entity	4.9%	—	—	—	na
<i>Financial liabilities</i>					
Finance leases	—	7.4%	7.4%	7.4%	na
Other external debt denominated in USD	—	6.5%	6.5%	6.5%	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.

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

d) Interest rate sensitivity analysis

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

i) Increase in average interest rates of 1%

		Effect on profit after tax	
		ING Real Estate Community Living Group	ING Real Estate Community Living Management Trust
		Higher/(lower)	Higher/(lower)
		2011 \$'000	2010 \$'000
			2011 \$'000
			2010 \$'000

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

Variable interest rate instruments denominated in:

Australian dollars	(288)	(257)	—	—
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The effect on change in fair value of derivatives would have been:

Fixed interest rate instruments denominated in:

Australian dollars	973	1,273	—	—
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ii) Decrease in average interest rates of 1%

		Effect on profit after tax	
		ING Real Estate Community Living Group	ING Real Estate Community Living Management Trust
		Higher/(lower)	Higher/(lower)
		2011 \$'000	2010 \$'000
			2011 \$'000
			2010 \$'000

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

Variable interest rate instruments denominated in:

Australian dollars	288	257	—	—
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The effect on change in fair value of derivatives would have been:

Fixed interest rate instruments denominated in:

Australian dollars	(979)	(1,292)	—	—
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Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

e) Foreign exchange risk

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

The Group reduces its exposure to the foreign exchange risk inherent in the carrying value of 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 aims to reduce any residual exposure to its earnings arising because of its investment in offshore markets by using forward exchange contracts. The Treasury Policy sets out targets of minimum and maximum hedging of its earnings from offshore properties over a five-year time horizon.

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

f) Net foreign currency exposure

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

	Net foreign currency asset/(liability)			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United States dollars	4,065	1,884	—	—
Canadian dollars	—	313	—	—
New Zealand dollars	3	4	—	—
	4,068	2,201	—	—

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.

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

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

Foreign exchange risk exposures denominated in:

United States dollars	(407)	(183)	—	—
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NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

		Effect on profit after tax			
		ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
		Higher/(lower)		Higher/(lower)	
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000

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

Foreign exchange risk exposures denominated in:

	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
United States dollars	407	223	—	—

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

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

h) Foreign exchange derivatives held

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

At balance sheet date, none of the following foreign exchange derivatives qualifies for hedge accounting and gains and losses arising from changes in fair value have been taken to the income statement. The consolidated gain for the year ended 30 June 2011 was \$Nil (2010: \$14,045,000 gain).

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

	ING Real Estate Community Living Group					
	Weighted average exchange rate		Principal amount			
	2011	2010	2011	2010	2010	2010
Maturing	2011	2010	AUD m	USD m	AUD m	USD m
Within one year	—	0.9300	—	—	198,770	184,856

i) Credit risk

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

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

Both Groups assess the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon the expiry of their leases. Factors taken into account when assessing credit risk include the aggregate exposure the Groups may have to the prospective tenant if the counterparty is already a tenant in the Groups' portfolio; the strength of the prospective tenant's business; the level of its commitment to locating in the Groups' property; and any form of security, for example a rental bond, to be provided.

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

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

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

j) Liquidity risk

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

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Group monitors adherence to loan covenants on a regular basis, and the 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.

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

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

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

	ING Real Estate Community Living Group			
	2011			
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	19,597	—	—	19,597
Retirement village residents loans	150,761	—	—	150,761
Borrowings	10,607	110,194	31,526	152,327
	180,965	110,194	31,526	322,685

	ING Real Estate Community Living Group			
	2010			
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	39,183	—	—	39,183
Retirement village residents loans	140,945	—	—	140,945
Borrowings	6,698	124,470	45,334	176,502
	186,826	124,470	45,334	356,630

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

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

ING Real Estate Community Living Management Trust				
2011				
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade & other payables	8,808	—	—	8,808
Retirement village residents loans	150,761	—	—	150,761
Borrowings	1,937	7,717	31,526	41,180
	161,506	7,717	31,526	200,749

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

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

ING Real Estate Community Living Group				
2011				
	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Liabilities				
Derivative liabilities – net settled	261	112	—	373

The contractual maturities of the Group's derivative financial liabilities at 30 June 2010, on the same basis, were:

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

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

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. This analysis is based on the retirement village residents' loans in existence at reporting date.

