ING

REAL ESTATE INVESTMENT MANAGEMENT

ASX Announcement

Date

23 May 2012

Fund

ING Real Estate Community Living Group

ILF to sell New York assets

Highlights

- ILF enters into a conditional contract for the sale of US Seniors New York portfolio for approximately US$173.3m; December 2011 internal property value was US$163.7m
- ILF to receive estimated net proceeds of A$49.9m[1] (11.3¢ per unit) including escrows
- 2.1¢ per unit uplift on December 2011 valuations
- Settlement likely for fourth quarter 2012

ING Real Estate Community Living Group (ASX: ILF) today announced it has entered into a conditional contract to sell its interests in the New York Seniors (Bristal) portfolio to a property consortium for approximately US$173.3 million. The December 2011 internal property value was US$163.7 million.

The purchasing consortium comprises affiliates of Harrison Street Real Estate Capital LLC, a real estate investment management firm, and The Engel Burman Group, the current operator and manager of the portfolio. The sale price is in-line with the price paid to acquire the portfolio across 2007 and 2008.

Settlement is conditional upon receiving all necessary US regulatory and property level debt approvals, which are anticipated in the fourth quarter of calendar year 2012. These approvals are similar to those that were required for the 2011 sale of the non-New York assets.

ILF CEO Simon Owen said: “This transaction has been some nine months in the making as we sought to capture maximum value for this premium portfolio of assets. The key to

[1] At an exchange rate of AUD/USD 0.9900

unlocking the maximum value was working with our joint venture partner in the United States, Chartwell REIT, to sell our collective interest in the asset through a joint process."

The US$173.3 million sale price equates to a 2.1¢ per unit uplift when compared to the US$163.7 million value ascribed to this portfolio in ILF's 31 December 2011 financial statements.

Net proceeds from the sale are expected to be approximately A$49.9 million, of which it is expected that A$44.6 million will be repatriated on settlement. A$5.3 million will remain in the US under transaction related escrows for up to nine months.

"This sale represents a key step in monetising the equity remaining in our offshore assets. On settlement, net sale proceeds will enable the Fund to pursue growth opportunities including investment in the Fund's development pipeline and bolt-on acquisitions, as well as to consider a number of capital management initiatives including a possible buy-back," Mr Owen said.

Mr Owen continues: "We would like to thank The Engel Burman Group for their outstanding work over the past five years."

This transaction does not affect the Independent Directors' unanimous recommendation in favour of the internalisation proposal to be considered by unitholders on 31 May 2012.

On 26 April 2012, the Group issued a Meeting Booklet in respect of that internalisation proposal. In Section 5.1.e on page 17 and following, the Booklet contained a pro-forma balance sheet showing the effect of the proposal. An update to that section of the Booklet to reflect this sale of the US Seniors New York portfolio is attached as Appendix 1.

The Independent Directors engaged Deloitte Corporate Finance Pty Limited to provide an Independent Expert's report on the internalisation proposal. Deloitte have considered this sale and have concluded that the proposal "continues to be fair and reasonable and therefore in the best interests of Non-Associated Unitholders in the absence of a superior proposal". The supplement to their Independent Expert's report is attached as Appendix 2.

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 two externally managed ASX-listed real estate investment trust that own, manage and develop a diversified portfolio of seniors housing communities. A reference to unit in this announcement is a reference to a stapled unit. Together the stapled group has total look-through assets under management of $562 million with operations located predominantly throughout Australia and the United States.

APPENDIX 1

SECTION 5.1.E OF THE MEETING BOOKLET DATED 26 APRIL 2012 UPDATED TO REFLECT THE SALE OF ILF GROUP'S US SENIORS PORTFOLIO

- ### Effect on financial position if the Proposal is successful:

Basis of preparation

The financial information contained in this Section has been prepared in accordance with the recognition and measurement principles of Australian accounting standards. However, it is presented in an abbreviated form and as it does not include all of the disclosures, statements or comparative information required by the Australian accounting standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The accounting policies used in preparing the financial information are the same as those of ILF Group, which are given in its financial report for the year ended 30 June 2011.

