

# ING Real Estate Community Living Group Unitholder Review 2011

INVESTING

30 JUNE 2011



A photograph of three elderly people walking their dogs in a grassy park. On the left, a man in a grey and blue jacket walks a white dog. In the center, a woman in a maroon sweater walks a black and white dog. On the right, a man in a plaid shirt and green cap walks a brown and white dog. A bridge is visible in the background.

# 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

*The Fund is focused on providing unitholders with exposure to a quality, high performing portfolio of seniors communities, enhanced by an increased emphasis on development opportunities.*

ILF operates across three core segments: Australian Rental, Australian Deferred Management Fee (DMF) and US Rental. The strategy for each of these segments is:

- ◆ Australian Rental: provision of affordable quality rental accommodation to pension-supported seniors over the age of 65;
- ◆ Australian DMF: provision of quality seniors accommodation in residential communities to self-funded retirees over the age of 70; and
- ◆ US Rental: provision of quality rental accommodation and care services to self-funded and support-funded seniors over the age of 75.





## KEY FINANCIAL RESULTS

FINANCIAL POSITION	30 JUNE 2011	30 JUNE 2010
Total Assets (look-through)	\$644.0m	\$772.9m
Total Liabilities (look-through)	\$543.6m	\$624.2m
Gearing (look-through)	69%	73%
Units on issue	441m	441m
Net Asset Value per unit	\$0.26	\$0.25
Market Capitalisation	\$50.7m	\$22.1m

FINANCIAL PERFORMANCE	30 JUNE 2011	30 JUNE 2010
Net Profit/(Loss)	\$13.1m	(\$67.7m)
Operating Income	\$6.9m	\$18.3m
Operating Income per unit	1.6c	4.1c



## 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.



BRISTAL EAST MEADOW, NEW YORK, USA

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

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.

This Unitholder Review details the Fund's FY11 operational results and the 2011 financial results are outlined in the accompanying Annual Report. You can also visit [www.ingrealestate.com.au](http://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

## HIGHLIGHTS

*“The Fund is now approaching an exciting time where it can consider appropriate, rigorously assessed bolt-on acquisitions, accelerate the build-through of its internal development pipeline and contemplate recommencement of distributions”*



FAMILIES AT SETTLERS RIDGEWOOD RISE, WA

### HIGHLIGHTS IN 2010 – 2011

Throughout the past 12 months, Management has undertaken many initiatives to deliver value to unitholders

STRATEGIC INITIATIVES	OUTCOME 2010-2011	NEXT STEPS 2011-2012
◆ Execution of DMF Conversion Project	◆ Successful conversion of three QLD villages in October 2010 with 18 sales achieved and 22 contracted and reserved as at 30 June 2011	◆ As at 31 August 2011, 29 sales have been achieved. 48 settlements forecasted in 2011-2012
◆ Divest Australian non-core assets	◆ Five non-core rental villages divested at ~22% premium to book value	◆ Planning underway for additional village conversion
◆ Unlock value in US Seniors portfolio	◆ Recently announced sale of 15 assets for US\$171.5m (net A\$30m – 6.8¢ per unit)	◆ Assessing feasibility of 20-unit expansion in Gladstone village
◆ Australian debt reduction	◆ Retain six A-grade communities in Long Island, New York	◆ Currently negotiating the sale of an additional three non-core villages
◆ Improve Garden Villages Rental occupancy rate	◆ Debt reduced by A\$6.6m in six months to June 2011 with further A\$30m to be repaid on settlement of US Seniors non-New York assets	◆ Investigating monetising equity in remaining US communities
◆ Exit US Students	◆ Occupancy up by 8% in FY11 to 81% as at 30 June 2011	◆ Target Australian loan to value ratio < 40%
◆ Review strategy for NZ Students portfolio	◆ Hand-back progressing well with one asset remaining	◆ Target long-term stabilised occupancy of 89%
◆ Future growth drivers	◆ Ongoing negotiations with University well advanced for longer term contract	◆ Exit of portfolio expected to complete by December 2011
	◆ NZ\$20.8m loan facility extended for six months to February 2012	◆ Investigate monetising equity in NZ Students accommodation
	◆ N/A	◆ Refinance to be sought before the loan expires in February 2012
		◆ Assessing acquisition of land adjacent to existing high occupancy villages
		◆ Investigating bolt-on acquisitions in existing markets





RESIDENTS ENJOYING THE COMMON ROOM AT SETTLERS RIDGEWOOD RISE, WA

## FUND UPDATE

### Financial Performance

The 2011 financial results reflect the hard work we have undertaken to improve operational performance across the portfolios, refine our business mix with an increasing focus to Australia and strengthen the balance sheet so as to improve the Fund's liquidity position to enable assessment of various go-forward strategies for the business.

The Fund reported a net profit for the year ended 30 June 2011 of \$13.1 million which was a significant improvement on the previous year's net loss of \$67.7 million. This was supported by the stabilisation of asset values in this financial year.

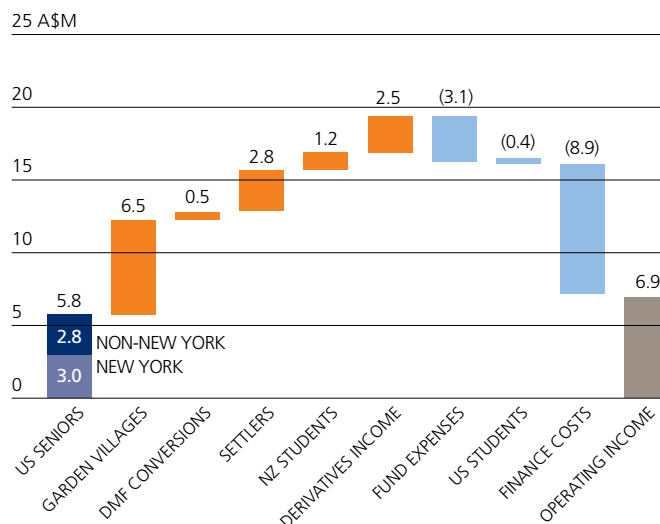
The Fund's operating income for the period of \$6.9 million was down compared to prior year at \$18.3 million largely attributed to the loss of earnings from the sale of the US/Canadian Meridian and Regency portfolios in May and June 2010 respectively, and the loss of \$4.9 million income from the termination of the capital hedges in November 2010.

