

**APPENDIX 4E**  
**Preliminary Final Report**  
**Year ended 30 June 2010**

**Name of Entity:** ING Real Estate Entertainment Fund

**ARSN:** 108 982 627

**Results for announcement to the market**

	<b>\$000</b>	
Revenues from continuing operations	down 25% to 24,659	
Loss from ordinary activities after tax attributable to members	decreased by 2.6% to 52,729 loss	
Net loss for the period attributable to members	decreased by 2.6% to 52,729 loss	
Net operating income	down 24% to 9,500	
Net assets per unit (excluding outside equity interest)	<b>30 June 2010</b> \$0.49	<b>30 June 2009</b> \$0.79

<b>Distributions</b>	<b>Amount per unit (cents)</b>	<b>\$000</b>
Interim - 31 December 2009	Nil	Nil
Final - 30 June 2010	Nil	Nil
Total	Nil	Nil
Previous Corresponding Period	2.75	4,691

Note : Franked amount per unit is not applicable

**Other significant information and commentary on results**

See attached ASX announcement

**For further details, please refer to the following attached documents:**

- Directors' report
- Audited financial report
- Results presentation



Mark Lamb  
Company Secretary

30 August 2010

# ING REAL ESTATE ENTERTAINMENT FUND

**FINANCIAL & ASSOCIATED REPORTS**

**YEAR ENDED 30 JUNE 2010**

REAL ESTATE INVESTMENT MANAGEMENT

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# ING Real Estate Entertainment Fund

## Financial & associated reports

### Year ended 30 June 2010

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The ING Real Estate Entertainment Fund (ARSN 108 982 627) is an Australian registered scheme. ING Management Limited (ABN 15 006 065 032; AFS licence number 237534), the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

A description of the nature of the Fund's operations and its principal activities is included in the accompanying directors' report.

The registered office and principal place of business of the Responsible Entity is located at level 6, 345 George Street, Sydney, New South Wales.

The financial report was authorised for issue by the directors of the Responsible Entity on 30 August 2010. The Fund has the power to amend and reissue the financial report.

## ING Real Estate Entertainment Fund

### Directors' report

#### Year ended 30 June 2010

ING Management Limited, the Responsible Entity of the ING Real Estate Entertainment Fund (the "Fund"), presents its report together with the Fund's financial report for the year ended 30 June 2010 and the auditor's report thereon.

#### Directors

The directors of the Responsible Entity at any time during or since the end of the financial year were:

Richard Colless AM	Chairman
Philip Clark AM	
Michael Easson AM	
Paul Scully	
Christophe Tanghe	Appointed 1 September 2009
George Jautze	Appointed 1 September 2009; resigned 31 May 2010
Philip Redmond	Resigned 12 April 2010

Except as stated, these persons were directors of the Responsible Entity during the whole of the financial year and up to the date of this report.

#### Principal activity

The principal activity of the Fund is investment in real estate. There was no significant change in the nature of the Fund's activities during the financial year.

#### Operating and financial review

A summary of the Fund's result for the financial year is:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
Loss from continuing operations (\$'000)	(50,681)	(54,309)
Net loss attributable to unitholders of the Fund (\$'000)	(52,729)	(54,129)
Operating income from continuing operations (\$'000)	6,319	9,036
Distributions per unit (cents)	-	2.75
Basic and diluted earnings per unit from continuing operations (cents)	(28.8)	(31.6)
Operating income from continuing operations per unit (cents)	3.6	5.3
Operating income per unit (cents)	5.4	7.3

The Responsible Entity uses the Fund's operating income as an additional performance indicator. Operating income does not take into account certain items recognised in the income statement including unrealised gains or losses on the revaluation of the Fund's properties and derivatives.