The historical balance sheet of ILF Group was extracted from its 31 December 2011 interim financial report which was reviewed by Ernst & Young and on which an unqualified review conclusion was issued.

The pro-forma consolidated balance sheet of Ingenia Communities was compiled as if the Implementation Date was 31 December 2011. It was prepared as follows:

- the pro-forma balance sheet of ILF Group includes adjustments to its historical balance sheet to show the impact of material transactions which are expected to occur after the 31 December 2011 balance date, being the sale of the Unites States Seniors portfolio; and

- adjustments were made for the financial effect of the implementation of the Proposal, which is accounted for as a business combination under accounting standard AASB 3 Business Combinations. As the stapling contemplated by the Proposal constitutes a reverse acquisition under AASB 3, ILF Fund has been identified as the acquiror of IGCH, but IGCH has been identified as the parent of Ingenia Communities for preparing the consolidated Ingenia Communities financial information.

- ### Costs of negotiating and implementing the Proposal:

The ILF Group will incur costs of approximately $1.4 million of which the ILF Fund will pay REIMA not more than $140,000 to reimburse it for expenses incurred in the negotiation and implementation of the Proposal. It was a condition of IML and REIMA providing the Financial Support that the ILF Group reimburse REIMA for these costs which comprise external services provided to REIMA. The IML directors considered that reimbursing these costs was on terms no less onerous than if they had been concluded on arm's length terms (and therefore would not require the approval of Unitholders) and that paying these costs to receive the greater Financial Support was in Unitholders' best interests.

If the Proposal is not implemented, transaction costs of approximately $1.2 million will be borne by ILF Group. These costs are included in the $1.4 million of transaction costs considered by the Independent Expert.

Historical and pro-forma balance sheets

	ILF Group Actual as at 31 December 2011	Pro-forma adjustments – US Seniors sale	ILF Group Pro-forma as at 31 December 2011	Pro-forma adjustments – Proposal	Ingenia Communities Pro-forma as at 31 December 2011
	$000s	**$000s**	**$000s**	**$000s**	**$000s**
Current assets					
Cash & cash equivalents	33,858	49,900	83,758	E (1,400)	82,358
Trade & other receivables	2,259		2,259		2,259
Assets of discontinued operations	82,587	(68,217)	14,370	B 17,132	31,502
Intangible assets	-		-	C,D 800	800
	118,704	(18,317)	100,387	16,532	116,919
Non-current assets					
Investment properties	326,723		326,723		326,723
Other	538		538		538
	327,261		327,261		327,261
Total assets	445,965	(18,317)	427,648	16,532	444,180
Current liabilities					
Payables	14,767		14,767	A (2,500)	12,267
Retirement village residents'' loans	157,498		157,498		157,498
Derivatives	974		974		974
Liabilities of discontinued operations	34,220	(28,658)	5,562	B 16,545	22,107
	207,459	(28,658)	178,801	14,045	192,846
Non-current liabilities					
Borrowings	83,737		83,737		83,737
Derivatives	232		232		232
Deferred tax liabilities	8,197		8,197		8,197
	92,166		92,166		92,166
Total liabilities	299,625	(28,658)	270,967	14,045	285,012
Net assets	146,340	10,341	156,681	2,487	159,168
Net asset value (cents per unit)	33.2	2.3	35.5	0.6	36.1

The pro-forma adjustments for the expected sale of the United States Seniors assets are reflected in the net cash proceeds at an assumed exchange rate of 1 United States dollar equals 0.9900 Australian dollars, and reductions in assets and liabilities of discontinued operations to reflect the carrying amounts of this portfolio at 31 December 2011. The increase in net asset value per unit of 2.3 cents comprises 2.1 cents gain on the sale and 0.2 cents gain on the foreign exchange fluctuation between the 31 December 2011 value of 1 United States dollar equals 1.0156 Australian dollars and the assumed exchange rate of 1 United States dollar equals 0.9900 Australian dollars.

