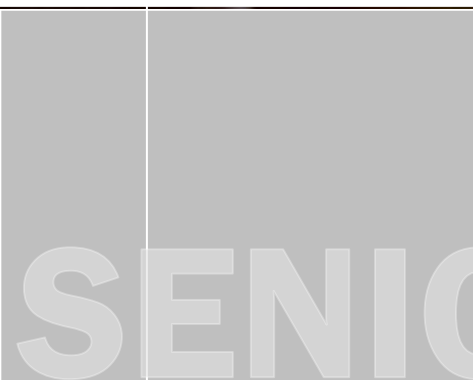


# ING Real Estate Community Living Group

Half Year Results Presentation  
31 December 2011

Simon Owen  
Chief Executive Officer

23 February 2012



# Agenda

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Highlights

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Strategic Review

---

Fund Overview

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Key Financials

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Capital Management

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Portfolio Update

---


Strategy and Outlook

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Appendices

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# Highlights




## Improving operational performance

- > Garden Villages Rental occupancy rising to 80.1% as at 31 December 2011 and on track to achieve long term target of 89.0%
- > Strong sales momentum of the DMF Conversion assets continues with 48 settlements achieved and 16 units contracted and reserved as at 31 December 2011. To date over 31% of units across the conversion assets are sold, under contract or reserved.



## Monetising offshore assets

- > A\$29.4m net of transaction costs realised on the 2011 sale of 15 US communities across nine States
- > Continue to advance possible sale of remaining six US communities in Long Island New York at premium to December 2011 book value



## Improved capital position

- > Recent asset sales and improving operational performance has significantly improved debt and capital position
- > Effective Australian LVR lowered to 40.0% resulting in 100 bps margin reduction
- > Fund has sufficient capital to develop internal pipeline and to consider bolt-on acquisitions
- > Likely recommencement of distributions from recurrent earnings in 2012 coupled with capital management initiatives including unit buy-back

# Strategic review

The Board has endorsed **internalisation** as the preferred go-forward strategy for the Fund

- > Thorough process undertaken with careful consideration given to multiple alternatives
- > Strong unitholder support for a focused, growth oriented Australian Seniors Living Fund
- > Well respected industry executive and director, Jim Hazel, has agreed to assume the role of Non-Executive Independent Chairman of the internalised fund
- > Management is working with the Board and ING to finalise a proposal capable of being recommended by the Board and being accepted by unitholders
- > In the absence of a superior offer, details of the internalisation proposal will be presented to unitholders at an Extraordinary General Meeting in May 2012

# Strategic review

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## The Board and management finalising details of the internalisation proposal

- > Internalisation would see a rebranded ILF remain as an ASX listed fund
- > Key executives will continue with internalised fund and will maintain focus on building a profitable, leading Australian seniors living business
- > Internalisation provides for improved alignment between management and unitholders – unwavering focus on earnings, cashflow, profitable growth and reinstatement of distributions
- > ING has agreed to provide financial and transitional support for internalisation

# Fund overview

## ING Real Estate Community Living Group (ILF)

### Our focus is to build and operate a profitable growth oriented Australian Seniors Living Fund

#### AUSTRALIAN PORTFOLIO



##### Garden Villages Portfolio (A\$88.3m)

- Australian Rental portfolio
- 100% ILF ownership
- 26 assets across Australia



##### DMF Conversion Villages (A\$23.7m)

- Assets undergoing conversion from rental model to DMF
- 100% ILF ownership
- 3 assets based in Queensland



##### Settlers Lifestyle Portfolio (A\$57.3m)

- Australian DMF portfolio
- 100% ILF ownership
- 4 assets, primarily located in WA

#### OVERSEAS PORTFOLIO<sup>1</sup>



##### US Seniors New York Portfolio (US\$163.7m)<sup>2</sup>

- Rental portfolio, JV with a leading seniors housing REIT
- 50% ILF ownership of 5 assets (100% of Lynbrook)
- Located in premium market of Long Island, NY



##### NZ Students Portfolio (NZ\$23.2m)<sup>3</sup>

- 3 assets based in Wellington
- 90% ILF ownership

1. The exit of US Students is nearly complete with one remaining asset due to be handed back by late February 2012
2. Represents ILF's interest of 50% of 5 communities and 100% of 1 community (Lynbrook) in the Bristol portfolio
3. Represents ILF's interest of 90%

Note: All figures as at 31 December 2011

# Key financials



# Key financials

## Results reflect transition to core Australian business

Key Financial Metrics		6 months to 31 Dec 2011	6 months to 31 Dec 2010
Net profit / (loss)	\$m	29.1	10.3
Operating income – continuing operations <sup>1</sup>	\$m	1.7	1.6
Operating income – discontinuing operations <sup>1</sup>	\$m	2.4	3.0
Operating income - total <sup>1</sup>	\$m	4.1	4.6
Operating income per unit	cents	0.9	1.0
Net cashflow from operations	\$m	3.2	4.3
		31 Dec 2011	30 Jun 2011
Look through gearing	%	52	69
Effective Australian LVR	%	< 40.0 <sup>2</sup>	55.7
Net asset value (NAV) per unit	cents	33.2	25.9
Assets under management	\$m	Proforma 561.3	644.0

> Value uplift of US\$31.5m in New York portfolio has significantly contributed to higher net profit and net asset value

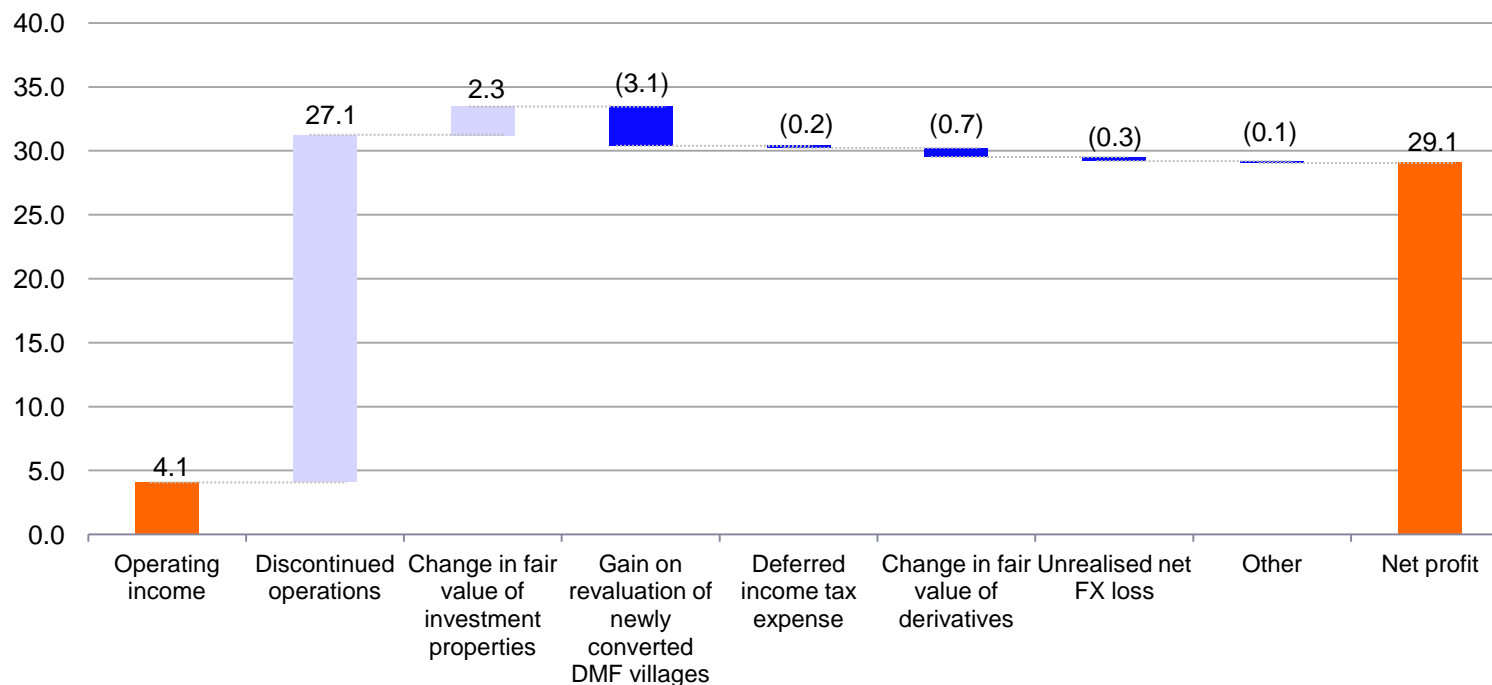
- Operating income is a non-IFRS measure that presents, in the opinion of the Directors, the operating activities of ILF in a way that reflects its underlying performance. Operating profit excludes items such as unrealised fair value gains / (losses), and includes the uplift in value of DMF units on first loan life leases. The reconciliation between net profit and operating profit is provided on slide 10 and has not been audited or reviewed by Ernst and Young.
- Effective Australian LVR represents the application of part of the US asset sale proceeds to Australian debt reduction. As at 31 December 2011, these are held on deposit pending debt restructure negotiations. Actual LVR as at 31 December 2011 – 49.4% (refer to Appendix 2 – Look through balance sheet)