	Effect on profit after tax			
	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	Higher/(lower)		Higher/(lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Increase in market prices of retirement village units of 10%	(14,700)	(13,743)	(14,700)	(13,743)
Decrease in market prices of retirement village units of 10%	14,700	13,743	14,700	13,743

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

l) Fair value

The Group uses the following fair value measurement hierarchy:

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

Level 2: fair value is calculated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: fair value is calculated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The fair value of derivatives was calculated as the net present value of future payment obligations discounted at market rates adjusted for the Group's credit risk. The fair value of retirement village residents' loans was measured as the ingoing resident's contribution plus the resident's share of capital appreciation to reporting date, less deferred management fee accrued to reporting date. These valuation techniques use both observable and unobservable market inputs.

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

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

The following tables present the Group's and the ILMT Group's financial instruments that were measured and recognised at fair value at reporting date.

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

	ING Real Estate Community Living Group			
	2011			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities				
Retirement village residents' loans	—	—	150,761	150,761
Derivatives	—	482	—	482
	—	482	150,761	151,243

	ING Real Estate Community Living Management Trust			
	2011			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities				
Retirement village residents' loans	—	—	150,761	150,761

The following tables present both Groups' financial instruments that were measured and recognised at fair value at 30 June 2010.

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

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

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in the Group's level 3 instruments for each financial year.

	ING Real Estate Community Living Group	
	Retirement village residents' loans	
	2011 \$'000	2010 \$'000
Opening balance	140,945	119,569
Gains & losses recognised in profit or loss	(182)	3,310
Net movement	9,998	18,066
Closing balance	150,761	140,945

The changes in ILMT's level 3 instruments were the same as the Group's.

The current market value of the independent living units is an input to the valuation of retirement village residents loans. Changing the value used for this input by an increase of 10% would increase the fair value of these loans by \$14,700,000 (2010: \$13,743,000).

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

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

	ING Real Estate Community Living Group			
	2011		2010	
	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000
Other external debt	24,075	25,620	32,552	32,998

	ING Real Estate Community Living Management Trust			
	2011		2010	
	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000
Other external debt	24,075	25,620	32,552	32,998

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

NOTE 21: AUDITOR'S REMUNERATION

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$	2010 \$	2011 \$	2010 \$
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	332,220	220,884	—	—
Other services – assurance related	6,338	6,150	—	—
	338,558	227,034	—	—

NOTE 22: CONTINGENCIES

ILMT has guaranteed the bank debt of the Fund amounting to \$96,161,000 at 30 June 2011 (2010: \$98,800,000) and amounts owing by the Fund under derivative contracts, the fair value of which at 30 June 2011 was \$482,000 (2010: \$16,772,000).

Due to ILMT being in a net asset deficient position at 30 June 2011, the Fund has granted ILMT a letter of financial support to ensure that ILMT can meet its financial obligations as and when they fall due for the next twelve months.

NOTE 23: RELATED PARTIES

a) Responsible Entity

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

b) Fees of the Responsible Entity and its related parties

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$	2010 \$	2011 \$	2010 \$
ING Management Limited:				
Asset management fees	1,836,014	3,273,906	379,000	342,000

The amount accrued and recognised but unpaid at reporting date was:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$	2010 \$	2011 \$	2010 \$
Asset management fees	10,513,449	9,597,172	913,791	669,000

The Responsible Entity waived its right to asset management fees as follows:

- all fees before 1 October 2006;
- year ended 30 June 2008, \$305,000; and
- year ended 30 June 2009, \$724,000.

c) Holdings of the Responsible Entity and its related parties

Holdings in each Trust of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2011 were:

Name	Number of units held
ING Real Estate International Investments III BV	28,285,706

That holding is unchanged from 30 June 2010. There were no distributions received or receivable by that party in either financial year.