## ING Real Estate Entertainment Fund

### Directors' report

### Year ended 30 June 2010

Operating income for the financial year has been calculated as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Net loss attributable to unitholders of the Fund	(52,729)	(54,129)
Adjusted for:		
Straight line lease revenue recognition	145	(2,594)
Net loss on disposal of investment property	-	213
Net loss on change in fair value of:		
Investment properties	44,413	38,069
Derivatives	1,585	23,003
Investment properties included in share of net profit of equity accounted investments	2,772	-
Amortisation of costs of issuing convertible loan securities	365	352
Write back of provision for aborted due diligence costs	(299)	790
Impairment loss on:		
Trade receivables	1,759	-
Loans	6,260	3,623
Deferred income tax benefit	-	(111)
Loss/(profit) from discontinued operations	2,048	(180)
Operating income from continuing operations	<u>6,319</u>	<u>9,036</u>
Operating income from discontinuing operations	<u>3,181</u>	<u>3,418</u>
Operating income	<u>9,500</u>	<u>12,454</u>

Operating income from continuing operations for the 2010 financial year decreased by 30% to \$6,319,000 from \$9,036,000 for the 2009 financial year. The decrease is mainly due to lower rental income resulting from sales of investment properties, a reduction in rent from the Fund's major tenant and additional interest cost resulting from higher margins upon refinancing of the Fund's largest debt facility. Operating income per unit for the 2010 financial year was lower by 26% to 5.4 cents, compared to 7.3 cents per unit previously.

The Fund has not paid a distribution for the current financial year, compared with 2.75 cents per unit in 2009.

Earnings per unit from continuing operations as calculated under applicable accounting standards for the year ended 30 June 2010 were up 8.9% to a loss of 28.8 cents, compared to a loss of 31.6 cents per unit for the previous financial year. Revaluations from continuing operations accounted for a loss of 27.8 cents per unit during the year, compared to a loss of 35.6 cents per unit for 2009.

Total assets decreased by \$89,940,000 or 22% to \$323,359,000 over the year primarily due to disposals of investment properties to reduce borrowings and revaluations. Investment property revaluation decreases and disposals contributed \$44,413,000 and \$38,950,000 respectively to the reduction in total assets. The basis of the valuations is described in note 1 in the financial report.

Revaluations during the 2010 financial year reduced \$47,185,000 (including share of revaluations of equity accounted investments) contributing to the decrease in net assets by 38% to \$0.49.

No additional equity was raised during the year. Issued units remained at 175,748,000.

## **ING Real Estate Entertainment Fund Directors' report Year ended 30 June 2010**

Management's focus has centred on balance sheet improvement and expiring debt facilities in order to stabilise the Fund's capital position. Substantial work has been undertaken towards lowering debt levels, primarily through the recently announced capital raising and sale of the New Zealand portfolio. These initiatives provide the Fund with liquidity to repay debt and address near-term financing obligations.

Because of these initiatives, weighted average debt term is 3.9 years compared to 0.8 years twelve months ago. The Fund is compliant with all its covenants and expects to have further headroom from the completion of contracted asset sales.

Property valuations were affected by overall sector risk resulting in a net asset value per unit of 49 cents compared to 79 cents at 30 June 2009. Following the capital raising and New Zealand asset sales in July 2010, pro-forma net asset value per unit is 20 cents.

Significant progress has been made towards the previously identified capital management challenges from December 2009. The Fund identified managing subsequent conditions as key challenges.

### ***Operational Update***

Weighted average lease expiry is 10.6 years. The Fund has a diversity of assets in regional and sub-regional areas throughout Australia and is currently considering ways to further diversify income from operators.

Trading conditions continue to be challenging, however the Fund has proactively worked with key tenants to stabilise and improve operating businesses.

### **Distributions**

Details of distributions are given in note 3 in the financial report.

### **Significant changes in the state of affairs**

In the opinion of the directors of the Responsible Entity, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

### **Events subsequent to reporting date**

On 15 July 2010, the Fund issued 26,362,000 units at a price of nine cents each to new investors, raising a total of \$2,373,000. On 16 July 2010, the Fund announced the issue of 404,222,000 units at a price of nine cents each under an underwritten 2:1 renounceable rights issue, to raise a total of \$36,380,000. The proceeds, net of issue costs, will be applied to repayment of the CLS and reduction of bank debt.

On 16 July 2010, the Group announced that it had exchanged contracts on the sale of its New Zealand portfolio with expected sale proceeds of \$26,305,000. In addition, the Group will be repaid the \$5,262,000 loan owed by the tenant of this portfolio, bringing the total gross proceeds from this transaction to \$31,567,000. This sale remains subject to approval and consent to release of mortgage security from the Facility 1 lender. Settlement of the asset sales will be staged over a period of up to sixteen-months from August 2010. The net proceeds will be applied to reducing the Group's bank debt and termination of New Zealand interest rate hedge contracts.