# Key financials

## Operating result versus net result

Net profit driven by increase in valuation of New York portfolio



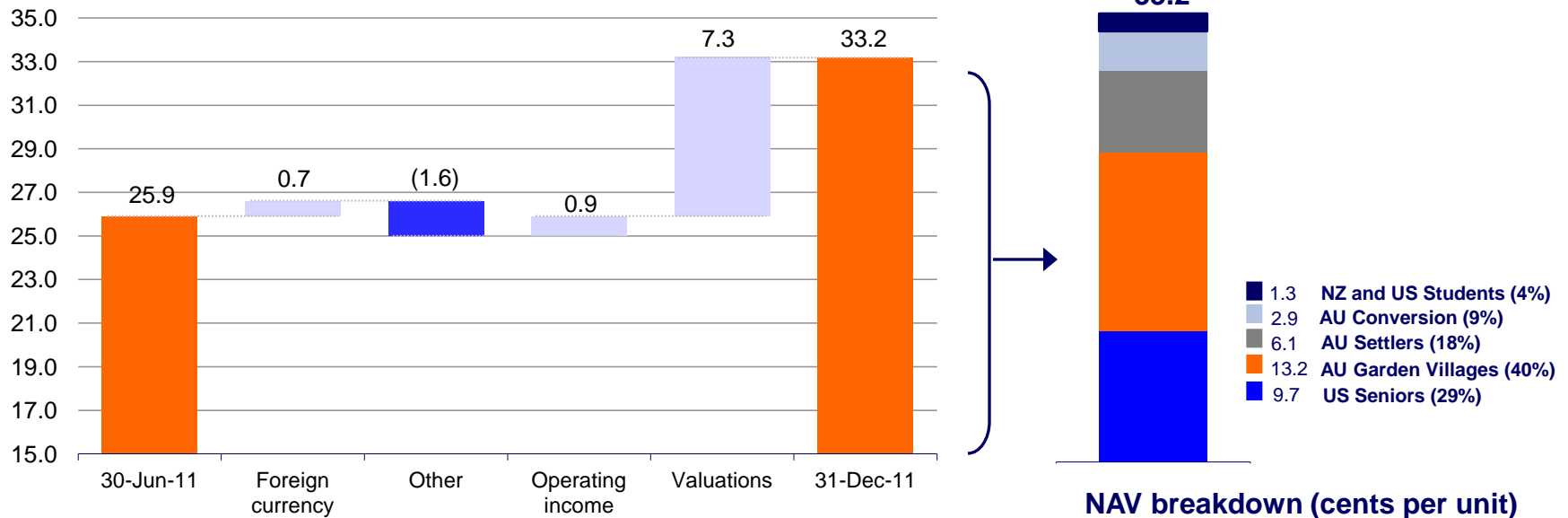
Note:

- Discontinued operations consist of three categories in the reconciliation found in the Director's Report between Statutory profit and Operating income. These categories are "Profit from discontinued operations", "Operating income from discontinued operations", and "Unrealised net FX loss"

# Key financials

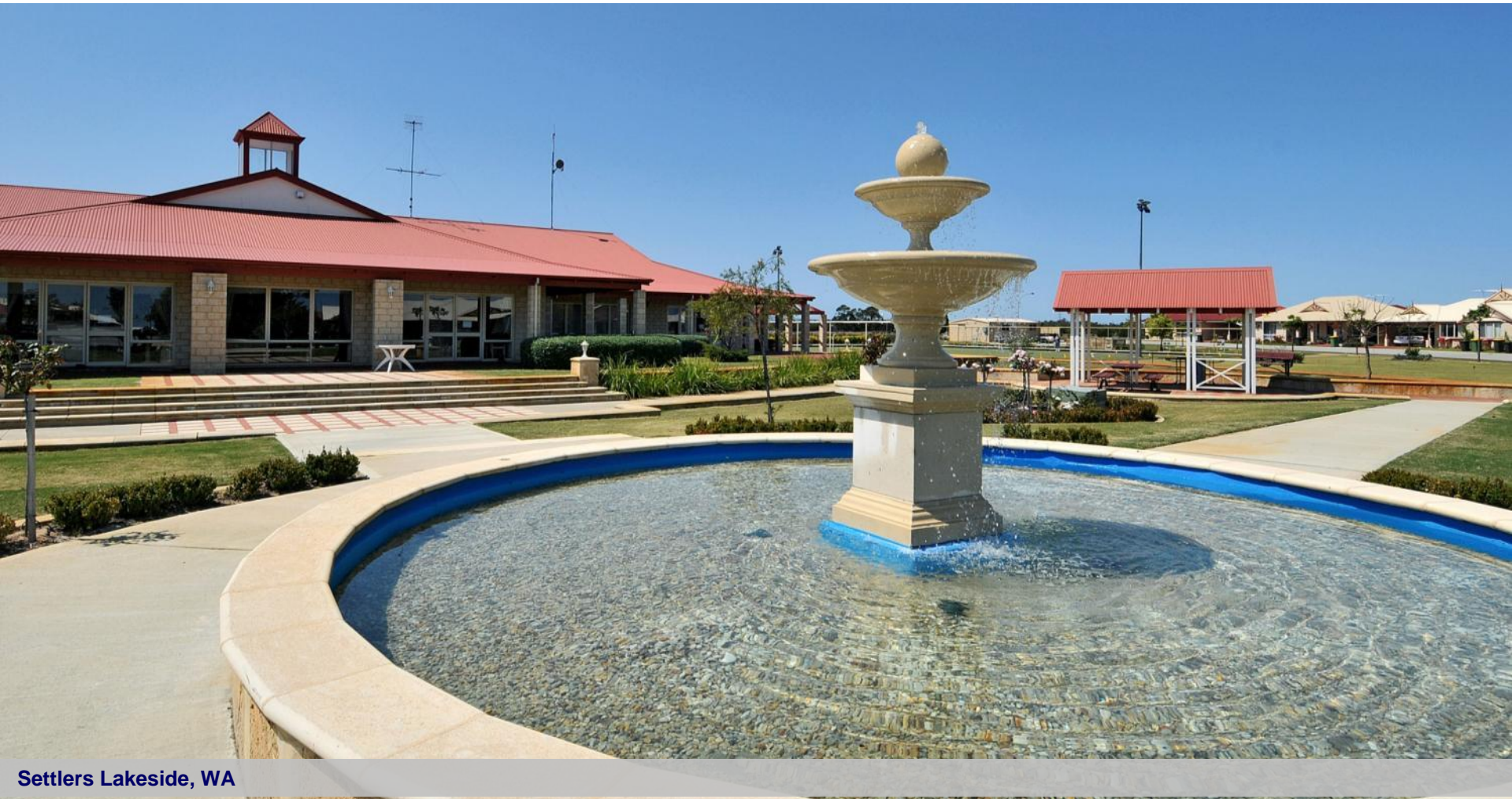
## Movement in NAV uplift driven by firming US values

A\$ cents per unit



> Revaluation of US Seniors portfolio supported by external valuations as at 31 December 2011 and continuing expressions of interest