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 23: RELATED PARTIES (CONTINUED)

d) Key management personnel

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

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

Michael Coleman	Chairman; appointed 1 July 2011
Hein Brand	Appointed 1 June 2011
Philip Clark AM	
Michael Easson AM	
Richard Colless AM	Resigned 22 September 2010
Scott MacDonald	Appointed 4 April 2011; resigned 13 July 2011
Kevin McCann AM	Appointed 23 September 2010; resigned 30 June 2011
Paul Scully	Resigned 30 June 2011
Christophe Tanghe	Resigned 31 May 2011

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

Denis Hickey	IML Chief Executive Officer
Danny Agnoletto	IML Chief Financial Officer
Simon Owen	Fund Chief Executive 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 Fund by each key management person, including their related parties, were:

	2011	2010
Paul Scully		
Held at the beginning and end of the financial year	20,352	20,352
Philip Clark		
Held at the beginning of the financial year	90,151	30,000
Acquisitions	—	60,151
Held at the end of the financial year	90,151	90,151
Simon Owen		
Held at the beginning of the financial year	367,600	—
Acquisitions	—	367,600
Held at the end of the financial year	367,600	367,600

There were no distributions received or receivable by those parties in either financial year.

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

NOTE 24: PARENT FINANCIAL INFORMATION

Summary financial information about the Parent of each Group is:

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets	24,974	41,228	8,269	914
Total assets	207,802	232,817	9,178	3,276
Current liabilities	10,861	26,494	1,734	951
Total liabilities	109,922	125,905	9,713	951
Unitholders equity:				
– Issued units	486,694	486,694	3,351	3,351
– Accumulated losses	(388,814)	(379,782)	(3,886)	(1,026)
Total unitholders' equity	97,880	106,912	(535)	2,325
Net loss attributable to unitholders of each Trust	(9,032)	(59,561)	(2,860)	(663)
Total comprehensive income	(9,032)	(59,561)	(2,860)	(663)

NOTE 25: 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(d):

Name	Country of residence	Ownership interest	
		2011 %	2010 %
Subsidiaries of ING Real Estate Community Living Fund			
Bridge Street Trust	Australia	100	100
Browns Plains Road Trust	Australia	100	100
Casuarina Road Trust	Australia	100	100
Edinburgh Drive Trust	Australia	100	100
ILF Regency Subsidiary Trust	Australia	100	100
ING Community Living Fund Inc	United States of America	100	100
ING Community Living LLC	United States of America	100	100
ING Community Living Oak Tree Subsidiary Trust No.1	Australia	100	100
ING Community Living Subsidiary Trust No. 1	Australia	100	100
ING Community Living Subsidiary Trust No. 2	Australia	100	100
ING Kiwi Communities Subsidiary Trust No. 1	Australia	100	100
ING Real Estate Community Living Regency Subsidiary Trust	Australia	100	100
ING Sunny Trust	Australia	100	100
ING US Students No. 1, LLC	United States of America	100	100
ING US Students No. 2, LLC	United States of America	100	100
ING US Students No. 3, LLC	United States of America	100	100
ING US Students No. 4, LLC	United States of America	100	100
ING US Students No. 5, LLC	United States of America	100	100
ING US Students No. 6, LLC	United States of America	100	100
ING US Students No. 7, LLC	United States of America	100	100
ING US Students No. 8, LLC	United States of America	100	100
ING US Students No. 9, LLC	United States of America	100	100
ING US Students No. 10, LLC	United States of America	100	100

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 25: SUBSIDIARIES (CONTINUED)

Name	Country of residence	Ownership interest	
		2011 %	2010 %
Subsidiaries of ING Real Estate Community Living Fund (Continued)			
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
Garden Villages Management Trust	Australia	100	100
ING Real Estate CC Trust No. 1	Australia	100	—

The Group's voting interest in its subsidiaries is the same as its ownership interest.