If these initiatives had occurred on 30 June 2010, the Group's Gearing Ratio would have reduced to 53.3%.

## **ING Real Estate Entertainment Fund Directors' report Year ended 30 June 2010**

Based on these capital initiatives, the Fund's Facility 1 lender has agreed that distributions may be reinstated once the Facility 1 LVR is below 60% (formerly below 50%). Whilst reinstatement of distributions remains a key focus for the Fund, any decision regarding distributions will consider both the Fund's need to retain conservative debt levels and expected future cash flow. The Fund does not expect to pay any distribution in the 2011 financial year.

On 26 July 2010, receivers and managers were appointed to Allied Hospitality Pty Ltd ("Allied"), which leases two of the Group's hotels and provided 8% of the Group's revenue for the 2010 financial year. Arrears at the date of appointment together with ongoing lease payments have been received from the receivers and managers. The Group has a bank guarantee of \$750,000 that may be called to offset any future loss of revenue, to the extent of the guarantee.

Icon Hospitality Management Pty Limited and its subsidiaries ("Icon") is the Group's largest tenant by rental income. Revenue from Icon was 46% of the Group's revenue for the 2010 financial year. On 16 August 2010, the Fund announced that it had been advised that Icon has forecast short-term cash flow pressures in the second half of this calendar year, resulting from Icon's directors failing to make a contracted payment of \$1,500,000 to the Fund when due on 31 July 2010. This payment, together with a second payment of \$1,500,000 due on 31 October 2010, has been deferred to 31 December 2010. These payments would in turn have been provided to Icon to support their cash flow during the period in which refurbishment works are carried out on the hotels leased by Icon.

The Fund and Icon's financiers are working with Icon and have agreed a \$1,200,000 working capital assistance package for Icon, which includes the Fund deferring rent of up to \$600,000 and the financiers capitalising interest up to the next \$600,000, both until 31 December 2010. The Fund and Icon's financiers have made no commitments past this date, when the working capital assistance package must be repaid by Icon. Whilst the Fund and Icon's financiers are providing a level of assistance, there is an increased risk of Icon defaulting under its obligations to the Fund.

### **Likely developments**

Key activities over the next twelve months include a diversification of income flows to reduce concentration risk and a continuation of asset sales within the portfolio to reduce debt. The addition of new investors to the register assists with access to capital to achieve medium to long term growth.

The Fund has undertaken a strategic review and identified a variety of options to optimise structure, including consideration of:

- ◆ establish a stapled entity: to create a corporate entity that could be stapled to the trust thus allowing the Fund to take on the operational exposure and earn operating income, should this be required; and
- ◆ internalisation; provides an amended corporate and operating structure which is better suited to a stapled entity.

### **Environmental regulation**

The Fund's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### **Indemnities**

The Fund has not indemnified, nor paid any insurance premiums for, a person who is or has been an officer of the Responsible Entity or an auditor of the Fund.

**ING Real Estate Entertainment Fund  
Directors' report  
Year ended 30 June 2010**

**Interests of directors of the Responsible Entity**

Units in the Fund held by directors of the Responsible Entity as at 30 June 2010 were:

	<b>Number of units</b>
Paul Scully	43,983

The other directors of the Responsible Entity did not hold any units in the Fund at that date.

**Other information**

Fees paid to the Responsible Entity and its associates, and the number of units in the Fund held by the Responsible Entity and its associates as at the end of the financial year; are set out in note 22 in the financial report.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

**Rounding of amounts**

The Fund is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in this report and in the financial report. Amounts in these reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

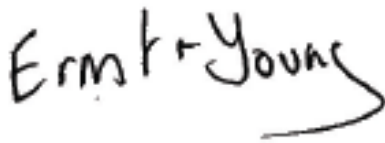
Signed in accordance with a resolution of the directors of the Responsible Entity.



Philip Clark AM  
Director  
Sydney  
30 August 2010

## Auditor's Independence Declaration to the Directors of ING Management Limited as Responsible Entity for ING Real Estate Entertainment Fund

In relation to our audit of the financial report of ING Real Estate Entertainment Fund for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain'.