# Capital management



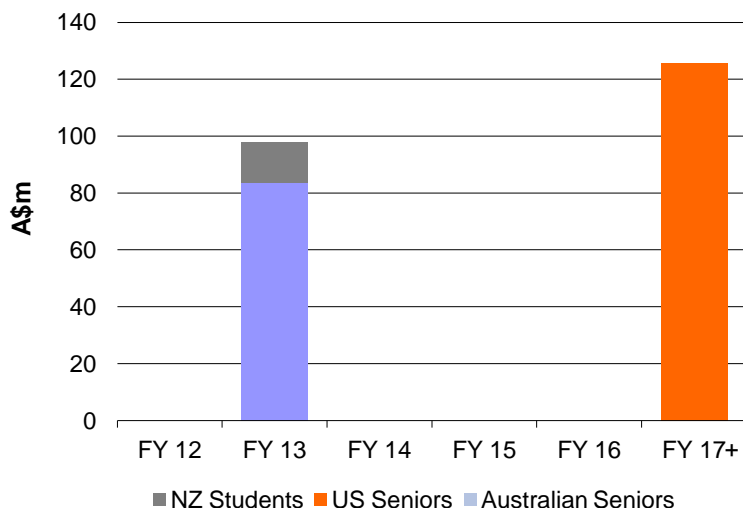
Settlers Lakeside, WA

# Capital management

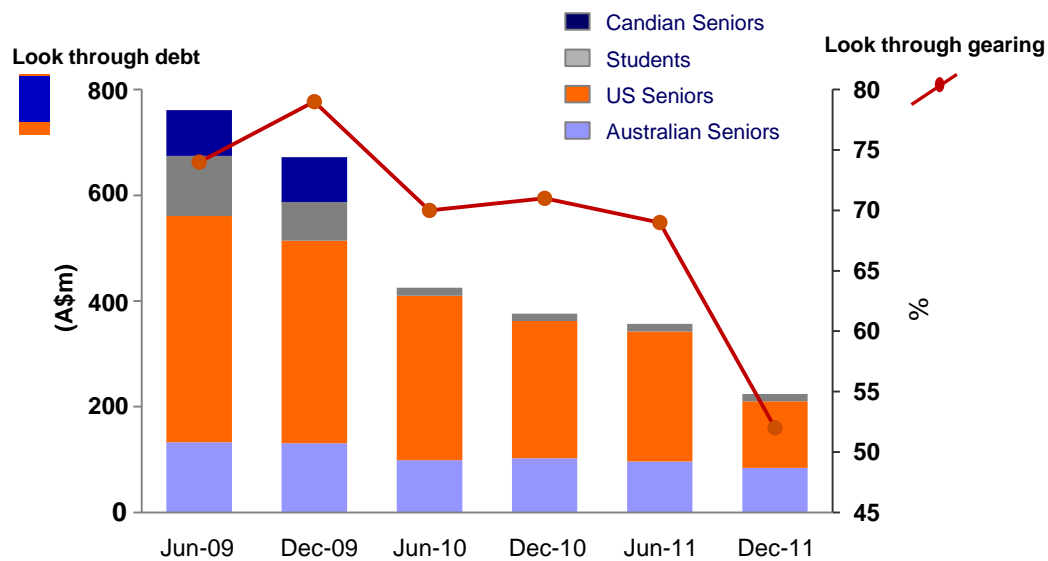
Recent sale proceeds and improving operations have reduced gearing and enable fund growth

- > NZ\$20.8m students debt facility extended to August 2012
- > Remaining New York portfolio is highly geared at 72% but is non-recourse, fixed rate, long term and covenant light
- > Debt and gearing likely to reduce further with future non-core asset sales and improved operational performance

## Debt maturity profile – 31 December 2011



## Historical look through debt reduction over past 3 years



Note: Students debt component comprises US Students and NZ Students debts in 2009, while June 2010 to June 2011 Students debt represents NZ Students only

# Capital management

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## Continuing disciplined approach to capital allocation

- > Australian debt position supported by performing rental business, sell down of conversion units and increasing exposure to village expansion and development activities
- > Target Australian LVR of 30 – 40% sustained by strong interest coverage
- > Fund confirms the intention to recommence distributions in 2012, funded through operational earnings
- > Balance use of capital for new developments and acquisitions against potential unit buy-back or return of capital
- > Target a minimum of 20% unlevered IRR on new development and 15% unlevered IRR on acquisition opportunities
- > Discussions well advanced on refinancing of existing Australian debt facility












# Portfolio update



Residents at Settlers Rockhampton Conversion Village, QLD

# Portfolio update

Market conditions stable or improving in all portfolios

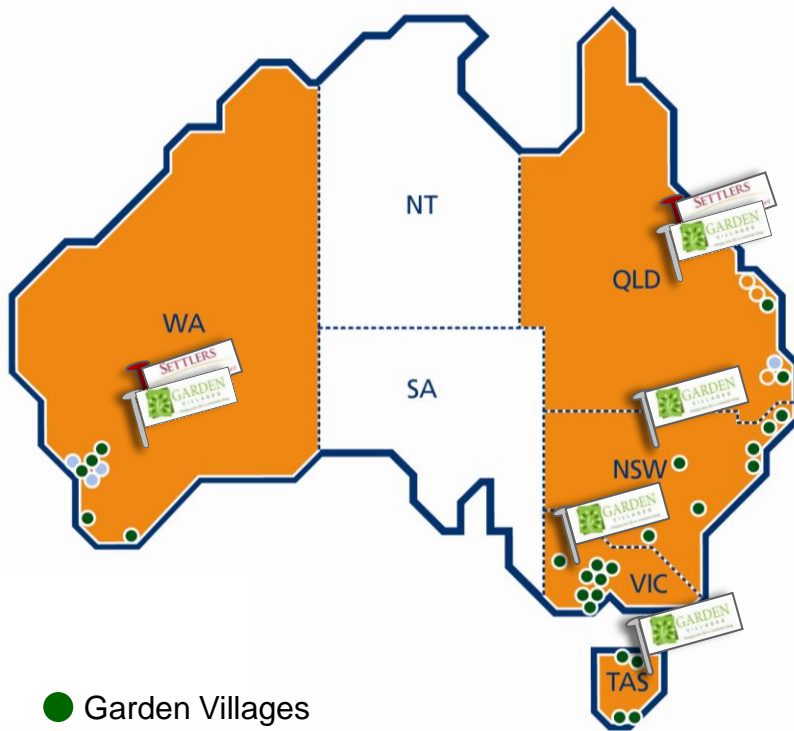
31 December 2011	Australian Rental	Australian DMF	Australian DMF Conversion	US Rental <sup>1</sup>	NZ Students <sup>1</sup>	Portfolio 31 Dec 2011	Portfolio 30 Jun 2011
							
<b>Properties</b>	26	4	3	6	3	42	42
<b>Units</b>	1,388	677	216	916	359	3,556	3,537
<b>Book Value (ILF Share)</b>	A\$88.3m	A\$57.3m	A\$23.7m	A\$161.2m	A\$17.7m	A\$348.2m	A\$313.3m
<b>Occupancy</b>	80.1%	95.8%	57.9%	92.8%	90.0% <sup>2</sup>	86.0%	85.0%
<b>Occupancy Trend</b>							

1. These have been classified as discontinued operations in the financial report.

2. Income from student accommodation is guaranteed by Victoria University of Wellington based on a minimum occupancy of 90%.