Net asset value per unit has increased slightly to 25.9 cents compared to prior year of 24.9 cents due to retained earnings for the year and firming valuations offset by appreciation in the AUD against the USD.

No distributions have been forecast for the forthcoming financial year 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.

### EARNINGS RECONCILIATION – FY11

Garden Villages portfolio is the key and growing contributor to earnings



## FUND UPDATE

### Capital Management

The past financial year has seen many A-REITs pursue capital raisings (at times dilutive) in an attempt to shore up their capital position. With the Fund's weak performing unit price, Management did not believe that would be in the best interest of unitholders, and instead has chosen to implement a number of proactive capital management initiatives to derisk the Fund's balance sheet. Following a series of asset sales combined with growing asset level performance in these past 12 months, the Fund's capital position improved considerably.

Upon the expected settlement of the previously announced partial sale of the US Seniors portfolio in October 2011, the Fund's Australian look-through debt will significantly reduce to A\$66.2 million, from A\$96.2 million as at 30 June 2011.

The earliest funding due for refinance is the debt associated with the NZ Students portfolio which will expire in February 2012. Management has commenced negotiations to refinance this debt which will occur in conjunction with the renegotiation of longer term accommodation contracts with Victoria University of Wellington.

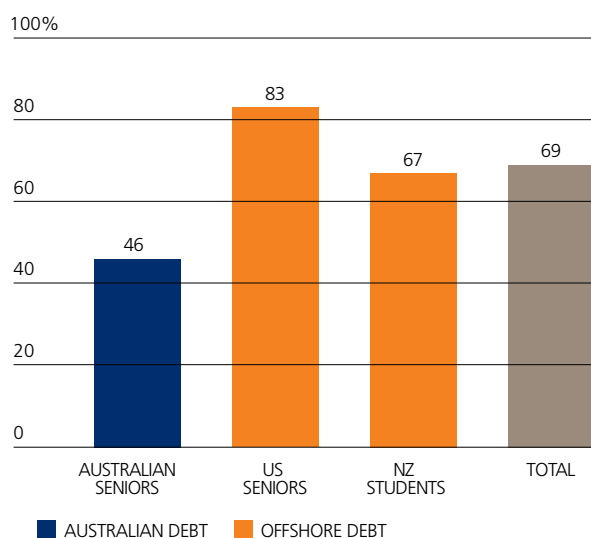
The Fund's overall look-through gearing has reduced by 4% to 69% for the year ended 30 June 2011 due to sales proceeds from the five non-core Garden Villages assets used to repay debt.

As illustrated in the chart below, the partial sale of the US Seniors portfolio will significantly reduce the Australian look-through gearing from 46% to 30%. This stronger capital position will enable the funding of internal growth initiatives to improve earnings. The remaining New York portfolio debt is highly geared at 91%, however this debt is long dated, non recourse and covenant light, creating opportunity from any value uplift while limiting the Fund's downside exposure.

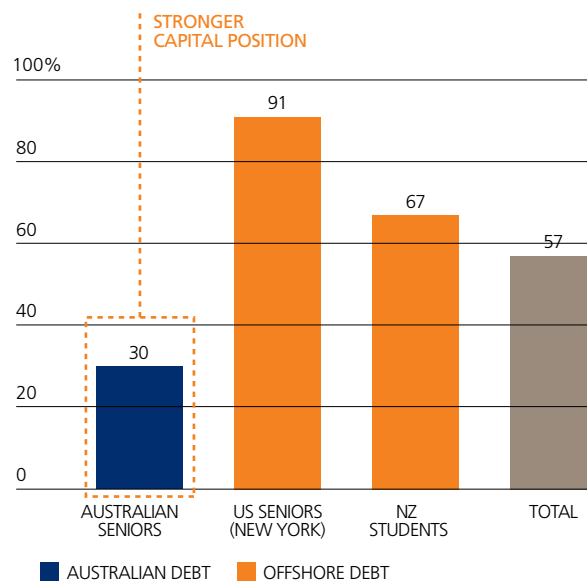
Despite a significantly improved capital position going forward, Management assures unitholders that a key focus remains the prudent management of the Fund's balance sheet.

### LOOK THROUGH GEARING – 30 JUNE 2011

Australian gearing continues to improve



### LOOK THROUGH GEARING – 30 JUNE 2011 (PROFORMA)<sup>1</sup>



<sup>1</sup>) Proforma represents gearing as at 30 June 2011 adjusted for the sale of the non-New York US Seniors portfolio and the application of the net sale proceeds to the Australian debt.

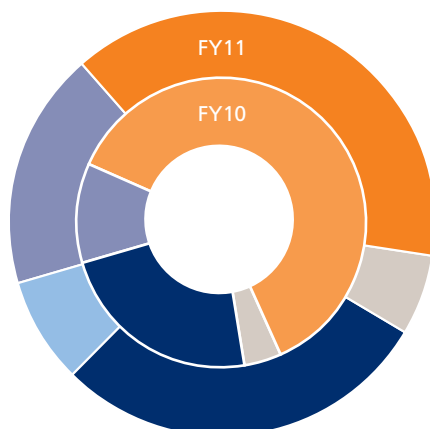


## PORTFOLIO UPDATE

The Fund continues to enhance its operational capabilities and its transformation from passive landlord to active business manager of an increasingly profitable portfolio of seniors living communities in Australia. Upon the settlement of the partial sale of the US Seniors portfolio, the Fund's Australian property weighting will increase from 34% in FY10 to 55% in FY11. Management will investigate opportunities to monetise equity in the remaining overseas investments in US Seniors and NZ Students.

