

ING Real Estate Community Living Group

Management Internalisation

AUSTRALIA

Simon Owen
Chief Executive Officer

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REAL ESTATE INVESTMENT MANAGEMENT

www.ingrealstate.com.au

ING 

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Overview



Settlers Ridgewood Rise, Ridgewood, WA

A new structure to enable continued growth and superior unitholder returns

- > Internalisation of management provides for improved alignment of security holders' and management's interests, allows for a directly accountable governance regime and provides a platform to deliver further accretive growth for security holders
- > The new internalised group will continue to pursue the Fund's current growth strategies:
 - Focus on providing superior unitholder returns through unit price growth and recommencement of distributions in 2012 if earnings and cashflows permit;
 - Consolidate its position as a leading provider of accommodation and care to Australian seniors;
 - Continue to build and refine the Fund's operational and development capabilities;
 - Convert additional select rental villages to the Deferred Management Fee (DMF) model to unlock earnings and cash flows; and
 - Develop, acquire and seed growth opportunities organically and through rigorously assessed bolt-on acquisitions with attractive risk adjusted returns in existing and new markets.

Review process – ING Strategic review

ING's phased withdrawal

- > The global review of ING Real Estate Investment Management (REIM) was completed in December 2010 and implementation is well advanced
- > On 15 February 2011, ING Group (ING) announced
 - Sale of its European, Asian and American REIM business
 - Phased withdrawal from the Australian real estate investment management market, in a timely and controlled manner
- > The transition of management for ING's Industrial, Office, Healthcare and Entertainment Funds occurred in 2011

A decision for ILF

- > IML Independent Directors undertook a detailed strategic review of a number of alternatives
- > The RE Board concluded that internalisation was the preferred go-forward strategy
- > Implementation of this recommended strategy will be subject to unitholder approval and the absence of a superior proposal

Internalisation proposal



Settlers Lakeside, Ravenswood, WA

Background to the Proposal – Consideration of alternatives

- > The Board of ING Management Limited (IML), the responsible entity (RE) of ILF, established an Independent Board Committee (IBC):
- Comprised only Independent Directors;
 - Engaged independent financial advisers, legal advisers and an independent expert; and
 - Assessed alternatives with regard to unitholder alignment, optimising unitholder value, risks and the likelihood of successful implementation.

The Board assessed alternatives with regard to the best interest of unitholders

Other alternatives considered	View of Independent Directors
Merger with another entity	Few likely merger partners due to portfolio mix. ILF unitholders likely to lose control of the Fund without a control premium
Solicit cash offers for sale of Fund	No offers received for whole of Fund. Removes ability for unitholders to participate in the improving fund performance
Change of RE to a third party	Assessed several offers however none determined to be superior to the Proposal
Liquidate the Fund	Unlikely to realise optimal unitholder value in the short to medium term due to significant number of sector assets for sale at present time

Overview of the Proposal

Proposal benefits

- > New Board to be led by newly appointed highly experienced Independent Chairman Jim Hazel. Directors bring strong industry expertise and professional experience to the Group
- > Simon Owen (current ILF CEO) and other key employees will transfer from ING to the internalised group to lead the next phase of growth
- > Internalisation provides for alignment of unitholder and management interests, allows for a directly accountable governance regime and provides a platform to deliver further growth for unitholders

Financial impact

- > ING has agreed to provide ILF with financial support valued by ING at \$4.1 million to offset the forecast higher operating costs of internally managing the Fund over the next three years
- > The Independent Expert, Deloitte Corporate Finance, has been appointed to review the Proposal and the value of the financial support
- > One-off internalisation costs estimated to be \$1.1 million in FY12