# Portfolio update

## ILF's Australia-wide reach in the seniors accommodation market



- Garden Villages
- Settlers Lifestyle
- DMF Conversions

QUEENSLAND			
	Settlers Lifestyle	DMF Conversion	Garden Villages
No of properties:	1	3	2
Total value:	A\$6.6m	A\$23.7m	A\$11.4 m
Total units:	149	216	146

WESTERN AUSTRALIA		
	Settlers Lifestyle	Garden Villages
No of properties:	3	5
Total value:	A\$50.6m	A\$20.1m
Total units:	528	275

NEW SOUTH WALES	
Garden Villages	
No of properties:	7
Total value:	A\$20.9m
Total units:	352

VICTORIA	
Garden Villages	
No of properties:	8
Total value:	A\$22.2m
Total units:	416

TASMANIA	
Garden Villages	
No of properties:	4
Total value:	A\$13.4m
Total units:	199

Note: Total units excludes development pipeline units



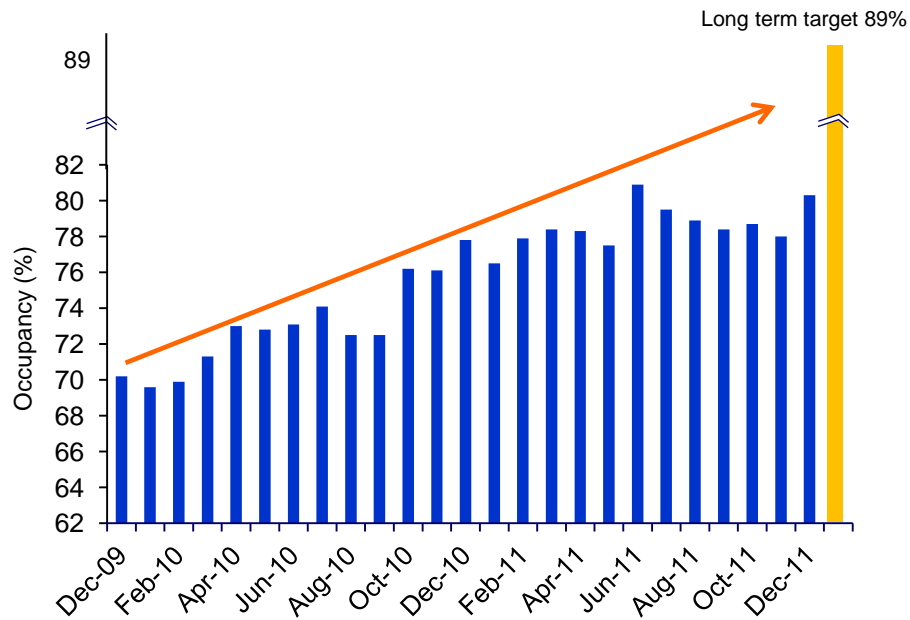
# Portfolio update – Garden Villages (Rental)



## KEY DATA

	31 Dec 2011	31 Dec 2010
Occupancy:	80.1%	78.0%
Net property income:	\$3.9m	\$3.6m
Total properties:	26	30
Total units:	1,388	1,574
Development pipeline units:	76	76

### Garden Villages portfolio occupancy trend since Dec 2009



## KEY ACTIVITY OVER 6 MONTHS

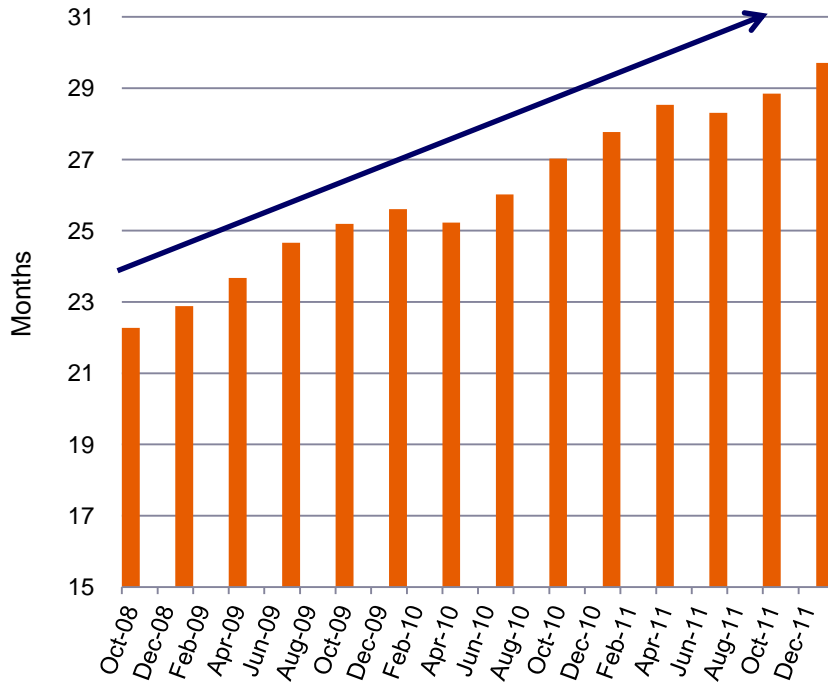
- December 2011 occupancy closed at 80.1%, on track to reach long term target of 89.0%
- Continued improvement in asset presentation, resident satisfaction and service delivery
- Village and community open days conducted in 2011 generated 850 additional inspections in key villages
- A reward and recognition program for staff was implemented based on occupancy growth, resident retention and satisfaction
- A stronger focus on building key community contacts helped drive inspections and occupancy
- A new resident driven locally sourced menu plan implemented to improve retention
- Increased usage of local PR and social media such as Facebook and twitter driving brand recognition



# Portfolio update – Garden Villages (Rental)



**Average length of resident tenancy for the past 3 years**



**Continuing focus on managing resident move-outs has resulted in strong growth in average resident tenancy**

## KEY INITIATIVES FOR GROWTH

- Resident care packages to be offered at select villages which would allow for continuum of care without the relocation from our villages
- A portfolio wide program designed to enhance the lifestyle and enjoyment of residents was launched in 2012
- Computer and technology classes for seniors allowing them to connect with family and friends
- Formation of a resident gardening club in each village driving resident engagement
- Increased social program will be supported by village community open days which will be conducted across all villages in 2012
- Community centre upgrade being trialed at one village prior to possible roll-out across portfolio

# Portfolio update – Settlers (DMF)

## KEY DATA

	31 Dec 2011	31 Dec 2010
Occupancy:	95.8%	96.9%
Net property income:	\$0.9m	\$1.6m
Total properties:	4	4
Total units:	677	655
Development pipeline units:	60	82

## KEY ACTIVITY OVER 6 MONTHS

- Occupancy as at 31 December 2011 is 95.8%
- Continued slow down in Perth and Brisbane residential markets has lengthened sales lead time
- Seven new built homes at Ridgewood Rise in WA remain in the market – anticipate to settle by June 2012

## KEY INITIATIVES FOR GROWTH

- Locally driven marketing supported by exposure in national seniors publications and TV advertising in key markets
- New mediums embracing direct marketing via twitter and Facebook to stimulate market awareness and demand to non-traditional customers
- Display suites in all properties have been upgraded
- Additional sales resources allocated to WA and QLD markets



Settlers Ridgewood Rise , WA

# Portfolio update – DMF Conversion

## KEY DATA

	31 Dec 2011	31 Dec 2010
Total properties:	3	3
Net property income:	\$2.7m	NA
Total units:	216	216
Sales Settlements:	48	-
Contracted and reserved:	16	25
Development pipeline units:	96	86



Settlers Gladstone Conversion Village, QLD

## KEY ACTIVITY OVER 6 MONTHS

- Since project launch to 31 December 2011, 48 settlements were achieved totalling gross sales of \$8.7m, and 16 contracted and reserved units worth \$3.2m are held
- Over 30% of total stock has been sold or under contract since project launch
- Accelerated sales momentum led to an uplift of FY12 sales targets from 48 to 60 units