### PORTFOLIO REWEIGHTING BY VALUE

Increased focus towards Australia



- US RENTAL (ALL 21 ASSETS) – FY10: 61%
- US RENTAL (NEW YORK ONLY) – FY11: 39%
- NZ STUDENTS – FY10: 4%, FY11: 6%
- AUSTRALIAN RENTAL – FY10: 23%, FY11: 29%
- AUSTRALIAN DMF – FY10: 11%, FY11: 18%
- AUSTRALIAN DMF CONVERSION – FY11: 8%

# 42

TOTAL PROPERTIES

# 85%

PORTFOLIO OCCUPANCY

# \$644

TOTAL ASSETS UNDER MANAGEMENT



SETTLERS SOUTH GLADSTONE GARDENS, QLD

## PORTFOLIO UPDATE

*"ILF is actively leveraging its position as the largest owner-operator of seniors rental accommodation in Australia"*



## Snapshot of Australian Seniors portfolio

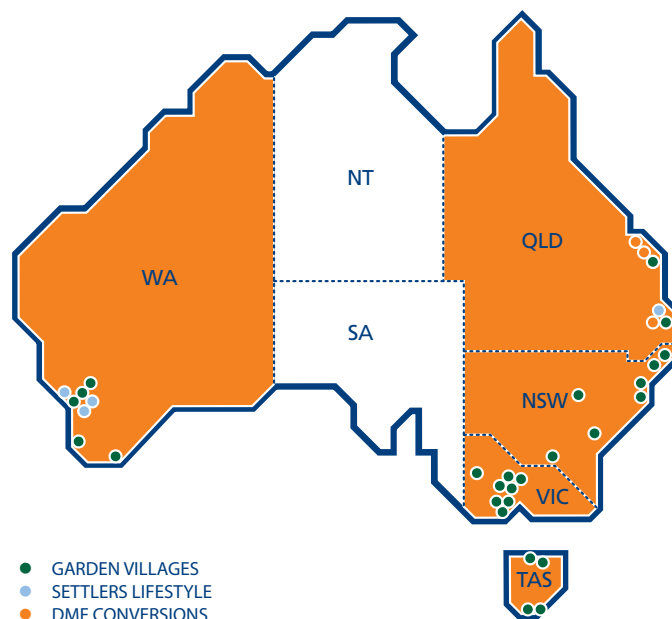
ILF owns and operates a large and diverse portfolio of Seniors communities

QUEENSLAND	SETTLERS LIFESTYLE	DMF CONVERSION	GARDEN VILLAGES
Number of properties	1	3	2
Total value	\$6.4m	\$26.4m	\$11.4 m
Total units	149	216	146

WESTERN AUSTRALIA	SETTLERS LIFESTYLE	GARDEN VILLAGES
Number of properties	3	5
Total value	\$50.1m	\$21.4m
Total units	528	272

NEW SOUTH WALES	GARDEN VILLAGES
Number of properties	7
Total value	\$21.8m
Total units	348

VICTORIA	GARDEN VILLAGES
Number of properties	8
Total value	\$21.3m
Total units	409



TASMANIA	GARDEN VILLAGES
Number of properties	4
Total value	\$13.9m
Total units	196

Note: Total units excludes development pipeline units.





GARDEN VILLAGES SWAN VIEW GARDENS, SWAN VALLEY, WA

## Australian Seniors Garden Villages Rental



AS AT 30 JUNE	2011	2010
Number of properties	26	34
Number of units	1,371	1,840
Book value	\$89.7m	\$129.0m
Net property income	\$6.5m	\$5.2m

ILF is the largest owner-operator of seniors rental accommodation in Australia. As at 30 June 2011, we have 26 villages located across the country and portfolio occupancy was at an all time high of 81%. This was attributable to improved product presentation across the villages, consistent growth underpinned by a continuing investment in sales and customer service delivery, and increased sales lead conversions as a result of a strong sales and marketing plan in place.

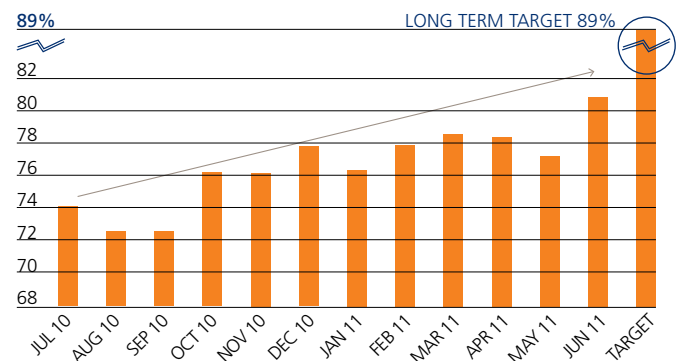
An example of a successful marketing initiative is the provision of the community facilities in our villages for much needed seniors activities. From Senior Citizen meetings to community watch or seniors training programs, our community facilities are offered complimentary to local community groups in need. This increases the exposure of our villages to new residents who would otherwise not be familiar with our village offerings. Such initiatives not only attracted new residents, they also generated goodwill with our existing residents who underpin our strong referral programs. In the past 12 months, conversion of sales leads in this portfolio significantly improved from 2% to 6%, and average resident length of stay also increased from 18 months to two years.