NOTE 26: SEGMENT INFORMATION

a) Description of segments

The Fund invests in seniors accommodation properties located in Australia and the United States. The rental properties in Australia are the Garden Villages segment, the deferred management fee properties in Australia are the Settlers segment and the rental properties in the United States are the United States Seniors segment. The Fund has identified its operating segments based on internal reporting to the chief operating decision maker. Other parts of the Group are neither an operating segment nor part of an operating segment. Assets that do not belong to an operating segment are described below as "unallocated".

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
b) Segment revenue				
Revenues from external customers:				
– Garden Villages	21,643	20,434	21,643	20,380
– Settlers	4,804	5,670	4,804	5,670
– United States Seniors	1,942	1,724	1,942	1,724
Total segment revenue	28,389	27,828	28,389	27,774
Interest income	469	463	80	358
Total revenue	28,858	28,291	28,469	28,132

NOTE 26: SEGMENT INFORMATION (CONTINUED)

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
c) Segment result				
Garden Villages	7,214	5,235	(5,146)	(5,865)
Settlers	2,822	5,027	3,515	5,260
United States Seniors	7,681	21,041	1,994	1,684
Total segment result	17,717	31,303	363	1,079
Interest income	469	—	80	—
Net foreign exchange loss	(448)	(1,298)	81	—
Net gain on disposal of investment properties	2,256	—	—	—
Net gain on change in fair value of:				
– Investment properties	612	(21,488)	14,128	4,123
– Derivatives	(2,149)	14,045	—	—
– Retirement village residents' loans	182	(7,825)	182	(7,825)
– Investment properties included in share of net profit of equity accounted investments	9,310	(39,936)	216	—
Finance costs	(8,737)	(10,404)	(3,899)	(3,182)
Responsible Entity's fees	(1,836)	(3,274)	(379)	(342)
Other expenses	(1,498)	(2,420)	(220)	(4)
Gain on revaluation of newly constructed retirement villages	(2,743)	(3,456)	(2,072)	(3,687)
Borrowing cost amortisation returned	—	(143)	—	—
Discount on deferred purchase consideration included in share of net profit of equity accounted investments	—	200	—	—
Income tax (benefit)/expense	1,320	(5,812)	1,388	(5,796)
Profit/(loss) from continuing operations	14,455	(50,508)	9,868	(15,634)
d) Segment assets				
Garden Villages	124,270	132,770	34,384	1,689
Settlers	205,015	203,104	192,093	185,516
United States Seniors	69,634	71,859	25,019	27,268
Total segment assets	398,919	407,733	251,496	214,473
Now discontinued	10,047	67,628	—	100
Unallocated	11,691	18,917	3,195	10,370
	420,657	494,278	254,691	224,943

Notes to the Financial Statements

Year ended 30 June 2011

NOTE 26: SEGMENT INFORMATION (CONTINUED)

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
e) Other information				
Share of net profit of equity accounted investments:				
– United States Seniors	15,137	(26,954)	284	—
Net gain on change in fair value of investment property:				
– Garden Villages	(50)	(22,902)	8,747	—
– Settlers	(2,138)	9,011	2,581	11,720
– United States Seniors	2,800	(7,597)	2,800	(7,597)
	612	(21,488)	14,128	4,123
Carrying amount of equity accounted investments:				
– United States Seniors	45,407	43,865	913	—
Additions to investment properties and equity accounted investments:				
– Garden Villages	1,669	541	21,191	—
– Settlers	5,671	3,257	5,616	3,257
– United States Seniors	763	7,562	—	892