Douglas Bain  
Partner  
30 August 2010

**ING Real Estate Entertainment Fund**  
**Income statement**  
**Year ended 30 June 2010**

	Note	Consolidated	
		2010	2009
		\$'000	\$'000
<b>Revenue</b>			
Rental income		18,350	26,435
Interest income		6,309	6,621
		<u>24,659</u>	<u>33,056</u>
<b>Other income</b>			
Net loss on disposal of investment properties		-	(213)
Net loss on change in fair value of:			
Investment properties		(44,413)	(38,069)
Derivatives		(1,585)	(23,003)
Other		299	-
<b>Expenses</b>			
Property expenses		(721)	(493)
Finance costs	5	(18,035)	(19,123)
Responsible Entity's fees	22	(1,619)	(1,000)
Aborted due diligence costs		-	(790)
Impairment loss on:			
Trade receivables		(1,759)	(2,903)
Loans		(6,260)	(3,623)
Other		(613)	(335)
Share of net profit/(loss) of equity accounted investments	11	(634)	2,076
<b>Loss before income tax</b>		<u>(50,681)</u>	<u>(54,420)</u>
Income tax benefit		-	111
<b>Loss from continuing operations</b>		<u>(50,681)</u>	<u>(54,309)</u>
Profit/(loss) from discontinued operations	6	(2,048)	180
<b>Net loss attributable to unitholders of the Fund</b>		<u>(52,729)</u>	<u>(54,129)</u>
Distributions per unit	3	-	2.75
Basic and diluted earnings per unit from continuing operations (cents)	4	(28.8)	(31.6)
Basic and diluted earning per unit (cents)	4	(30.0)	(31.5)

**ING Real Estate Entertainment Fund**  
**Statement of comprehensive income**  
**Year ended 30 June 2010**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Net loss for the year</b>		<u>(52,729)</u>	<u>(54,129)</u>
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations	15	<u>(46)</u>	<u>(2)</u>
<b>Total comprehensive income for the year</b>		<u>(52,775)</u>	<u>(54,131)</u>

The components of other comprehensive income shown above are presented net of related income tax effects.

**ING Real Estate Entertainment Fund**  
**Balance sheet**  
**As at 30 June 2010**

	Note	Consolidated 2010 \$'000	2009 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	1,696	2,281
Trade and other receivables	8	3,533	1,965
Assets of discontinued operations	6	31,397	-
		<u>36,626</u>	<u>4,246</u>
<b>Non-current assets</b>			
Trade and other receivables	8	62,002	71,611
Investment properties	10	199,350	307,898
Equity accounted investments	11	24,986	26,398
Derivatives	9	395	2,684
Other		-	462
		<u>286,733</u>	<u>409,053</u>
<b>Total assets</b>		<u>323,359</u>	<u>413,299</u>
<b>Current liabilities</b>			
Payables	12	5,205	5,267
Borrowings	13	39,441	200,896
Derivatives	9	3,346	6,391
		<u>47,992</u>	<u>212,554</u>
<b>Non-current liabilities</b>			
Payables	12	675	750
Borrowings	13	179,874	54,805
Derivatives	9	8,910	6,507
		<u>189,459</u>	<u>62,062</u>
<b>Total liabilities</b>		<u>237,451</u>	<u>274,616</u>
<b>Net assets</b>		<u>85,908</u>	<u>138,683</u>
<b>Unitholders' interest</b>			
Issued units	14	182,425	182,425
Reserves	15	(237)	(191)
Accumulated losses	16	(96,280)	(43,551)
		<u>85,908</u>	<u>138,683</u>
Net asset value per unit		\$0.49	\$0.79

**ING Real Estate Entertainment Fund**  
**Cash flow statement**  
**Year ended 30 June 2010**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>	26		
Rental and other property income		18,816	29,321
Property and other expenses		(3,879)	(2,969)
Distributions received from equity accounted investments		1,060	2,066
Interest received		5,975	7,207
Borrowing costs paid		(16,495)	(19,498)
Goods and services and value added taxes paid from investing and financing activities		(1,714)	(1,417)
		<u>3,763</u>	<u>14,710</u>
<b>Cash flows from investing activities</b>			
Additions to investment properties		(5,903)	(8,878)
Proceeds from sale of investment properties		38,950	22,405
Proceeds from sale of other assets		462	-
Purchase of equity accounted investments		(281)	(316)
Loans repaid by lessees		-	8,057
Other loans made		-	(914)
		<u>33,228</u>	<u>20,354</u>
<b>Cash flows from financing activities</b>			
Unit issue costs		(469)	(141)
Distributions to unitholders	3	-	(9,641)
Proceeds from borrowings		1,068	-
Repayment of borrowings		(38,718)	(25,918)
		<u>(38,119)</u>	<u>(35,700)</u>
<b>Net decrease in cash</b>		(1,128)	(636)
Cash at the beginning of the year		2,281	3,255
Effects of exchange rate changes on cash		(18)	(338)
Cash at the end of the year		<u>1,135</u>	<u>2,281</u>