Management is confident that occupancy will continue to trend upwards over the next couple of years to a sustainable long term target of 89%. Earnings are strongly leveraged to occupancy with every 1% annualised increase raising earnings by \$0.2 million per annum.

Over the past 12 months, despite an increase of distressed assets on the market, the Fund has managed to divest five non-core villages on an average 22% premium to book value. This was a result of proactive sales campaigns and prudent identification of the right buyers in the market. Negotiations are underway for a further three non-core villages to be divested in an orderly manner. This selective divestment allows for more focus on the remaining core profitable assets in this rental portfolio. Sales proceeds from these divestments will be used to fund growth initiatives including the acquisition of land adjacent to our existing high occupancy villages.

### GARDEN VILLAGES PORTFOLIO OCCUPANCY FY2011

Occupancy at 81% and continues to trend upwards





## PORTFOLIO UPDATE

TELEVISION PERSONALITY KATRINA WARREN AT SETTLERS GLADSTONE LAUNCH

### Australian Seniors DMF Conversion



AS AT 30 JUNE <sup>1</sup>	2011
Number of properties	3
Number of units	216
Book value	\$26.4m
Net property income	\$0.5m

The successful launch of the Deferred Management Fee (DMF) Conversion project in late 2010 has been one of the key operational highlights for the Fund in the past financial year. The three Queensland villages in Forest Lake (Brisbane), Gladstone and Rockhampton were selected for their ideal geographical locations, unit configurations compatible for the DMF model and their favourable market conditions and demand dynamics.

As at 30 June 2011, 18 sales totalling \$3.1 million were achieved and contracts were in place for a further 22 sales totalling \$4.2 million. The sell down of the existing 216 units will release cashflow of more than \$35 million over the next three to five years, and will be a key contributor towards operating cashflows over this period. To date, 29 sales totalling \$5.1 million have been achieved as at 31 August 2011. Management is forecasting 48 sales in 2011-2012 grossing approximately \$10 million.

Strong demand at Gladstone village on the Central Queensland coast has been buoyed by the resource boom in the area with three price increases implemented since launch. Feasibility planning is underway for Stage 2 expansion of 20 units on the adjacent land owned by the Fund.

To generate further brand awareness of these relaunched villages, Management implemented a series of community integrated marketing initiatives. For example, a partnership was formed with Assistance Dogs Australia where a young dog will be brought into a regional village allowing residents to help with its training and care. When the Assistance Dogs Australia and television personality Katrina Warren hosted the relaunch events across the three villages, significant media and press were generated for our brand and that also helped promote the villages' pet friendly policies which attracted many potential residents.

These marketing initiatives particularly benefited the Forest Lake village which saw a period of slow sales due to its soft residential market and competitive discounting. Since the relaunch events, sales momentum has continued to build considerably.

Management is currently assessing the conversion of an additional village with expectation of launch in early 2012.

1) No comparative as previously included in Garden Villages Rental Portfolio.