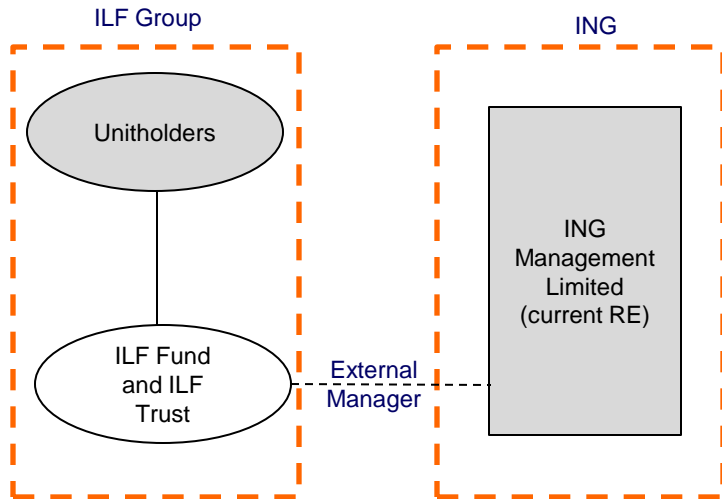
Rebranding the internalised group

- > Post internalisation, ILF will be rebranded as 'Ingenia Communities'
- > New name acknowledges the Fund's origins from the ING Real Estate stable
- > Ingenia is inspired by Ingenuity – which reflects management's philosophy of operating with resourcefulness and strength
- > Australian Seniors operating brands (Settlers Lifestyle and Garden Villages) will continue under the Ingenia Communities umbrella

Ingenia Communities

Internalised Group Board and Management profile

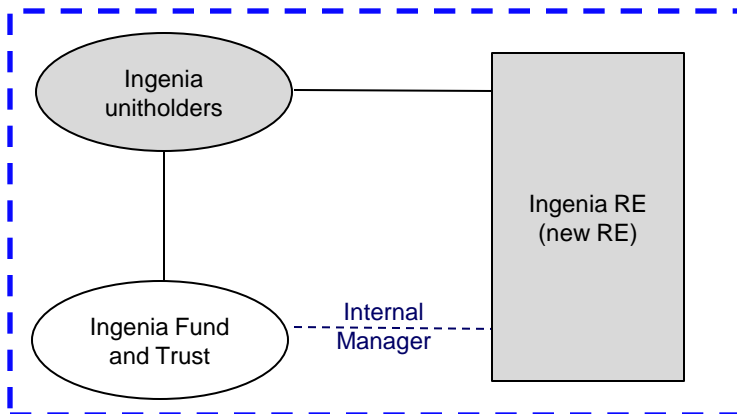
Current structure



Internalised Board and Management

- > **Jim Hazel** – Independent Non-Executive Chairman
- > **Philip Clark AM** – Independent Non-Executive Director
- > **Amanda Heyworth** – Independent Non-Executive Director
- > **Simon Owen** – Managing Director and CEO
- > **Nikki Fisher** – Chief Operating Officer
- > **Tania Betts** – Chief Financial Officer

Internalised management structure



- > New Board comprises a blend of new directors and existing directors and management
- > Lean high capability team focused on growth particularly of the Australian Seniors platform
- > ING will not be represented on the internalised Board
- > Unitholders will own and control assets and the Responsible Entity / Manager
- > Key unitholders have endorsed the internalisation strategy

Internalised Group Board profile

Directors bring strong industry expertise and professional experience to the Board



Jim Hazel

Independent Non-Executive Chairman

Mr Hazel has had an extensive corporate career in both the banking and retirement sectors. His retirement and village operations experience includes being Managing Director with Primelife Corporation Limited (now part of Lend Lease). Jim is currently a Non-Executive Director of Bendigo and Adelaide Bank Limited, and also serves as a Director on the boards of Impedimed Limited, Motor Accident Commission, Coopers Brewery Limited and Centrex Metals Limited. He sits on a number of other boards, including the Council on the Ageing (SA) Inc.



Amanda Heyworth

Independent Non-Executive Director

Ms Heyworth is the Chief Executive Officer of Playford Capital. She has a wealth of experience in the finance, technology and government sectors. Ms Heyworth brings a finance and growth focus to the Group, having worked on many product launches and geographic expansions and over 40 capital raisings and M&A transactions. She sits on a number of public sector and private boards including Australian Centre for Renewable Energy and Commonwealth IT Industry Innovation Council.



Philip Clark AM¹

Independent Non-Executive Director

Mr Clark is a member of the J P Morgan Advisory Council, a Director of ING Management Limited and also chairs a number of government and private company boards. He was Managing Partner and CEO of Minter Ellison and worked with that firm from 1995 until June 2005. Prior to joining Minter Ellison, Mr Clark was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner with Mallesons Stephen Jaques for 16 years.