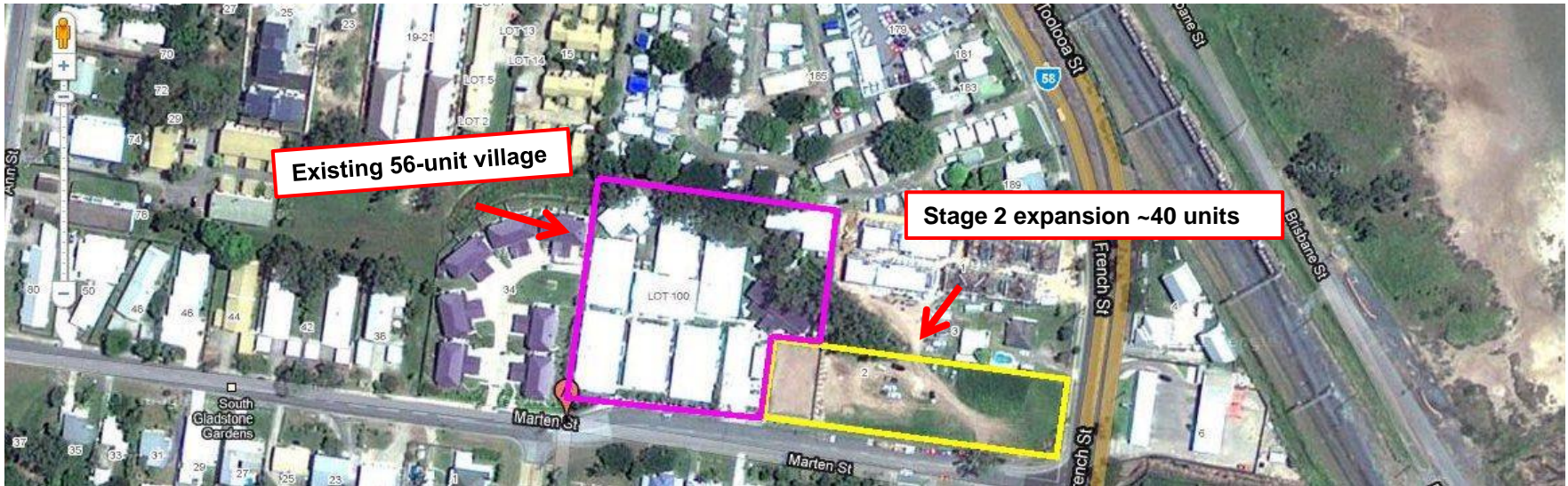
## KEY INITIATIVES FOR GROWTH

- Gladstone Village (QLD) expansion well advanced
- Cessnock Village (NSW) has been identified as the next DMF Conversion due to its favourable metrics including strong local employment, buoyant residential property market and minimal competition.
- Exploring feasibility of further two conversions from rental to DMF

# Portfolio update – DMF Conversion

## IN FOCUS - Gladstone Village, Queensland, Stage 2 Development

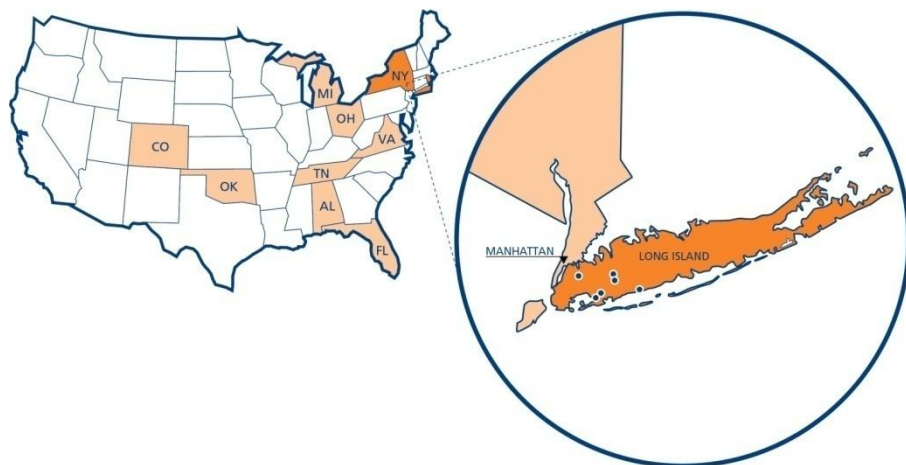
- The Gladstone conversion village has been a beneficiary of the energy driven boom in the region, assisted by a tight housing market and limited competition
- Increased residential demand in the area boosted the average median house price and expedited prospective residents' ability to sell their homes and move into our village
- Since the village relaunch in January 2011, nearly 60% of the units in the village worth \$6.2m have either settled or are under contract
- Management is fast tracking the expansion of the village with a Development Application for 40 units scheduled to be lodged with Gladstone Council in March, and construction is likely to commence in late 2012



# Portfolio update – US Seniors

## KEY DATA

	31 Dec 2011	31 Dec 2010
Occupancy:	92.8%	88.0%
Net property income:	A\$9.5m	A\$10.9m
Total properties:	6	21
Total units:	916	3,860



## KEY ACTIVITY OVER 6 MONTHS

- Settled sale of 15 seniors communities across nine States in November 2011
- Remaining New York portfolio continues to perform strongly with occupancy of 92.8% as at 31 December 2011
- Portfolio located in Long Island New York with a large ageing and high socio-economic population, supported by significant barriers to entry
- Valuations of quality assets have increased sharply over the past 12 months driven by limited new supply, industry consolidation, low funding costs and investors chasing yield

# Portfolio update – NZ Students

## KEY DATA

	31 Dec 2011	31 Dec 2010
Occupancy <sup>1</sup> :	90.0%	97.0%
Net property income:	A\$0.5m	A\$1.1m
Total properties:	3	3
Total units:	359	359



## KEY ACTIVITY OVER 6 MONTHS

- The 2011 student calendar year was challenging for the portfolio due to changes in tertiary funding, economic uncertainty and lower than expected foreign student numbers
- For the first time since 2006, the Fund called upon the 90% occupancy guarantee provided by Victoria University of Wellington
- Enrolment numbers for 2012 student year have improved from 2011
- Active negotiations with the University are progressing for a new long term contract expected by mid-2012
- NZ\$20.8m debt facility has been extended to August 2012

1. Income from student accommodation is guaranteed by Victoria University of Wellington based on a minimum occupancy of 90%.

# Strategy and outlook



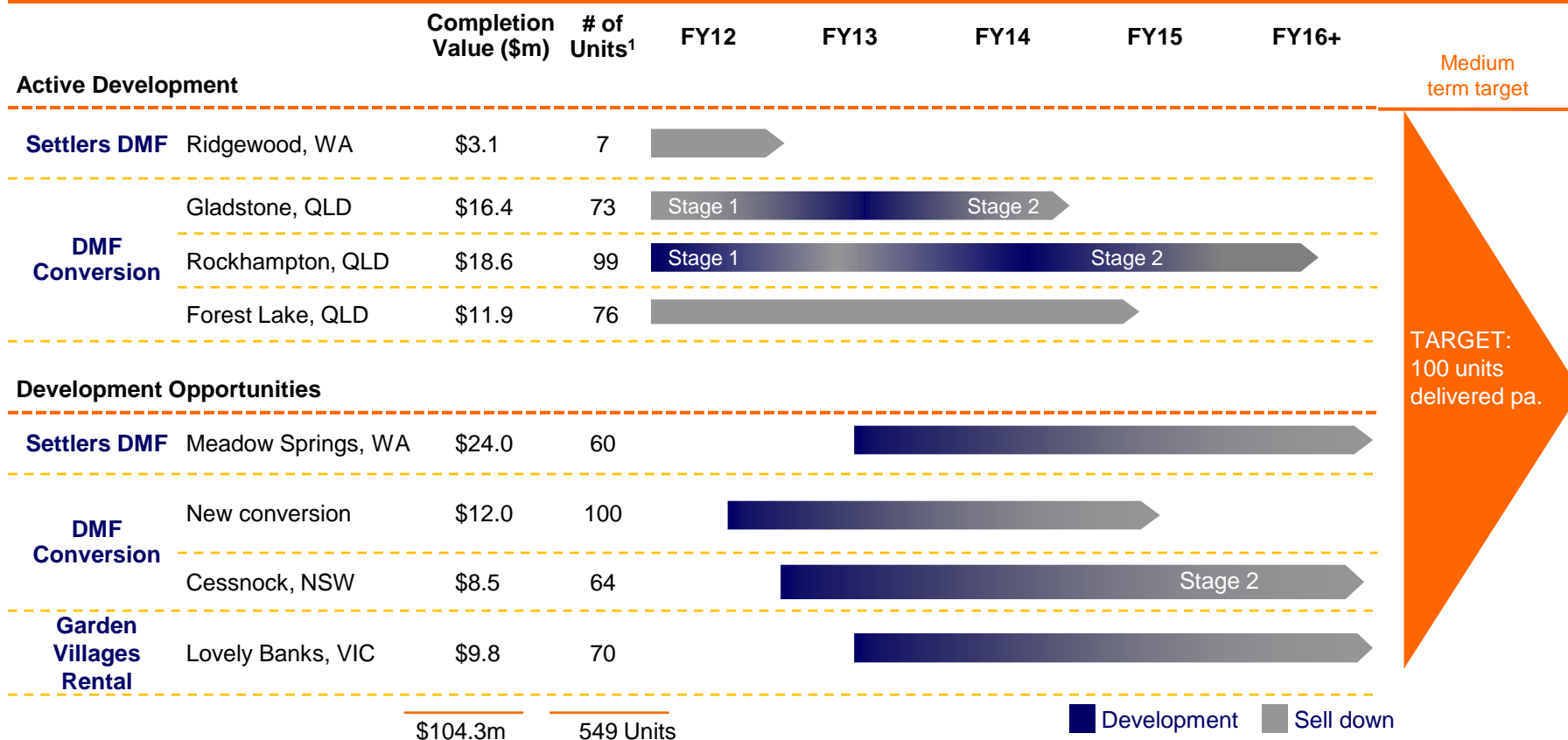
Residents at Settlers Meadow Springs, WA