SETTLERS LAKESIDE, RAVENSWOOD, WA

## Australian Seniors Settlers DMF

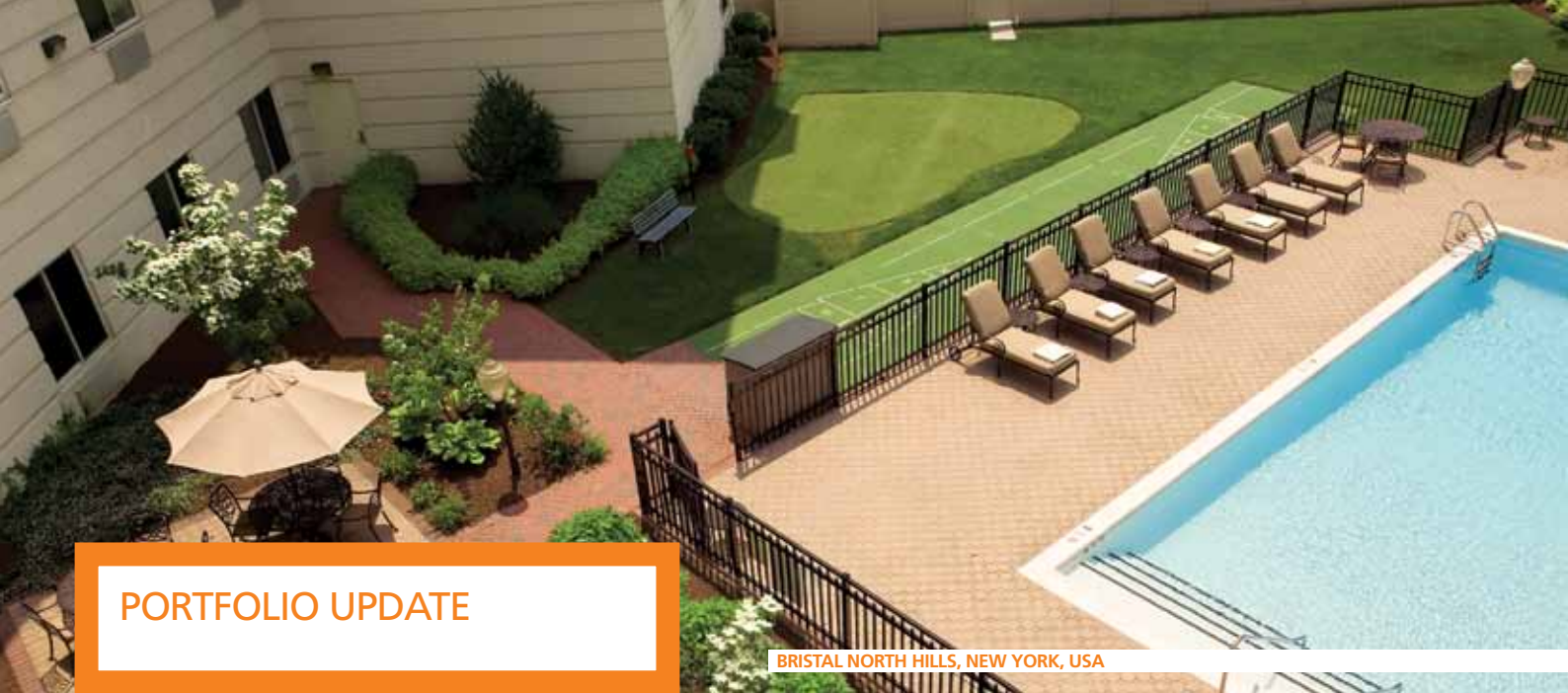


AS AT 30 JUNE	2011	2010
Number of properties	4	4
Number of units	677	655
Book value	\$56.5m	\$60.0m
Net property income	\$2.8m	\$5.0m

The Fund's Settlers portfolio consists of four established DMF villages located across Perth and Brisbane. Over the past 12 months, the softening residential markets and buyer confidence have adversely impacted the price growth and sales in these villages. Many seniors who were unable to sell their homes have delayed their move-in to our villages.

Despite difficult market conditions, \$12.1 million of sales were completed in the past 12 months. This included the continued sell down of the 22-home Ridgewood Stage 8 development (located in WA) where 11 settlements netted new sales totalling \$4.9 million. A renewed sales strategy in Noyea village in Brisbane also delivered a record 10 resales in the past financial year. As this portfolio trends towards maturity, focus turns to resales to deliver significant DMF cash inflows. Management have recently implemented a targeted marketing plan to drive further market penetration for the Settlers brand.

Management is also undertaking feasibility analysis on a 60-unit Stage 2 expansion at Meadow Springs, WA.



## PORTFOLIO UPDATE

BRISTAL NORTH HILLS, NEW YORK, USA

### US Seniors Rental

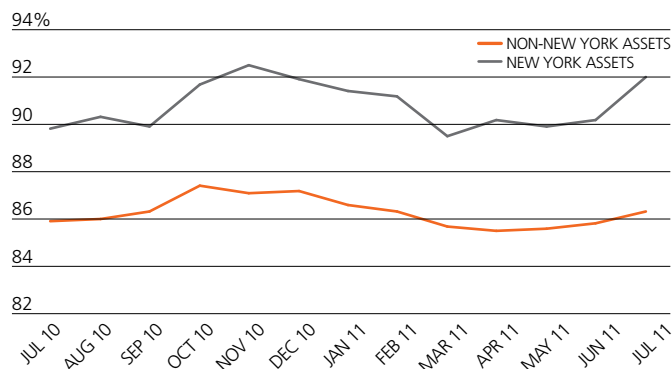


AS AT 30 JUNE	2011 (PROFORMA) <sup>1</sup>	2010
Number of properties	6	21
Number of units	914	3,873
Book value (ILF Share)	US\$132.2m	US\$284.0m
Net property income	US\$11.3m	US\$10.5m

As announced in July 2011, the Fund divested its 50% interest in 15 non-New York assets to existing joint venture partner, Chartwell Seniors Housing REIT. This portfolio refinement focused the Fund's geographical concentration to one premium market in Long Island, New York.

The remaining Bristol portfolio consists of six A-grade communities in a market with high barriers to entry and a resilient customer base. This portfolio has historically performed well with occupancies above 90% and consistent net operating income margin of approximately 40%. As at 30 June 2011, the portfolio occupancy was 92%. Management continues to drive occupancy and rental rate growth with unit refurbishments and reconfigurations to meet market demand. Increased usage of social media and community outreach programs have also been implemented in targeted sales and marketing efforts to drive further occupancy improvements.

### US SENIORS OCCUPANCY



<sup>1)</sup> Proforma excludes 15 non-New York assets divested as announced in July 2011.