NOTE 27: NOTES TO THE CASH FLOW STATEMENTS

a) Reconciliation of profit to net cash flows from operations

	ING Real Estate Community Living Group		ING Real Estate Community Living Management Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net profit/(loss) for the year	13,051	(67,717)	9,854	(25,939)
Adjustments for:				
– Realised translation reserve on disposal	—	6,964	—	(163)
– Unrealised foreign exchange (gain)/loss	653	(196)	(46)	6
– Net gain on disposal of investment properties	(2,256)	—	—	—
– Net (gain)/loss on change in fair value of:				
– Investment properties – continuing	(612)	21,488	(14,128)	(4,123)
– Investment properties – discontinued	(1,673)	30,388	—	—
– Derivatives	2,149	(14,045)	—	—
– Retirement village residents' loans	(182)	7,825	(182)	7,825
– Equity accounted investments – discontinued	(205)	(11,676)	14	11,661
– Debt – discontinued	—	(27,131)	—	—
– Excess/(deficit) of distributions received from equity accounted investments over share of profits				
– Continuing	(11,342)	34,856	(267)	—
– Discontinued	4,310	14,646	—	(280)
Deferred income tax expense				
Continuing	(1,389)	5,796	(1,389)	5,796
Discontinued	—	(1,551)	—	(402)
Net cash movement before changes in working capital	2,504	(353)	(6,144)	(5,619)
Changes in working capital:				
– (Increase)/decrease in receivables	(1,956)	2,296	1,358	(1,681)
– Increase in retirement village residents' loans	8,675	13,551	9,150	13,551
– Increase/(decrease) in other payables	(590)	(861)	2,724	57
Net cash provided by operating activities	8,633	14,633	7,088	6,308

NOTE 28: SUBSEQUENT EVENTS

On 19 July 2011, the Group announced that it had contracted to sell its 50% interest in 15 of its 21 United States seniors communities to its joint venture partner, Chartwell Seniors Housing Real Estate Investment Trust for \$160.0 million. The sale price is in line with the December 2010 book value and settlement of this transaction is anticipated in October 2011, pending regulatory and property debt approvals. The debt associated with these properties is included in this sale transaction. After this sale, the Group's sole United States seniors exposure will be the remaining six properties located on Long Island, New York.

Directors' Declaration

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 Group and of ING Real Estate Community Living Management Trust are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of each Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that ING Real Estate Community Living Group and ING Real Estate Community Living Management Trust will be able to pay their debts as and when they become due and payable.
- 2) The notes to the financial statements include an explicit and unreserved statement of compliance with international financial reporting standards at note 1.
- 3) This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2011.

On behalf of the directors



Michael Coleman

Chairman

Sydney, 26 August 2011

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

Report on the Financial Report

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

- the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in unitholders' interest and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated stapled entity (the "ING Real Estate Community Living Group") comprising both ING Real Estate Community Living Fund and the entities it controlled, and ING Real Estate Community Living Management Trust and the entities it controlled year end or from time to time during the financial year.
- the consolidated balance sheet as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in unitholders' interest and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of ING Real Estate Community Living Management Trust, comprising ING Real Estate Community Living Management Trust and the entities it controlled at the year 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 of the Trusts are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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


Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity of the Trusts a written Auditor's Independence Declaration, a copy of which follows the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of ING Real Estate Community Living Group and ING Real Estate Community Living Management Trust is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of ING Real Estate Community Living Group and ING Real Estate Community Living Management Trust as at 30 June 2011 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).



Ernst & Young



Chris Lawton
Partner
Sydney
26 August 2011

Top 20 Unitholders

Rank	Name of Unitholder	Number of Units held at 31 August 2011	%
1	National Nominees Limited	40,821,869	9.26%
2	Citicorp Nominees Pty Limited	32,265,368	7.32%
3	ING Real Estate International Investments III B V	28,285,706	6.41%
4	J P Morgan Nominees Australia Limited	23,893,851	5.42%
5	Mr Vasilios Votsaris	22,069,616	5.00%
6	Mr Simon Marais	15,688,264	3.56%
7	Bond Street Custodians Limited <Officium Special Situat A/C>	13,559,188	3.07%
8	Y S Chains Pty Ltd	13,500,000	3.06%
9	HSBC Custody Nominees (Australia) Limited	12,545,433	2.84%
10	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	11,865,898	2.69%
11	McNeil Nominees Pty Limited	10,000,000	2.27%
12	Murdesk Investments Pty Ltd	9,116,801	2.07%
13	J P Morgan Nominees Australia Limited <Cash Income A/C>	8,451,175	1.92%
14	Bond Street Custodians Ltd <Macq Aust Microcap Fund A/C>	6,986,511	1.58%
15	Mr Robert Bradfield <Summers Bradfield S/F 2 A/C>	5,000,000	1.13%
16	Mr Anthony Charles Patrick Cotterell <Ancot A/C>	4,700,000	1.07%
17	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	4,221,096	0.96%
18	Blueflag Holdings Pty Ltd <The Blueflag A/C>	4,000,000	0.91%
19	Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	3,436,319	0.78%
20	Woodduck Pty Ltd <Superannuation Fund A/C>	3,200,000	0.73%
20	Mr Vincent Paul Godfrey Cotterell <Vincot A/C>	3,200,000	0.73%
Total		276,807,095	62.76%

