

ING Real Estate Community Living Group Unitholder Update

INVESTING

APRIL 2011

Key Fund Metrics

	6 months to 31 Dec 2010	6 months to 31 Dec 2009
Statutory profit/(loss)	\$10.3m	(\$51.6m)
Operating income	\$4.6m	\$10.7m
Operating income per unit	1.0c	2.4c
	31 Dec 2010	30 Jun 2010
Net tangible assets (NTA) per unit	25.7c	24.9c
Look through total assets	\$692m	\$738m
Look through gearing	72%	73%

OVERVIEW

The ING Real Estate Community Living Group recently announced its half year results for the six months ended 31 December 2010. Statutory profit was \$10.3 million, a significant turnaround from the \$51.6 million loss for the previous corresponding period when the Group made significant asset value write downs across all portfolios.

Management continued with its focus on transforming ILF from a passive landlord to an active property manager and during the period was able to achieve sizeable increases in occupancy across the core Australian and US Seniors portfolios.

ILF reported an operating income for the six months of \$4.6 million, a decrease of 57% over the previous corresponding period. The reduction was largely due to the divestment of the US Meridian and Canadian Regency portfolios with the sale proceeds used to repay debt and terminate capital hedges.

On a like-for-like basis the continuing operations of ILF remained steady, reflecting improved property income from the Garden Villages rental portfolio offset by higher finance costs on the Australian debt facility.

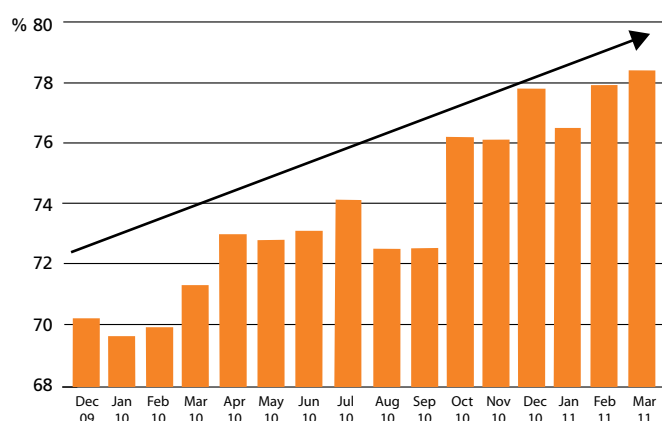
PORTFOLIO UPDATE

Improving the Group's cashflow by lifting occupancy levels within the core Australian and US portfolios remains a key priority for Management. Within the Garden Villages Australian rental portfolio, initiatives to drive occupancy including improved and consistent product presentation and increasing sales lead conversions, have resulted in occupancy increasing to 78% from circa 70% one year ago. While there is more progress to be made we are pleased with the upward trend.

ILF is converting three rental villages to the DMF model in order to unlock inherent value and generate free cashflow. Management is pleased to report that five settlements have occurred to date with further sales imminent.

The Australian Settlers (DMF) portfolio continues to perform well. Improved marketing programs, coupled with stable demand in residential markets resulted in significant presales for the 22 houses being developed in Stage 8 at Ridgewood Rise. Seven settlements have been achieved to date with a further 11 forecasted for settlement by July 2011.

Garden Village's occupancy trend since December 2009



The Group's US portfolio occupancy has also shown improvements in the past twelve months increasing from 86% to 88%. Property refurbishments and targeted sales and marketing programs are expected to further drive occupancy growth.

VALUATIONS

External valuations were undertaken on the Group's Australian and US Seniors portfolios in December 2010 representing 67% of the ILF portfolio by value.

The US Seniors portfolio experienced a 13.1% valuation uplift in the six month period driven by increased investment demand for seniors housing and higher occupancy rates within the villages.

Unfortunately, the Australian Garden Village portfolio declined in value due to forced competitor sales impacting the market price for seniors assets. The decline in book value prompted ILF to make an \$8 million payment of its debt facility to ensure compliance with lending covenants.

Auditors of the Group's 31 December 2010 accounts raised concerns about the Group's ability to make capital injections to debt facilities should further asset devaluations occur. Management has identified and is executing a number of initiatives to mitigate and manage this risk.

The net effect of portfolio valuation movements resulted in ILF's Net Tangible Assets (NTA) per unit increasing slightly to 25.7c from 24.9c

CAPITAL MANAGEMENT AND DISTRIBUTIONS

Liquidity and access to capital remains a key challenge for the Group. Management is focusing on the execution of initiatives such as the DMF village conversions and non-core asset divestments to address these challenges. The Group reported an overall look-through gearing ratio of 72% improved slightly from 73% as at 30 June 2010.

During the period a payment of \$16 million was made to terminate all remaining capital hedges, simplifying the Group's capital structure and eliminating the exposure to further losses (or income) in the event of currency movements.

No distributions are forecast for the 2011 financial year due to ongoing capital constraints and banking covenants. We appreciate unitholders rely on distributions as a source of income, however, improving the Group's cashflow and reducing debt are key Management priorities.

NTA Breakdown

25.7c



ING STRATEGIC REVIEW UPDATE

ING Group recently announced that it has finalised the strategic review of the global real estate platform and will undertake a phased withdrawal from its Australian Real Estate Investment Management (REIMA) activities in a timely and controlled manner. ING will continue to provide full support to REIMA as it evaluates alternatives to determine the future ownership structure for ILF.

SUMMARY AND OUTLOOK

ILF continues through the rebuilding phase with a capable and industry experienced management team focused on restoring unitholder value. During the period ahead, Management will continue to focus on improving the Group's capital position, cashflow, and earnings via:

- Executing the DMF conversion strategy;
- Driving occupancy growth in all portfolios; and
- Further targeted divestment of non-core assets.

Options are currently being explored with our US Seniors joint venture partner Chartwell, to unlock value within the US Seniors portfolio. These discussions are in preliminary stages with further clarity expected during the course of the year.

Further information can be found in the Group's Half Year Financial Results presentation at www.ingrealestate.com.au

Thank you for your continuing support.

Kind Regards,

Simon Owen
Chief Executive Officer
ING Real Estate Community Living Group