USTAY STUDENT ACCOMMODATION, WELLINGTON, NEW ZEALAND

## New Zealand Students



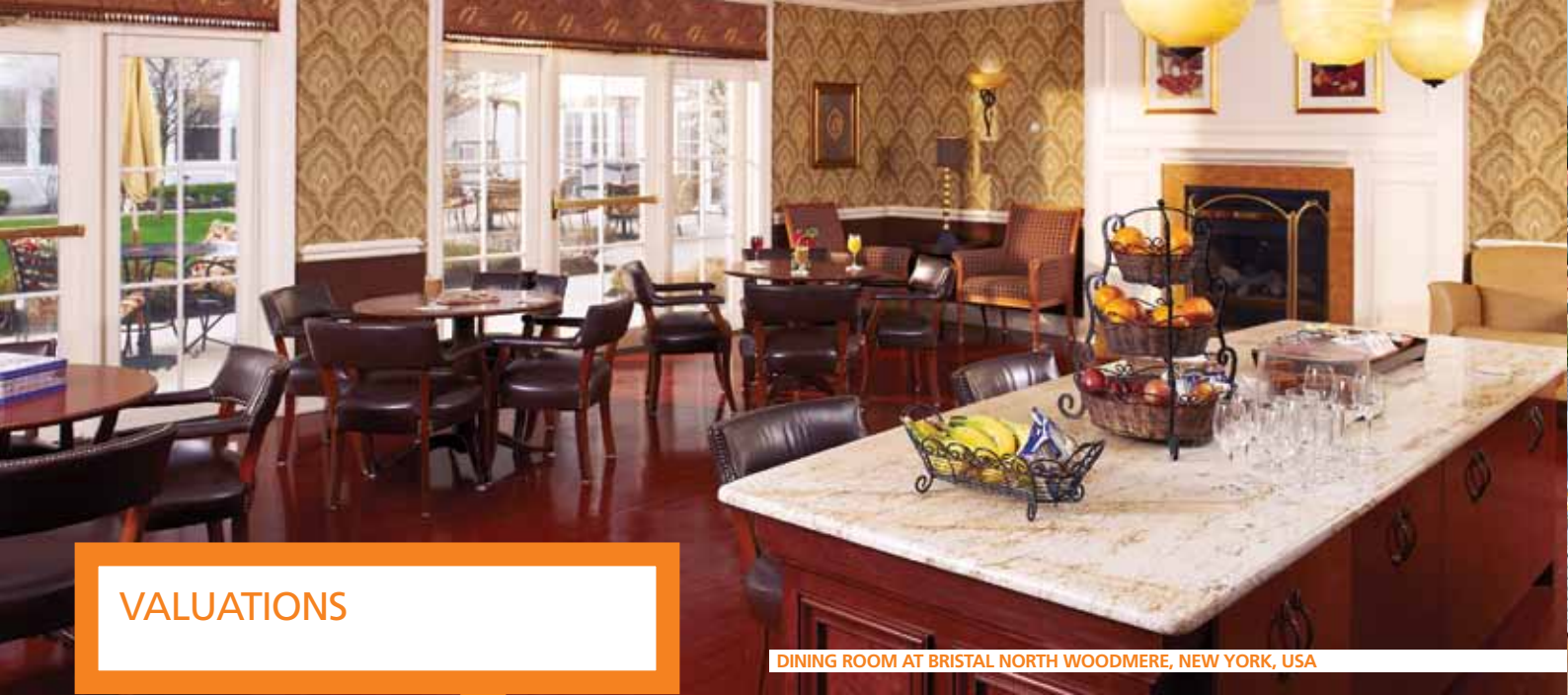
AS AT 30 JUNE	2011	2010
Number of properties	3	3
Number of units	359	359
Book value (ILF Share)	NZ\$22.5m	NZ\$30.0m
Net property income	NZ\$2.6m	NZ\$2.4m

The New Zealand Students portfolio comprises three off-campus accommodation buildings in Wellington's CBD which typically have occupancies exceeding 90% during the academic year, and remains popular during the summer short-stay hotel trading periods. However in the past 12 months, student occupancy levels have declined primarily due to a fall in international student numbers and a reduction in National 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.

The ground floor commercial tenancies continue to improve with recent long term lease granted to international food chain, Denny's.

Management is progressing discussions with VUW for the renewal of the income guarantee contracts which expire in 2012 and 2013. It is anticipated that as part of entering into these new long term contracts, the University will require the Fund to commit to considerable capital expenditure to improve the buildings and to meet the increasing expectations of its students.





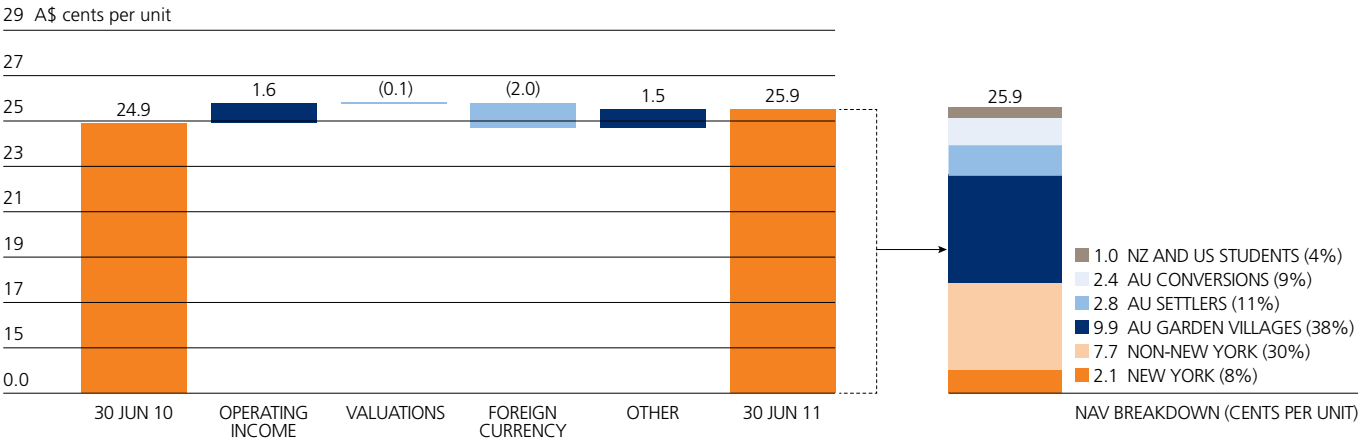
# VALUATIONS

DINING ROOM AT BRISTAL NORTH WOODMERE, NEW YORK, USA

During the second half of FY2011, approximately 28% of all continuing assets of the Fund were externally valued. The overall impact on asset values of continuing operations is a write-up of 4.3 million (adjusted for the sale of approximately \$8.2 million of non-core Australian rental villages sold during the period).

It should be noted that the strong increase in valuations of the DMF Conversion assets were offset by declines in Settlers and NZ Students asset values. The net asset value (NAV) per unit firmed slightly from 25 cents at June 2010 to 26 cents at June 2011. The Australian portfolios represent 58% of NAV and will increase to approximately 88% post settlement of the partial sale of the US portfolio.