RANGE OF UNITHOLDERS

Range	Number of holders	Number of units	%
1 to 1,000	185	66,767	0.02
1,001 to 5,000	764	2,574,277	0.58
5,001 to 10,000	856	6,850,328	1.55
10,001 to 50,000	1,688	40,142,014	9.10
50,001 to 100,000	263	20,051,809	4.55
100,001 and Over	306	371,343,999	84.20
Total	4,062	441,029,194	100.00

Enquiries relating to ING Real Estate Community Living Group can be directed to the ING Real Estate Investor Services line on 1300 653 497 (or from outside Australia +61 2 8280 7057). This service is available from 8.30am to 5.30pm (Sydney time) on all business days.

WWW.INGREALESTATE.COM.AU

You can visit the ING Real Estate website to find information on the Fund, its property portfolio and recent unit price. While visiting the website unitholders can access their investment details including holding balance and payment history. Past Annual Reports along with all ASX announcements made by the Fund are also available.

DISTRIBUTION PAYMENTS AND ANNUAL TAXATION STATEMENT

The Fund did not pay a distribution during the 2011 Financial Year and therefore did not issue a tax statement.

DISTRIBUTION REINVESTMENT PLAN

The distribution reinvestment plan (DRP) is currently switched off. Should this change, an ASX announcement will be made to the market and participation forms will be sent to investors.

2011/2012 UNITHOLDER CALENDAR ¹

Annual Unitholder Meeting	December 2011
2012 Annual Report	30 September 2012

PRIVACY POLICY

ING Management Limited is committed to ensuring the confidentiality and security of your personal information. The ING Privacy Policy, detailing our handling of personal information, is available on our website www.ingrealestate.com.au

COMPLAINTS

Any unitholder wishing to register a complaint should direct it to Investor Services in the first instance, at the Responsible Entity's address listed previously in this Report.

ING Management Limited is a member of an independent dispute resolution scheme, the Financial Ombudsman Service (FOS). If a unitholder feels that a complaint remains unresolved or wishes it to be investigated further, FOS can be contacted as below:

By telephone: 1300 780 808
In writing: Financial Ombudsman Service
GPO Box 3, Melbourne VIC 3007
By email: info@fos.org.au
Website: www.fos.org.au

1) These dates are indicative only and subject to change.

DISCLAIMER

This report was prepared by ING Management Limited (ABN 15 006 065 032) (the "Responsible Entity") in respect of ING Real Estate Community Living Group (Comprising ING Real Estate Community Living Management Trust ARSN 122 928 410 & ING Real Estate Community Living Fund ARSN 107 459 576) ("ILF"). Information contained in this report is current as at 30 June 2011. This report is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this report constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this report, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This report does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

ING REAL ESTATE COMMUNITY LIVING GROUP

ING Real Estate Community Living Management Trust
ARSN 122 928 410

ING Real Estate Community Living Fund
ARSN 107 459 576

RESPONSIBLE ENTITY

ING Management Limited
ABN 15 006 065 032
AFS Licence No: 237534

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DIRECTORS OF IML (AS AT 31 AUGUST 2011)

M Coleman (Chairman)
P Clark AM
M Easson AM
H Brand

SECRETARY

S Wiesener

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