Details of the pro-forma adjustments for the Proposal are:

A. Current RE will waive accrued management fees of $2,500,000, reducing current liabilities accordingly.

B. REIMA will transfer its 10% equity (and 100% voting power) in the New Zealand Students business to Ingenia Communities for no consideration. This will result in Ingenia Communities consolidating this entity (its prior 90% equity was accounted for as an investment). The entity already qualifies as an asset held for sale, and its total assets and total liabilities will be included in assets and liabilities of discontinued operations. The increase in net assets of $587,000 represents the fair value of the 10% interest to be acquired by Ingenia Communities.

	$000s
Increase in assets of discontinued operations	17,132
Increase in liabilities of discontinued operations	16,545
Increase in net assets	587

C. This increase of $600,000 in intangible assets represents the fair value of the Transitional Services to be provided by REIMA and IML. This will be amortised to the income statement over the term of the Transitional Services.

D. This increase of $200,000 in intangible assets represents the fair value of the rental support to be provided by REIMA. This will be amortised to the income statement over the term of the rental support.

E. This decrease in cash represents the internalisation transaction costs of $1,400,000.

F. The total of these adjustments will be taken to the income statement and thus will be reflected in accumulated losses.

	$000s
Waiver of accrued management fees REIMA's 10% interest in New Zealand Students business	2,500 587
Transitional services	600
Rental support	200
Transaction costs	(1,400)
Decrease in accumulated losses	**2,487**

The fair value of the information technology equipment is not considered material and has been ignored.

Deloitte.

APPENDIX 2

Deloitte Corporate Finance Pty Limited
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The Directors
ING Management Limited as responsible entity for
ING Real Estate Community Living Group
Level 6, 345 George Street
Sydney NSW 2000

22 May 2012

Dear Directors

Supplement to our independent expert's report

Introduction

On 27 March 2012 ING Management Limited and ING Real Estate Investment Management Australia Pty Limited (REIMA) entered into an implementation agreement which proposed that the management and responsible entity functions of ING Real Estate Community Living Group (ILF Group) would be internalised (the Proposed Transaction).

Whilst an independent expert's report was not required to meet any statutory obligations, the independent directors of ING Management Limited (the Independent Directors) requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) prepare an independent expert's report stating whether the Proposed Transaction was fair and reasonable to and accordingly whether it was in the best interests of unitholders of ILF Group whose votes are not to be disregarded (the Non-Associated Unitholders).

In our report dated 24 April 2012 (Report) we concluded that the Proposed Transaction was fair and reasonable and in the best interests of Non-Associated Unitholders in the absence of a superior proposal.

We are informed that ILF Group intends to enter into a conditional contract for the sale of the US Seniors New York portfolio for approximately US$173.3 million, with net proceeds to ILF Group, after repayment of associated debt, expected to be A$49.9 million (Asset Sale Transaction). Further details of transaction and its impact on ILF Group will be set out in ILF Group's announcement to the Australian Securities Exchange in respect of the Asset Sale Transaction.

The terms of the Asset Sale Transaction are broadly consistent with the asset value assumptions utilised for the opinion set out in our Report. We are informed that the Asset Sale Transaction will be accretive to the net tangible assets and the earnings per unit of ILF Group. The impact of the Asset Sale Transaction on the Proposed Transaction is therefore either neutral or positive to Non-Associated Unitholders.

Furthermore, based on our analysis of current market information and the current performance of ILF Group based on our discussions with ILF Group management, we are not aware of anything that has occurred since the date of our Report that would cause us to change our opinions provided in respect of the Proposed Transaction.

Accordingly, in our opinion, the Proposed Transaction continues to be fair and reasonable and therefore in the best interests of Non-Associated Unitholders in the absence of a superior proposal.

This letter should be read in conjunction with the Report which provides the detailed basis for our conclusions.

Yours faithfully,

Tapan Parekh
Director

Deloitte Corporate Finance Pty Limited