## NAV PER UNIT FIRING SLIGHTLY DESPITE APPRECIATION OF AUD













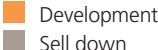
## DEVELOPMENT OPPORTUNITIES

SETTLERS RIDGEWOOD STAGE 8, WA

One of Management's key focuses is to explore various options to grow the business, organically or through acquisitions. Within our existing Australian portfolio, the Fund has an internal development pipeline with an end sales value of \$94 million. This consists of 249 units (\$50.6 million) within the Settlers and DMF Conversion villages which are in development or feasibility currently been assessed, and 196 units (\$43.5 million) of development opportunities within

the Settlers, DMF Conversion and Rental portfolio that will likely be built over the next 4–5 years. The timely build-through and sell-down of this development pipeline, subject to rigorous return thresholds, will be a key focus for Management over the coming year and is expected to be a sizeable driver of earnings and cashflow growth over the next five years.

### AUSTRALIAN DEVELOPMENT PIPELINE

		Completion Value (\$m)	No. of Units <sup>1</sup>	FY12	FY13	FY14	FY15	FY16+	Medium term target	
ACTIVE DEVELOPMENT										
Settlers DMF	Ridgewood, WA	\$4.9	11							TARGET: 100 new units delivered pa.
DMF Conversion	Gladstone, QLD	\$13.2	64							
	Rockhampton, QLD	\$17.2	90							
	Forrest Lake, QLD	\$15.3	84							
DEVELOPMENT OPPORTUNITIES										
Settlers DMF	Meadow Springs, WA	\$24.0	60							
DMF Conversion	New Conversion	\$8.4	60							
Garden Villages Rental	Cessnock, NSW	\$1.3	6							
	Lovely Banks, VIC	\$9.8	70							
		\$94.1m	445							
										

■ Development  
■ Sell down

1) Includes built stock and units yet to be developed.



## STRATEGY AND OUTLOOK

*"Management is focused on working up a go-forward strategy for the ownership, management and capital structure of the Fund."*



RESIDENT AT SETTLERS ROCKHAMPTON GARDENS, QLD

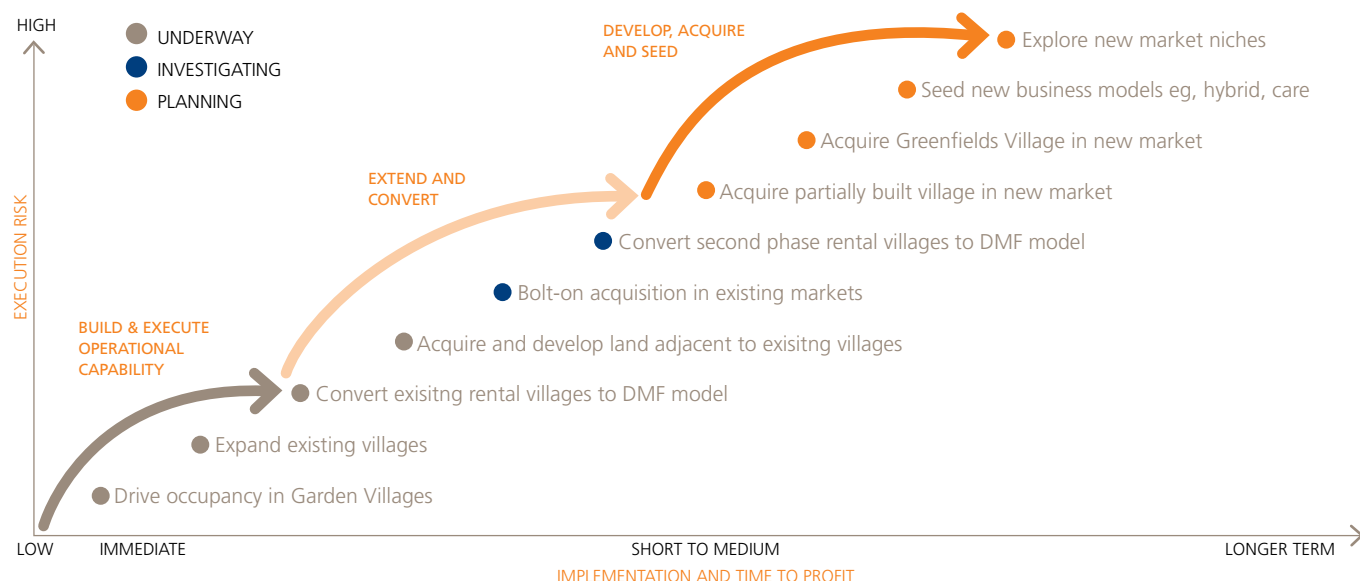
In the short term, the Fund forecasts improving operating cashflows in FY2012. To deliver this result and to build a sustainable presence in the Australian Seniors market, the Fund aims to achieve the following:

- ◆ Explore opportunities to monetise equity from the remaining US and NZ Students portfolios to further deleverage the Australian balance sheet and fund growth capital;
- ◆ Continue to unlock more value from the Garden Villages Rental portfolio by refining and building on its operational capabilities and focusing on occupancy growth;

- ◆ Accelerated sell down of the three DMF Conversion villages will likely release more than \$35 million operating cashflow over the next three to five years. Expansion feasibility in adjacent lands within high occupancy DMF villages are currently being assessed; and
- ◆ Investigate the acquisition of bolt-on or partially built DMF villages in retiree attractive locations, and seed Greenfield DMF sites to drive longer term development pipeline.

Management is assessing the distribution policy for the forthcoming financial year, and is focused on working up a go-forward strategy for the ownership, management and capital structure of the Fund.

### MANAGEMENT ASSESSING A RANGE OF OPPORTUNITIES TO DRIVE UNITHOLDER VALUE IN AUSTRALIA







SETTLERS RIDGEWOOD RISE, WA

## INVESTING IN OUR PEOPLE

In a high touch point business such as retirement living, people are, and will always be, the key to success. Particularly in this past year, there is no doubt that we could not have achieved what we set out to without the drive and enthusiasm of our people. Investing in and developing talent especially from within the organisation is something we take much pride in. Below are examples of two staff members from our Australian Seniors business that exemplifies the quality people we have on the team.



