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 structures 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.