**ING Real Estate Entertainment Fund**  
**Statement of changes in unitholders' interest**  
**Year ended 30 June 2010**

	Note	Issued Capital \$'000	Consolidated Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Carrying amounts at 1 July 2008</b>		179,300	(189)	15,191	194,302
Net loss for the year		-	-	(54,129)	(54,129)
Other comprehensive income		-	(2)	-	(2)
<b>Total comprehensive income for the year</b>		-	(2)	(54,129)	(54,131)
Transactions with unitholders in their capacity as equity holders:					
Issue of units	14	3,203	-	-	3,203
Distributions paid or payable	3	-	-	(4,691)	(4,691)
Transfer to retained profits		(78)	-	78	-
		3,125	-	(4,613)	(1,488)
<b>Carrying amounts at 30 June 2009</b>		182,425	(191)	(43,551)	138,683
Net loss for the year		-	-	(52,729)	(52,729)
Other comprehensive income		-	(46)	-	(46)
<b>Total comprehensive income for the year</b>		-	(46)	(52,729)	(52,775)
<b>Carrying amounts at 30 June 2010</b>		182,425	(237)	(96,280)	85,908

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies

##### (a) The Fund

The ING Real Estate Entertainment Fund ("the Fund" or "Parent") was constituted on 20 April 2000. The Responsible Entity for the Fund is ING Management Limited. ING Management Limited is an Australian domiciled company and is a wholly owned company within the ING Groep NV ("ING") group of companies.

##### (b) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ("AASB"), Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (the "Board") and the Corporations Act 2001.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis, except for investment properties and derivative financial instruments, which are measured at fair value.

##### (c) Going concern

At 30 June 2010, the drawn amount of the Fund's main secured bank debt was \$182,802,000. This debt is due for repayment on 28 February 2013 and is secured by mortgages over some of the Fund's investment properties and other assets, including its loan to Panthers Investment Corporation Pty Ltd and its investment in Panthers Property Unit Trust (collectively "Panthers").

The fair value of liabilities to that bank under interest rate derivative agreements at 30 June 2010 was \$12,156,000. Payments under these agreements extend to 22 August 2017, but may be accelerated in the circumstances described below.

At 30 June 2010, the drawn amount of the Fund's other secured bank debt was \$19,300,000. This debt is due for repayment on 6 September 2010 and is secured by mortgages over some of the Fund's investment properties. The Fund is well advanced with a refinancing of this debt.

The fair value of liabilities under related interest rate derivative agreements at 30 June 2010 was \$100,000. Payments under these agreements extend to 23 May 2011, but may be accelerated in the circumstances described below.

On 26 July 2010, receivers and managers were appointed to Allied Hospitality Pty Ltd ("Allied"), which leases two of the Group's hotels and provided 8% of the Group's revenue for the 2010 financial year. Arrears at the date of appointment together with ongoing lease payments have been received from the receivers and managers. The Group has a bank guarantee of \$750,000 that may be called to offset any future loss of revenue, to the extent of the guarantee.

Icon Hospitality Management Pty Limited and its subsidiaries ("Icon") is the Group's largest tenant by rental income. Revenue from Icon was 46% of the Group's revenue for the 2010 financial year. The Fund has been advised that Icon has forecast short-term cash flow pressures in the second half of this calendar year, resulting from Icon's directors failing to make a contracted payment of \$1,500,000 to the Fund when due on 31 July 2010. This payment, together with a second payment of \$1,500,000 due on 31 October 2010, has been deferred to 31 December 2010. These payments would in turn have been provided to Icon to support their cash flow during the period in which refurbishment works are carried out on the hotels leased by Icon.