# Strategy

Strong organic growth opportunities embedded within existing assets

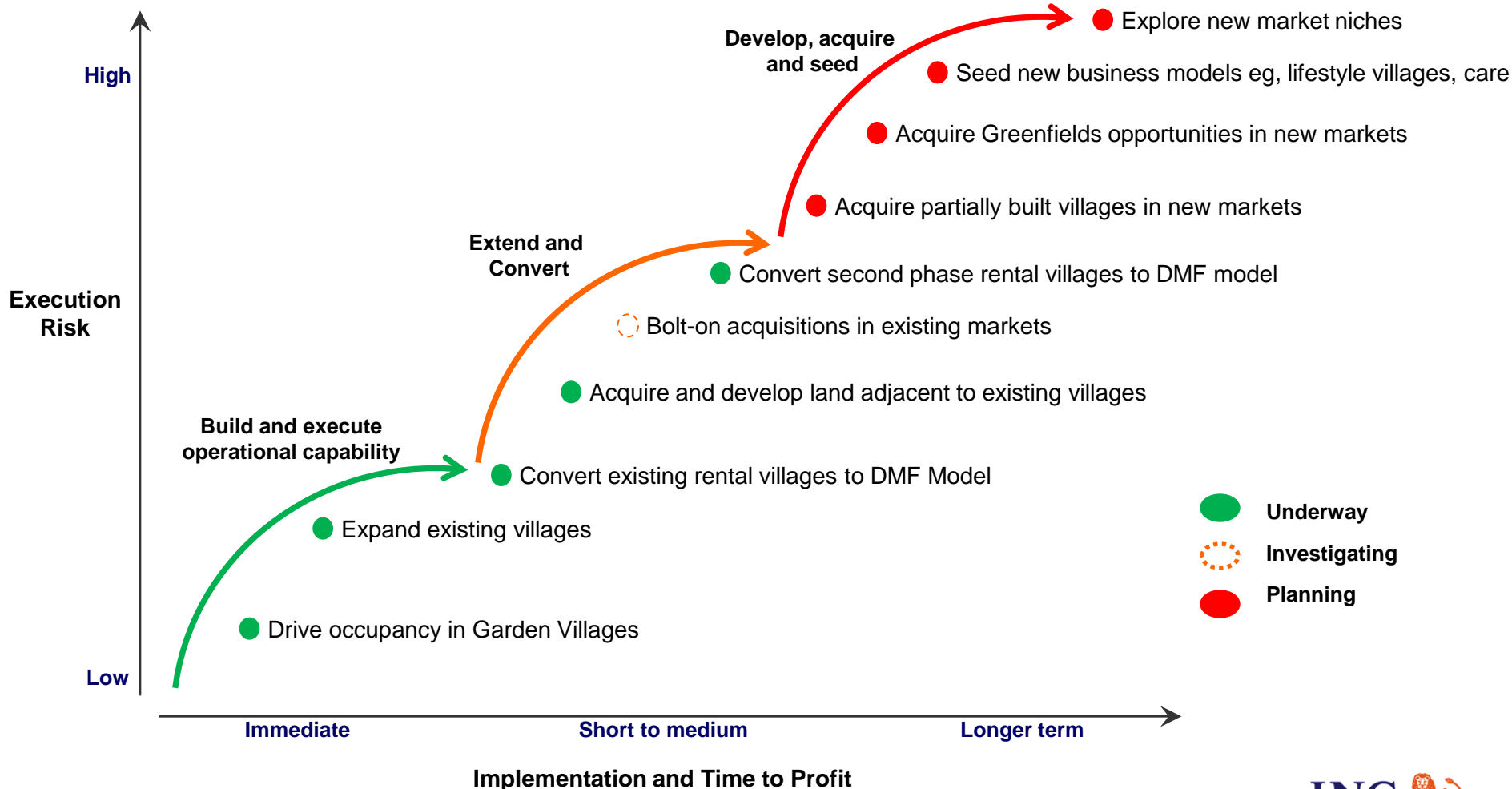
## Development forecast within existing portfolios as at 31 December 2011



1. Includes built stock and units yet to be developed

# Strategy

Management assessing a range of opportunities to drive unitholder value in Australia



# Outlook

→ Conversion of additional rental villages and Gladstone Stage 2 expansion well advanced

→ Operating conditions in key markets of Brisbane and Perth remain challenging but forecasting improving operating cashflow

→ Sale of remaining six US communities at premium to December 2011 book value under consideration

→ Assessing recommencement of distributions from recurrent earnings in 2012 and capital management initiatives including possible unit buy-back

→ Conducting due diligence and commercial assessment on several prospective acquisition and development opportunities including over 55s lifestyle villages (Manufactured Home Estates)

# Appendices



Residents at Marsden Gardens, QLD

# Appendix 1

## Operating income<sup>1</sup>

	H1 FY12 (A\$m)	H1 FY11 (A\$m)
<b>Continuing operations</b>		
Australian Seniors		
- Garden Villages	3.9	3.6
- DMF Conversion Properties	2.7	(0.8)
- Settlers Lifestyle	0.9	1.6
Net finance costs	(4.3)	(4.4)
Management fee	(0.9)	(0.7)
Fund administration	(0.6)	(0.5)
Derivatives income	-	2.8
	<b>1.7</b>	<b>1.6</b>
<b>Divested or Exiting operations <sup>2</sup></b>		
US Seniors	2.6	2.9
NZ Students	0.2	0.6
US Students	(0.2)	(0.5)
Fund admin	(0.2)	-
	<b>2.4</b>	<b>3.0</b>
<b>Operating income</b>	<b>4.1</b>	<b>4.6</b>

1. Operating income is a non-IFRS measure that presents, in the opinion of the Directors, the operating activities of ILF in a way that reflects its underlying performance. Operating profit excludes items such as unrealised fair value gains / (losses), and includes the uplift in value of DMF units on first loan life leases. The reconciliation between net profit and operating profit is provided on slide 9 and has not been audited or reviewed by Ernst and Young.
2. Operating income for divested or exiting operations include property level debt interest

# Appendix 2

## Look through balance sheet

As at 31 December 2011 (A\$m)	Australian Seniors	US Seniors	NZ & US Students	Total Look through Balance Sheet	Adjustments	Total Statutory Balance Sheet
Cash	33.9	1.3	1.9	37.1	(3.2)	33.9
Investment property and property under development	327.0	161.2	22.9	511.1	(184.1)	327.0
Other assets	2.5	9.9	1.3	13.7	(11.2)	2.5
Assets of discontinued ops	-	-	-	-	82.6	82.6
<b>Total assets</b>	<b>363.4</b>	<b>172.4</b>	<b>26.1</b>	<b>561.9</b>	<b>(115.9)</b>	<b>446.0</b>
Interest bearing liabilities	83.7	125.5	19.7	228.9	(145.2)	83.7
Derivatives	1.2	-	-	1.2	-	1.2
Village residents' loans	157.5	-	-	157.5	-	157.5
Other liabilities	23.0	4.1	-	27.1	(4.1)	23.0
Liabilities of discontinued ops	-	-	-	-	34.2	34.2
<b>Total liabilities</b>	<b>265.4</b>	<b>129.6</b>	<b>19.7</b>	<b>414.7</b>	<b>(115.1)</b>	<b>299.6</b>
<b>Net assets</b>	<b>98.0</b>	<b>42.8</b>	<b>6.4</b>	<b>147.2</b>	<b>(0.8)</b>	<b>146.4</b>
<b>Net asset value per unit - cents</b>	<b>22.2¢</b>	<b>9.7¢</b>	<b>1.5¢</b>	<b>33.4¢</b>	<b>(0.2¢)</b>	<b>33.2¢</b>
Assets less cash and resident loans	172.0	171.1	24.2	367.3	-	-
Total debt less cash	49.8	124.2	17.8	191.8	-	-
<b>Look through gearing (%)</b>	<b>29%</b>	<b>73%</b>	<b>74%</b>	<b>52%</b>	<b>-</b>	<b>-</b>
Secured assets	169.5	-	-	-	-	169.5
Interest bearing liabilities (AU)	83.7	-	-	-	-	83.7
<b>Actual loan to value ratio (LVR)</b>	<b>49.4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49.4%</b>
Surplus cash applied to debt reduction	(16.7)	-	-	-	-	(16.7)
<b>Effective LVR</b>	<b>39.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.5%</b>

