

REAL ESTATE INVESTMENT MANAGEMENT

Date

28 March 2012

Fund

ING Real Estate Community Living Group

IML Board executes implementation agreement for internalisation proposal

- ING Real Estate Community Living Group (ILF) to implement internalised management structure
- Proposal unanimously recommended by Independent Board Committee
- ING to provide ILF with financial support valued by ING at \$4.1 million
- ILF to be rebranded as Ingenia Communities
- Experienced management and a Board member to remain with Ingenia Communities
- Independent expert to assess management internalisation proposal

ING Management Limited (IML), the responsible entity (RE) of ING Real Estate Community Living Group (ASX: ILF) (the Fund), today announced that it has entered into an implementation deed which, subject to requisite approval by ILF unitholders and satisfaction of other conditions, would result in the internalisation of management of the Fund (the Proposal).

Proposal background

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 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.

Concurrent with the global strategic review, REIMA and IML independently explored various options for ILF. As part of this evaluation, the IML Board established an Independent Board Committee (IBC) and put in place strict governance protocols to ensure that any potential conflict of interest between REIM and IML was appropriately and transparently managed. The IBC included only directors who are independent of ING and was supported by independent financial and legal advisers.

The IBC commissioned an Independent Expert, Deloitte Corporate Finance, to assess the Proposal. A copy of the Independent Expert's Report will be included with the Notice of Meeting and Explanatory Memorandum for the proposed meeting of ILF's unitholders.

The Proposal is the culmination of a number of alternative initiatives explored by the IBC, including the transfer of management rights, liquidation of the Fund, soliciting a cash offer for the units of ILF and a merger with a third party.

The Proposal is unanimously recommended by the IBC, subject to a number of conditions, including the absence of a superior proposal.

Proposal overview

IML, REIMA and ILF have now executed an implementation deed containing the key commercial terms of the Proposal. This includes ING providing ILF with financial support principally comprising of waived accrued management fees of \$2.5 million. In addition, the financial support also includes:

- Rent and outgoings for one year;
- Transfer of REIMA's 10% interest in the New Zealand Students portfolio; and
- Support services to ILF for up to three months to allow ILF to operate as a standalone vehicle as soon as practicable, with services including information technology, tax and accounting services.

ING has valued these financial benefits at \$4.1 million. The Independent Expert will comment on this Proposal and the value of the financial support.

There will be no payment made to ING to implement the management internalisation of the Fund (other than reimbursement of cost and expenses incurred by ING in relation to the Proposal).

Key ILF staff including Chief Executive Officer, Simon Owen and General Manager Australian Seniors, Nikki Fisher will transition across to the new entity.

Michael Coleman, Independent Chairman of IML said, "After a thorough consultative process, considering multiple alternatives, the Board believes that, in the absence of a superior proposal, management internalisation is in the best interest of unitholders. Each of the Independent Directors recommends that unitholders vote in favour of the Proposal at the upcoming unitholder meeting and will vote the ILF securities they own or control in favour of the Proposal where they are entitled to vote, in the absence of a superior proposal. This Proposal has also been endorsed by ING and this is evident in the financial support they have offered to enable ILF a smoother transition to the internalised vehicle."

If approved by unitholders and if all other conditions are satisfied, the Proposal is expected to deliver ILF unitholders a number of benefits:

- The appointment of a highly experienced Board led by retirement industry veteran, Jim Hazel, as the Independent Non-Executive Chairman;
- Minimal disruptions to ILF operations as key employees are expected to transition from ING to the internalised group to lead the next phase of growth;
- Better alignment of unitholder and management interests; and
- ING has agreed to provide ILF with financial support valued by ING at \$4.1 million to offset the higher on-going costs of internally managing the Fund. In addition, one-off internalisation costs to be incurred by the Fund are estimated to be \$1.1 million in FY12.

IML intends to convene an ILF unitholder meeting in late May / early June to consider the resolutions necessary to approve the Proposal. A Notice of Meeting and Explanatory Memorandum will be dispatched to unitholders in due course. Further details regarding the Proposal and the ILF unitholder meeting are provided in the attached investor presentation.

The Independent Directors are being advised on the Proposal by RBS Morgans and Minter Ellison, and key unitholders have endorsed the internalised strategy.

Rebranding

Subject to the Proposal being implemented, ILF will be rebranded as 'Ingenia Communities'. This new name acknowledges the Fund's origins from the ING Real Estate business and is inspired by Ingenuity, which reflects management's philosophy of operating with resourcefulness and strength. The Fund's Australian seniors operating brands (Settlers Lifestyle and Garden Villages) will continue under the 'Ingenia Communities' umbrella.

Fund strategy

The internalised group will continue to pursue ILF's current growth and capital management strategies:

- Focus on providing superior unitholder returns through unit price growth and a potential recommencement of distributions in 2012;
- 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 cashflows; 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.



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ILF CEO Simon Owen said, “The internalisation of ILF’s management is consistent with an extension of the strategy commenced some two years ago to stabilise the Fund, execute on organic growth opportunities and ultimately focus on new development and acquisitions as we seek to build a leading Australian Seniors living and care business with an unwavering focus on superior unitholder returns.”

Fund update

In Australia, with the continued successful sell down of the DMF Conversion Gladstone Village, management anticipates lodging a Development Application for its expansion in the coming months with construction forecast to commence in late 2012. The conversion of the Cessnock rental village to the DMF model is progressing, and accretive bolt-on acquisitions within existing markets are also being rigorously assessed to provide additional development stock to the Fund’s existing portfolio.

As previously disclosed, management continues to advance negotiations regarding a possible sale of the remaining six US seniors communities in Long Island, New York at a premium to 31 December 2011 book value.

For further information, please contact

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About ING Real Estate Community Living Group

ING Real Estate Community Living Group (ASX code: ILF) is a stapled group comprising 2 externally managed ASX-listed real estate investment trusts that own, manage and develop a diversified portfolio of seniors housing communities. Together the stapled group has total look-through assets under management of \$562 million with operations located predominantly throughout Australia and the United States.