1. Current IML (external RE) Director – transferring to ILF Board (internalised vehicle) once internalisation is complete

Building on foundations for delivering superior unitholder value

ILF unit price performance March 2011 – March 2012



- > With ILF unit price coming off a low base, market capitalisation has more than doubled in a year to \$100 million, but considerable work remains to improve unitholder value
- > NAV stabilisation - with the repositioning of underperforming assets, sale of several non-core portfolios and improved operating metrics in core portfolios, the Fund's net assets offer a stable base for future growth
- > Earnings reposition – the asset sales and the launch of DMF Conversion strategy has repositioned the Fund's earnings mix to offer blended rental and development returns

Fund strategy



Settlers Rockhampton, QLD

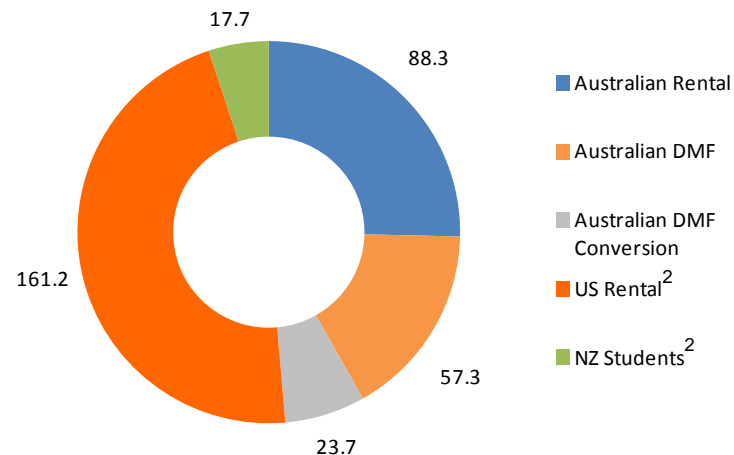
Fund strategy – Current position

- > ILF owns 42 assets across Australia, United States and New Zealand, with assets under management of A\$562m
 - 33 Australian seniors communities
 - 6 US Seniors communities
 - 3 NZ Students off-campus housing

- > Portfolio encompasses assets able to deliver stable rental and deferred management fee returns combined with development profit opportunities

- > It is the intention, if earnings and cashflows permit, to reactivate distributions for the Fund in 2012