# Appendix 3

## Cashflow in detail

	Amount A\$m
Opening cash at 1 July 2011	15.0
Cashflow generated from operations:	
Australian Seniors	11.2
US Seniors	1.1
Admin costs and RE fee	(4.1)
Borrowing costs paid	(4.9)
Income tax expense	(0.1)
<b>Net Cashflows from Operations</b>	<b>3.2</b>
Proceeds from sale of equity accounted investments:	
US Seniors (Non-New York portfolio)	29.4
Capital expenditure and development costs	(1.4)
<b>Net Cashflows from Investing</b>	<b>28.0</b>
Debt repayments – Australian Seniors debt	(15.2)
Debt drawdowns – Australian Seniors debt	2.6
<b>Net Cashflows from Financing</b>	<b>(12.6)</b>
<b>Total Cashflows</b>	<b>18.6</b>
Effects of exchange rate changes on cash	0.4
<b>Closing cash at 31 December 2011</b>	<b>34.0</b>

Includes backlog payment of \$2.4m in RE fees accrued since 2009, and RE fees \$0.8m for the current period of Jul 2011 to Dec 2011 inclusive

Closing cash at 31 December 2011	A\$m
Continuing operations (Balance sheet's "cash and cash equivalents")	33.9
Discontinued operations (note 6 of financial statements)	0.1
Total cash	34.0

# Appendix 4

## Debt Facilities

	Australian Seniors	US Seniors	NZ Students
Limit (\$m)	Core debt A\$88.8m Revolver A\$15.0m Total A\$103.8m <sup>2</sup>	US\$127.5m <sup>1</sup>	NZ\$18.7m <sup>1</sup>
Amount drawn (\$m)	A\$83.7m	US\$127.5m <sup>1</sup>	NZ\$18.7m <sup>1</sup>
Loan to value ratio (LVR) actual	49.4%	N/A	59.6%
LVR bank covenant	50% - 65% <sup>3,4</sup>	N/A	60%
Interest cover ratio (ICR) actual	2.1x	N/A	2.2x
ICR bank covenant	1.4x	N/A	1.5x
Leverage ratio actual	59.7%	N/A	N/A
Leverage covenant <sup>4</sup>	85%	N/A	N/A
% Hedged (interest rates) <sup>5</sup>	72%	100%	0%
Facility expiry	Mar 2013	Nov 2017 to Nov 2042	Aug 2012

1. ILF interest only
2. Subsequent to 31 December 2010, the revolver limit was permanently reduced to \$15m with the total facility limit reduced to \$110.9m
3. Australian Seniors debt LVR: 65% for completed rental villages, 50% for DMF and incomplete villages / development land
4. Australian leverage ratio covenant reduces from 85% to 80% January 2012
5. US Seniors is 100% fixed rate debt for life of the loan



# Appendix 5

US portfolio revaluations improved following increased investment demand partially offset by downward valuations for Australian Seniors assets

Valuations <sup>1</sup>	31 Dec 11 Valuation	30 Jun 11 Valuation <sup>3</sup>	Movement (\$m)	Movement (%)	31 Dec 11 Cap rate <sup>4</sup> (%)	Key drivers of valuation movement
US Seniors <sup>1</sup> (US\$m)	163.7 <sup>2</sup>	132.2	31.5	23.8%	7.1%	Largely driven by industry consolidation and low funding costs
Australian Seniors Garden Villages (Rental)	88.3	89.7	(1.4)	(1.6%)	10.0%	Impacted by increased capex commitments (\$1m) and expansion in the time to reach stabilised occupancy in select villages
Australian Seniors Conversion Assets	23.7	26.4	(2.7)	(10.3%)	18.1% <sup>5</sup>	Decline from sell down of 30 units (monetisation of inventory)
Australian Seniors Settlers (DMF)	57.3	56.5	0.8	1.4%	13.2%	Decline from sell down of units offset by improving cashflows as villages mature
NZ Students <sup>1</sup> (NZ\$m)	23.2	22.5	0.7	3.2%	9.5%	Small uplift arising from higher capitalised net income

1. ILF interest only

2. Tax leakage associated with transaction estimate at 1.45m AUD

3. 30 Jun 2011 balances restated to 31 December 2011 spot of USD1.0156 and NZD1.3145

4. Weighted average capitalisation rate for all portfolios except Australian Seniors Settlers DMF and conversion assets which uses weighted average discount rate

5. Valuation discount rates for DMF Conversion assets represent a blended discount rate applied to the cashflows.

# Appendix 6 - Settlers (DMF) sales

	S.E. WA			S.E. QLD	Total
	Lakeside	Meadow Springs	Ridgewood Rise	Noyea	
<b>6 months to 31 Dec 2011</b>					
No. of new sales	NA	NA	5	NA	5
Average new sales prices (\$'000)	NA	NA	451.1	NA	451.1
No. of resales	5	1	2	5	13
Average resale prices (\$'000)	307.2	280.0	389.0	213.3	281.6
<b>As at 31 Dec 2011</b>					
Units available for resale	12	3	11	18	44
Occupancy (%)	95.2	86.5	95.7	100.0	95.9
Average resident entry age (yrs)	68	71	69	70	69
Average resident age (yrs)	75	75	73	79	75
Average resident tenure (yrs)	7.1	5.7	4.3	9.7	6.6

- > Average resident age and tenure higher in more mature Noyea Village
- > As portfolio trends towards maturity, focus turns to resales and generating higher DMF cash proceeds
- > Noyea village is strata – resale risk sits with the resident

# Appendix 7

## DMF portfolio sensitivities

Key Variable	DMF assets			DMF Conversion assets		
	Range	Change	Impact on NAV	Range	Change	Impact on NAV
Price of units	\$150k - \$450k (mean price \$314k)	5.0%	\$3.1m	\$110k - \$270k (mean price \$172k)	5.0%	\$1.3m
Rate of sale	-	-	-	1 – 2 per mth	1.0 per mth	\$1.6m
Discount rate <sup>1</sup>	13.0% - 16.0%	1.0%	\$6.7m	14% - 20%	1.0%	\$1.1m
ILU period of residency	11.4 yrs	1.0 yr	\$4.7m	11.4 yrs <sup>1</sup>	1.0 yr	\$0.3m
CAGR	1.5% - 4.0%	1.0%	\$7.5m	3.0% – 4.0%	1.0%	\$1.7m

> Reducing discount rate to 12.5% and increasing CAGR to 5% (per industry leader valuations) would add \$20.5m / 4.65¢ to the Fund's NAV

1. DMF assets are valued using discounted cashflows. Discount rates applied to cashflows from existing residents, future residents and development pipeline vary.