**Kendall McNab**

*Property Coordinator*

*"Australian Seniors has allowed me to explore, grow and choose a career path"*

**How long have you worked with Australian Seniors?**  
3 years since September 2008.

**What was your initial role?**  
Office administration and front line reception.

**What attracted you to the company and to your initial role?**  
I was looking for experience in the corporate world, and was attracted to this diverse role which gave me exposure to Marketing, Compliance, Human Resources, Accounts and Property. I was still looking for a career path then and I knew that working in all aspects of the office would help.

**What interests you about retirement?**  
It's a growing industry, there is always a lot going on.

**How has your career progressed?**  
I am now a Property Coordinator. I find the role interesting and challenging.

**What training has the company provided you with?**  
Certificate 4 in Business Management, Intermediate Excel, REIQ registration, and I am about to begin a Diploma in Business Management.

**How do you find your new role?**  
It's very enjoyable, always challenging, and I am always learning.

**What's the hardest part about your role?**  
Learning the Residential Tenancies Act.

**What's the best part?**  
Constant learning, and each day is different.

**Where do you see yourself in 5 years?**  
As Property Manager with a Diploma in Business Management and a Degree in Business.

## INVESTING IN OUR PEOPLE

SETTLERS FOREST LAKE GARDENS, QLD



### Stuart Fallis

*Regional Manager for QLD Rental and DMF*

*"Australian Seniors has allowed me to grow personally and professionally. It's rewarding to feel that I can create a positive impact on someone's life and to also work for a company where the opportunities are out there for the taking"*

#### How long have you worked with Australian Seniors?

3 years since July 2008.

#### What was your initial role?

Compliance officer.

#### What attracted you to the company and your initial role?

Compliance is an incredibly important aspect of any business. The role allowed me to deal with various issues and problem solving to achieve the best outcome for the people and company in all situations. The company was growing at the time and I knew that it would continue to develop and allow me to do so as well.

#### What interests you about retirement?

I enjoy dealing with interesting people on a daily basis, and derive much satisfaction in providing seniors with a home.

*"Diversity of experiences and backgrounds enriches an organisation"*

#### How has your career progressed?

From compliance, I moved into a Regional Manager role for our QLD Rental villages and as the business began to develop, my portfolio expanded to include the three successful DMF Conversion projects. I am now Regional Manager for QLD Rental and DMF and enjoy working across both the Garden Villages and Settlers portfolios.

#### What training has the company provided you with?

Sales training, leadership training, DISC Management Strategies, Intermediate excel, and I am about to start a course in Successful Communication Strategies.

#### What's the hardest part about your role?

The long hours and travel.

#### What's the best part?

Working with varied Village Managers and residents on a daily basis. It's also a great work environment.

#### Where do you see yourself in 5 years?

In a National Operations Manager role. This business is continually growing and it's great to know that there are always opportunities to develop and take on new challenges.



## SENIOR MANAGEMENT PROFILE

### **1 Simon Owen**

#### *Chief Executive Officer*

Simon joined the Fund in November 2009 and has led the rebuilding of ILF including improving operational capabilities, divesting non-core assets and de-leveraging the balance sheet.

Simon brings to the Fund significant experience in the retirement village sector and is currently the National President of the Retirement Villages Association (RVA), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia. Simon's experience spans across multiple disciplines including finance, funds management, mergers and acquisitions, business development and sales and marketing. Prior to ING, Simon was the CEO of Aevum, a formerly listed retirement company which under his leadership, grew from four to 21 villages across New South Wales and Western Australia. Simon is a qualified accountant (CPA) with post graduate diplomas in finance and investment, and advanced accounting.

### **2 Tony Massaro**

#### *General Manager – US Seniors*

Tony is responsible for the Fund's US Seniors portfolio. He joined ILF in November 2009. Prior to ILF, Tony was the National Business Development Manager for Stockland's retirement living business. He has 11 years' experience in the property industry with expertise in acquisitions, asset management and finance. In addition he has experience in strategy consulting and banking. Tony holds a Bachelor of Arts in Business Administration from Bucknell University in the United States and an MBA with Distinction from Harvard Business School. He is a member of the NSW Council of the Retirement Villages Association.

### **3 Nikki Fisher**

#### *General Manager – Australian Seniors*

Nikki is responsible for the Fund's Australian Seniors portfolio of Rental and DMF assets. She joined ILF in June 2010. Nikki has 16 years' experience in the property and asset management industry. Her career spans across multiple asset classes including industrial, commercial and retail. Prior to ILF, Nikki spent her last 10 years at Westfield Group where she held the position of Regional Manager QLD North, overseeing a portfolio in excess of \$2 billion. She holds a Bachelor of Business in Accounting and Industry Economics.

### **4 Karen Landy**

#### *Commercial Manager*

Karen is responsible for the capital strategy of the Fund and the NZ Student portfolio. Karen has 21 years' experience in the financial services and funds management sectors. She joined ILF in February 2008, and has expertise in financial analysis, and debt and capital management. Karen has held positions at Zurich Bank, Rabo Bank and Ernst and Young. Karen is a Chartered Accountant with a Bachelor of Economics and Masters in Applied Finance.

### **5 Nathan Goldschmidt**

#### *Chief Financial Officer*

Nathan joined ILF in June 2011. He brings 20 years of previous financial experience from working in the ASX listed REIT sector. He started his career auditing REITs such as GPT and Mirvac, followed by time as a REIT Financial Controller, then as a sell-side equities analyst. This was followed by various senior finance roles at Westfield then Stockland. He has a Bachelor of Commerce degree from UNSW and is a member of the Institute of Chartered Accountants in Australia.



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## ING REAL ESTATE GLOBAL NETWORK

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