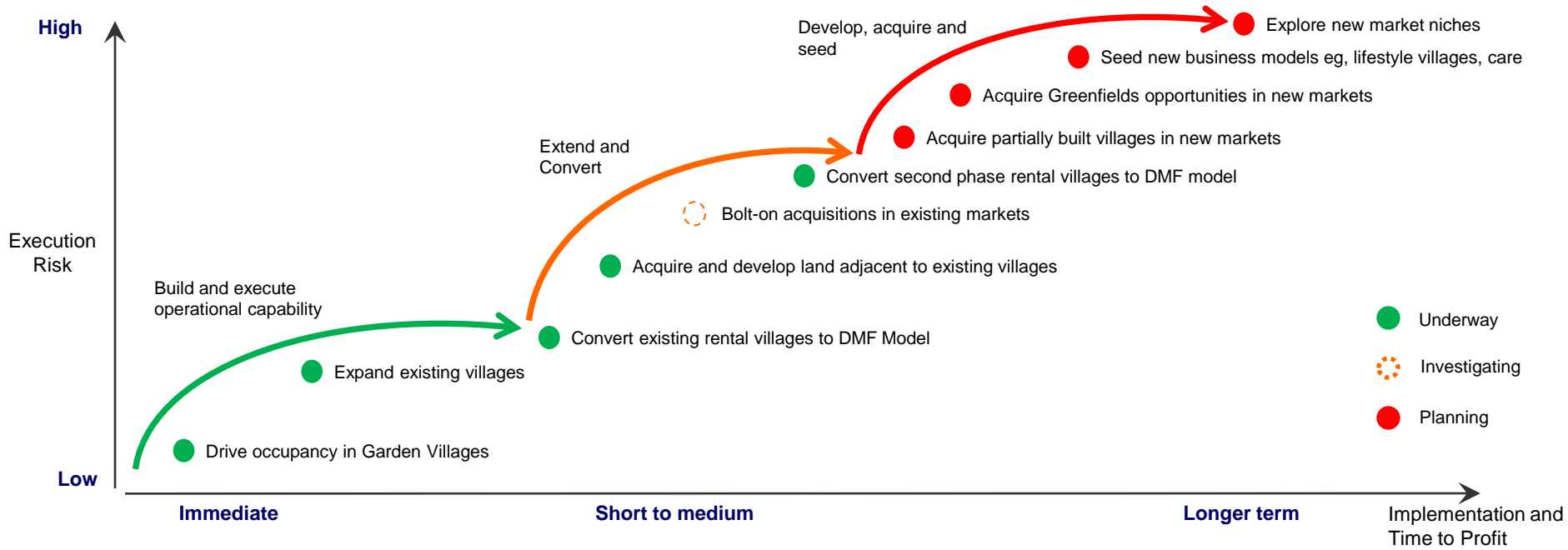
Asset allocation by book value (A\$m)¹



1. As at 31 December 2011
2. Discontinued operations

Key metrics	6 months to 31 Dec 2011
Net profit/ (loss) (\$m)	29.1
Operating income (\$m)	4.1
Operating income per unit (cents)	0.9
31 Dec 2011	
Look through gearing (%)	52
Net asset value (NAV) per unit (cents)	33.2
Assets under management (\$m)	561.9

Fund strategy – focus on cash earnings



- > **Building and refining our operational capability** – leveraging management expertise and operating scale across the entire portfolio with a view to delivering higher occupancy and revenue combined with cost efficiencies
- > **Extending and converting** – Focus on expanding and redeveloping a select number of communities through from rental villages to the Deferred Management Fee (DMF) model
- > **Developing, acquiring and seeding** – seek to deliver earnings and value growth through prudent acquisitions and seeding new development sites in existing and new markets

Timetable



Settlers Meadow Springs, WA

Proposed internalisation timetable

Event	Likely period
Implementation Deed signed and Internalisation Proposal announced	Wednesday, 28 March 2012
Issue of Explanatory Memorandum and Prospectus to Unitholders	1 – 8 May 2012
ILF ASX trading suspension	21 – 28 May 2012
Voting Record Date	22 – 29 May 2012
Unitholder Meeting	24 – 31 May 2012

If the Proposal is approved by ILF Unitholders¹:

Implementation Record Date	25 May – 1 June 2012
Management Internalisation is implemented and the new Ingenia Communities is formed	28 May – 4 June 2012
ILF (Ingenia Communities) ASX trading recommence (deferred settlement)	29 May – 5 June 2012

Please note that the above dates are subject to change

1. And all other conditions are satisfied



Appendices



Garden Villages Marsden Gardens, QLD

Portfolio overview

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



US Seniors New York Portfolio (US\$163.7m)¹

- 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)²

- 3 assets based in Wellington
- 90% ILF ownership

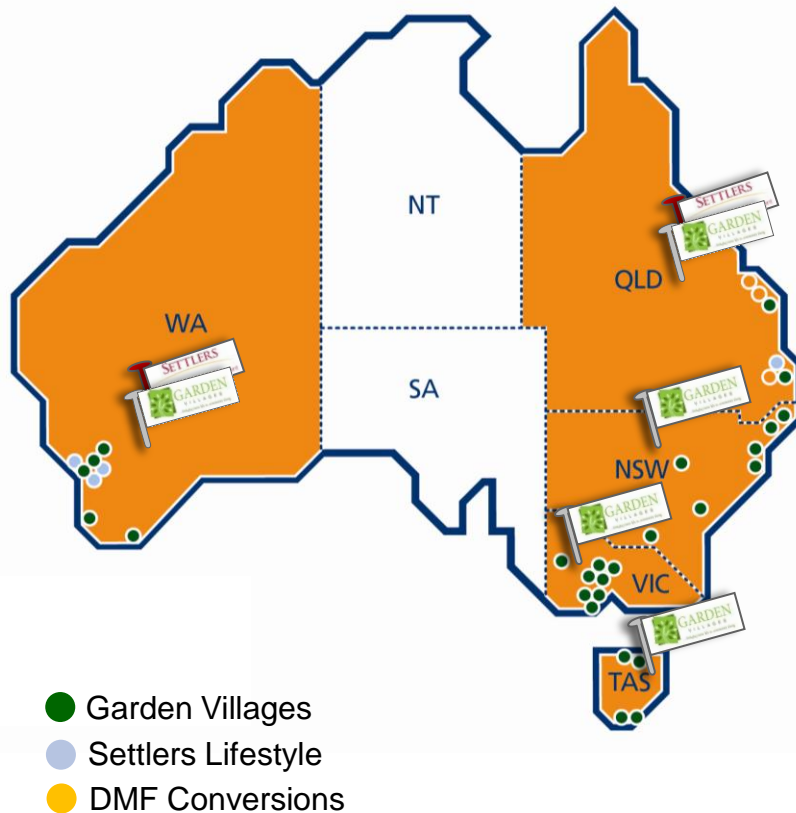
1. Represents ILF's interest of 50% of 5 communities and 100% of 1 community (Lynbrook) in the Bristol portfolio