## Appendix 8 – Portfolio statistics: Garden Villages (Rental)

Property Name	Location	Book Value 31 Dec 2011 (A\$m)	Cap Rate	Total Units	Occupancy
<b>Western Australia</b>					
Swan View Gardens	Swan Valley, WA	5.7	10.00%	72	83%
Yakamia Gardens	Yakamia, WA	3.4	10.00%	57	75%
Sea Scape Gardens	Erskine, WA	4.2	10.00%	51	100%
Seville Grove Gardens	Seville Grove, WA	3.3	10.00%	45	100%
Carey Park Gardens	Bunbury, WA	3.6	10.00%	50	72%
<b>Total / Average - WA</b>		<b>20.1</b>	<b>10.00%</b>	<b>275</b>	<b>86%</b>
<b>Queensland</b>					
Marsden Gardens	Marsden, QLD	9.0	10.00%	96	82%
Jefferis Gardens	Bundaberg North, QLD	2.4	10.00%	50	66%
<b>Total / Average - QLD</b>		<b>11.4</b>	<b>10.00%</b>	<b>146</b>	<b>79%</b>
<b>New South Wales</b>					
Cessnock Gardens	Cessnock, NSW	3.0	10.00%	55	69%
Taloumbi Gardens	Coffs Harbour, NSW	4.0	10.25%	50	96%
Mardross Gardens	Lavington, NSW	2.4	10.25%	52	62%
Chatsbury Gardens	Goulburn, NSW	3.0	10.00%	49	88%
Wheeler's Gardens	Dubbo, NSW	3.5	10.00%	52	100%
Taree Gardens	Taree, NSW	2.3	10.00%	50	80%
Oxley Gardens	Port Macquarie, NSW	2.7	10.00%	44	75%
<b>Total / Average - NSW</b>		<b>20.9</b>	<b>10.08%</b>	<b>352</b>	<b>81%</b>

Note: All figures as at 31 December 2011

# Appendix 9 – Portfolio statistics: Garden Villages (Rental)

Property Name	Location	Book Value 31 Dec 2011 (A\$m)	Cap Rate	Total Units	Occupancy
<b>Victoria</b>					
Lovely Banks Gardens	Corio, VIC	2.9	10.00%	66	56%
Grovedale Gardens	Grovedale, VIC	3.0	10.25%	51	76%
St Albans Park Gardens	St Albans Park, VIC	3.7	10.00%	52	85%
Townsend Gardens	St Albans Park, VIC	3.4	10.00%	50	90%
Horsham Gardens	Horsham, VIC	3.4	10.00%	47	77%
Brooklyn Gardens	Brookfield, VIC	1.6	10.50%	51	65%
Coburns Gardens	Brookfield, VIC	2.3	10.00%	51	73%
Hertford Gardens	Sebastopol, VIC	2.2	10.00%	48	88%
<b>Total / Average - VIC</b>		<b>22.5</b>	<b>10.07%</b>	<b>416</b>	<b>75%</b>
<b>Tasmania</b>					
Glenorchy Gardens	Glenorchy, TAS	3.1	10.00%	42	95%
Elphinwood Gardens	Launceston, TAS	3.5	10.00%	55	82%
Claremont Gardens	Claremont, TAS	3.7	10.00%	51	88%
Devonport Gardens	Devonport, TAS	3.1	10.00%	51	71%
<b>Total / Average - TAS</b>		<b>13.4</b>	<b>10.00%</b>	<b>199</b>	<b>83%</b>
<b>TOTAL / AVERAGE - GARDEN VILLAGES</b>		<b>88.3</b>	<b>10.04%</b>	<b>1,388</b>	<b>80%</b>

Note: All figures as at 31 December 2011

# Appendix 10 – Portfolio statistics: Settlers (DMF)

Property Name	Location	Book Value 31 Dec 2011 (A\$m)	Discount Rate	Total Units	Occupancy
<b>DMF Villages</b>					
Lakeside	Ravenswood, WA	25.4	13.0%	231	95%
Ridgewood Rise	Ridgewood, WA	20.2	13.0%	241	96%
Meadow Springs	Mandurah, WA	5.1	14.0%	56	87%
Noyea Park	Mt Warren Park, QLD	6.6	14.0%	149	100%
<b>Total/Average – DMF Villages</b>		57.3	13.2%	677	95.8%
<b>DMF Conversion<sup>1</sup></b>					
Forest Lake Gardens	Forest Lake, QLD	9.1	19.1%	86	53.5%
Rockhampton Gardens	Rockhampton, QLD	8.4	20.0%	74	64.9%
South Gladstone Gardens	South Gladstone, QLD	6.2	13.9%	56	55.4%
<b>Total/Average – DMF Conversion</b>		23.7	18.1%	216	57.9%
<b>TOTAL/AVERAGE - SETTLERS</b>		<b>81.0</b>	<b>14.6%</b>	<b>893</b>	<b>86.4%</b>
<b>TOTAL / AVERAGE - AUSTRALIAN SENIORS</b>		<b>169.5</b>	<b>-</b>	<b>2,281</b>	<b>82.6%</b>

1. Valuation discount rates for DMF Conversion assets represent a blended discount rate applied to the cashflows.

Note: All figures as at 31 December 2011

## Appendix 11 – Portfolio statistics: Offshore assets

Property Name	Location	Book Value 31 Dec 2011 (US\$m)	Book Value 31 Dec 2011 ILF Interest (A\$m) <sup>1</sup>	Cap Rate	Total Units	Occupancy
<b><u>New York assets (Bristol)</u></b>						
East Meadow	East Meadow, NY	25.3	25.0	7.00%	132	100.0%
Lynbrook	Lynbrook, NY	27.6	27.2	7.50%	148	89.2%
Massapequa	Massapequa, NY	26.8	26.4	7.00%	156	92.3%
North Hills	North Hills, NY	41.4	40.8	7.00%	166	96.4%
North Woodmere	North Woodmere, NY	17.0	16.7	7.00%	141	87.9%
Westbury	Westbury, NY	25.6	25.2	7.00%	173	91.3%
<b>TOTAL / AVERAGE – US SENIORS</b>		<b>163.7</b>	<b>161.2</b>	<b>7.08%</b>	<b>916</b>	<b>92.8%</b>

Property Name	Location	Book Value 31 Dec 2011 ILF Interest (NZ\$m)	Book Value 31 Dec 2011 ILF Interest (A\$m) <sup>2</sup>	Cap Rate	Total Units	Occupancy <sup>3</sup>
<b><u>NZ Students assets</u></b>						
Cumberland House	Wellington, NZ	15.2	11.6	9.50%	187	90%
Education House	Wellington, NZ	3.7	2.8	9.50%	108	90%
McKenzie Apartments	Wellington, NZ	4.3	3.3	9.50%	64	90%
<b>TOTAL / AVERAGE – NZ STUDENTS</b>		<b>23.2</b>	<b>17.7</b>	<b>9.50%</b>	<b>359</b>	<b>90%</b>

1. Exchange rate of A\$1 = US\$1.0156

2. Exchange rate of A\$1 = NZ\$1.3145

3. Income from student accommodation is guaranteed by Victoria University of Wellington based on a minimum occupancy of 90%.

Note: All figures as at 31 December 2011

# Glossary

Term	Definition
DMF	Deferred Management Fee (DMF) refers to the amount of money payable to the retirement village operator on the departure of a resident from the village. The amount is usually calculated on a sliding scale basis, the longer the occupation the higher the percentage deducted, usually capped at around 30% over 8 – 10 years of the ingoing contribution. Contracts typically for a capital growth factor in addition to the DMF.
DMF Conversion Villages	The conversion of rental villages to the DMF model allows the Fund to realise first time development profit (value uplift and cashflow) by entering into a loan life lease on individual units. This also creates the opportunity to receive a DMF fee upon a resident's exit.
Look through gearing	Look through gearing measures the gearing of the wholly owned Australian Seniors portfolios combined with ILF's share of gearing in equity accounted investments of US Seniors and NZ Students.
Resident loan liabilities	The amount payable to existing residents on exiting the village when their unit is onsold to a new resident. The amount payable is generally funded from the proceeds paid by the incoming resident. The resident loan liability is net of DMF fees accrued during the resident's stay and payable to ILF on exit.
New sale / Resale	New sale represents the first time a unit is offered to a resident to enter into a loan life lease (DMF) agreement. Resale represents all subsequent move-ins.
Reserved and contracted	A potential resident will reserve a home by signing an Expression of Interest (EOI). This EOI is non-binding. A resident increases this commitment by entering into a contract, however these contracts are generally conditioned upon the resident selling their home. The contract becomes unconditional and binding once they have sold their home.



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