2. Represents ILF's interest of 90%

Note: All figures as at 31 December 2011

Australian Seniors geographical reach

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



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, and are accurate as at 31 December 2011

Australian Seniors - Garden Villages (Rental)

Local press generated from 'Activate 2012'

Seniors to get internet savvy for the grandkids

YAKAMIA Gardens residents are getting ready to jump into the depths of the world wide web to learn all about the social networking phenomenon that is FaceBook.

Browsing the internet, using email and You Tube will also be covered in the two-hour course provided by Gayle Hastie from Great Southern Institute of Technology.

The aim is to show the freedom that being online can offer, something many of today's seniors have never experienced.

When they access the internet for the first time and they can see pictures of their grandchildren on the other side of the country or around the world, are shown how to send an email to their family and get a response straight away, their whole world changes with a simple click of a button.

Village manager Kevin Brown said that for seniors, connecting with their grandchildren was really important.

"This is a great initiative for not only showing seniors what the buzz is about, but also giving them the tools to connect with the youth in their families through different avenues," he said.

Laptop computers arrived at the retirement village this week and seniors began their training yesterday. The computers are on loan for two weeks then move on to another village.



BROWSING: Manager Kevin Brown (at rear) with Bert Buckroyd, Michael Swainston and Harry and Barbara Lefel who are learning to use the internet.

Jigsaw world record attempt

SWAN View Gardens residents attempted a world record this month in a nationwide jigsaw competition.

The residents aimed to complete a 1000-piece puzzle in less than an hour, which is the current record.

Seniors living in Garden Villages across Australia took part in the event, with a top prize of \$1000.

Swan View Gardens village manager Maggie Arnold said residents enjoyed doing jigsaws.

"They are a great way to keep the mind active," she said.

Residents had to complete the puzzles individually. But despite their best efforts, they were unable to break the record.



Cliff and Ivy Cooney and Thelma House sift through some pieces of the jigsaw puzzle.

Cameras roll at Taree Gardens

TAREE Gardens residents this week take a seat in the director's chair to produce a short film about their life or their community for the Garden Villages nationwide video competition.

This is an exciting opportunity not only for the audience to see the world through a retiree's eyes, but also for seniors to document what's important to them and explore new skills and creativity using modern video equipment.

With a top prize of \$1000, and a lack of restricting portrayals sent in for entry.

Entries will be available for viewing on Garden Villages website www.gardenvillages.com.au

Taree Gardens residents will have one week to complete and submit their videos.

www.manningriver.times.com.au

PROFILE AND STRATEGY

- ILF is the largest owner-operator of rental villages in Australia
- 26 villages (1,388 units) offering affordable quality rental accommodation for pension supported seniors over the age of 55
- Rental income provides for consistent cashflow into the business
- Key focus is to drive occupancy and income growth via consistent rental rate growth parallel to pension increases and resident retention
- Portfolio occupancy at 79.2% as at 31 January 2012, with long term target at 89.0%
- An events based marketing program 'Activate 2012' has been implemented across the portfolio to:
 - Drive occupancy growth;
 - Improve resident tenure through activities and wellbeing programs; and
 - Increase brand awareness.

GROWTH STRATEGY

- Introduction of resident care packages at select villages to allow for continuum of care without the relocation from our villages
- Assessing acquisition of competitor villages in existing or adjacent markets (subject to rigorous return thresholds)

Australian Seniors – Settlers Lifestyle (DMF)



Settlers Noyea, Mount Warren Park, QLD

PROFILE AND STRATEGY

- Settlers Lifestyle brand well recognised in the WA market
- Four assets (677 units) across WA and QLD offering quality seniors accommodation in residential communities to self funded seniors over the age of 70
- The villages operate on a Deferred Management Fee (DMF) model where residents enter into a loan life lease on their units, and ILF receives a DMF fee upon the resident's exit (average 30% of unit resale price)
- Portfolio occupancy consistently over 90s, was 96.5% as at 31 January 2012

GROWTH STRATEGY

- Anticipate challenging residential markets in Perth and Brisbane to recover, thus shortening lead time on sales.
- Opportunity to gain greater market share with locally driven marketing initiatives to be implemented in key markets
- Embracing new medium direct marketing via twitter and Facebook to stimulate brand awareness
- Advancing expansion of existing high occupancy villages

Australian Seniors – DMF Conversion



Resident at Settlers Gladstone , QLD

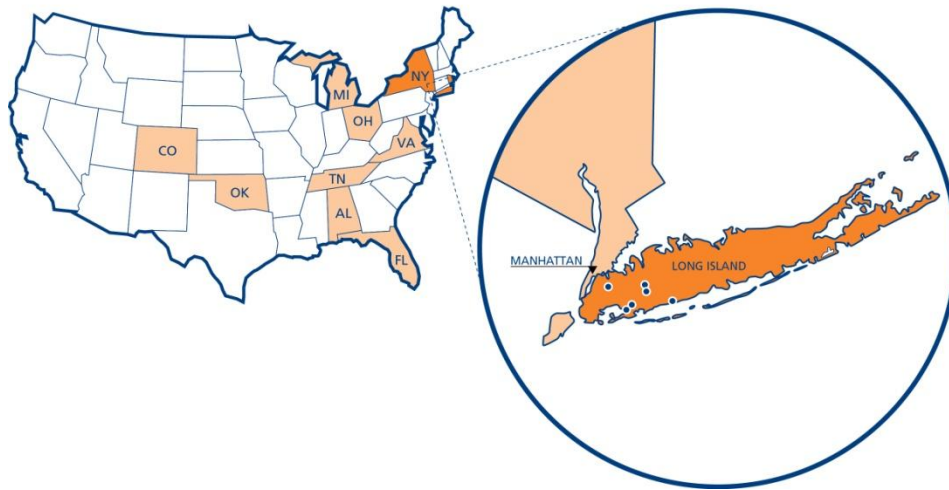
PROFILE AND STRATEGY

- DMF Conversion project successfully launched in January 2011 at Rockhampton, Gladstone and Forest Lake villages in QLD
- Three villages (216 units) offering quality seniors accommodation in modest residential communities to self funded seniors over the age of 70
- The conversion of these former rental units monetises significant first time development profit, and enables the Fund to realise DMF income upon a resident's exit.
- The conversion of the three villages are forecast to unlock \$35m over next three years
- Since project launch to 31 January 2012, 52 settlements were achieved totalling gross sales of \$9.6m, and 17 contracted and reserved units worth \$3.5m are held

GROWTH STRATEGY

- Expect strong sales momentum to build for our products, supported by resource boom, tight housing market and limited competition in the areas
- Gladstone Village Stage 2 expansion well advanced with construction likely to commence in late 2012
- Cessnock Village identified as the fourth conversion project and works will commence mid 2012
- Exploring feasibility of further two conversions from rental to DMF

US Seniors – Bristol portfolio



PROFILE AND STRATEGY

- 6 communities (916 units) situated in Long Island, New York with a large ageing and high socio-economic population, supported by significant barriers to entry
- Portfolio offers quality rental accommodation and care services to self-funded and support funded seniors over the age of 75
- Rental income and the high take-up of ancillary services among the residents provides for a consistent cashflow into the business
- Portfolio performance has historically remained strong, with occupancy of 93.1% as at 31 January 2012

GROWTH STRATEGY

- As previously announced, management is in advanced discussions with several well qualified parties to sell the portfolio at a premium to book value

NZ Students



PROFILE AND STRATEGY

- Three off-campus student accommodation buildings (359 units) located in Wellington CBD, caters primarily to students at Victoria University of Wellington (VUW) and houses nine ground floor commercial tenancies
- Steady rental income stream during the academic year underpinned by a 90% occupancy income guarantee by VUW and additional income from commercial tenancies
- Buildings operate as short-stay hotel accommodation during summer periods, with offerings highly popular in the last two years with the local clientele

GROWTH STRATEGY

- Discussions with VUW are well advanced on the renewal of the income guarantee contracts which expires in 2013

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