## ING Real Estate Entertainment Fund

### Notes to the financial statements

#### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

The Fund and Icon's financiers are working with Icon and have agreed a \$1,200,000 working capital assistance package for Icon, which includes the Fund deferring rent of up to \$600,000 and the financiers capitalising interest up to the next \$600,000, both until 31 December 2010. The Fund and Icon's financiers have made no commitments past this date, when the working capital assistance package must be repaid by Icon. Whilst the Fund and Icon's financiers are providing a level of assistance, there is an increased risk of Icon defaulting under its obligations to the Fund or its financiers. A breach of either of those obligations could lead to a breach of both of the Group's bank facility agreements.

The Fund, the financiers and Icon are reviewing Icon's operations and management structures and have implemented some reforms that are anticipated to improve Icon's position.

However, continued compliance with the Group's facility agreements is dependent on future market conditions including fair values of investment properties and tenant trading results. If changes in future market conditions result in a breach of a financial ratio covenant in either facility agreement, or if there is some other breach of either agreement, the breach could be waived by the bank concerned or, in some cases, the breach may be prevented or rectified by a capital raising or by asset sales. However, there can be no assurance that these could be achieved. If a breach occurred and was not waived or rectified, the bank concerned would have the right to require immediate repayment of the debt and settlement of any derivatives entered into with it. If the bank exercised that right, it is likely that assets would not be realised, and liabilities would not be discharged, in the ordinary course of business.

Despite these significant uncertainties, the directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

#### (d) Adoption of new and revised accounting standards

##### (i) Presentation of financial statements

The Group has applied the revised Accounting Standard AASB 101 *Presentation of Financial Statements* that became effective as of 1 July 2009. As a result, the Fund presents in the statement of changes in unitholders' interest all owner changes in unitholders' interest, whilst all non-owner changes in unitholders' interest are presented in the statement of comprehensive income. Previously, the statement of changes in unitholders' interest included both owner and non-owner changes in unitholders' interest. Comparative information in this report has been amended accordingly. There was no impact on amounts recognised in the financial statements.

##### (ii) Classification of derivatives

The Group has applied the amendments to Accounting Standard AASB 101 *Presentation of Financial Statements* made by AASB 2009-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. Previously, derivatives were classified as current assets or current liabilities. With retrospective effect from 30 June 2009, derivative assets and liabilities are apportioned between current and non-current based on the contractual timing of expected cash flows. Amounts recognised in respect of cash flows that are contracted to occur up to twelve months after reporting date are classified as current, whilst amounts recognised in respect of cash flows that are contracted to occur more than twelve months after reporting date are classified as non-current.

The effect of this change is:

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in current assets & increase in non-current assets	395	2,684
Decrease in current liabilities & increase in non-current liabilities	8,910	6,507

## ING Real Estate Entertainment Fund

### Notes to the financial statements

#### Year ended 30 June 2010

### 1. Summary of significant accounting policies (continued)

#### (iii) *Discontinued operations*

The Group has classified certain components as discontinued operations. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

Components of the entity are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as investment property carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Details of discontinued operations and disposal groups are given at note 6.

#### (iv) *Other changes*

The Group has applied AASB 8 *Operating Segments* that is applicable from 1 July 2009. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. AASB 8 only caused presentation changes in the segment note. There was no significant impact on amounts recognised in the financial statements.

The Group has adopted certain amendments to AASB 7 *Financial Instruments: Disclosures* effective as of 1 July 2009. The amendments only affect certain of the disclosures given in note 19 Financial Instruments.

The Group has early adopted the amendments to Accounting Standard AASB 101 *Presentation of Financial Statements* made by AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. This amendment classifies the Board's intention that details of each component of equity may be presented in the notes to the financial statements rather than the statement of changes in unitholders' Interest. Without this amendment, details of each component of equity would have had to be presented in that Statement.

In the current year the Group has adopted all of the other new and revised standards and interpretations issued by the Board that are relevant to its operations and effective for the current annual reporting period. There was no material effect on the financial statements.

#### (e) *Principles of consolidation*

The Fund's consolidated financial statements comprise the Parent and its subsidiaries as at 30 June 2010 (the "Group"). Subsidiaries are all those entities (including special purpose entities) whose financial and operating policies the Fund has the power to govern, which generally accompanies a shareholding of more than one-half of the voting rights.

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies. Inter-company balances and transactions including unrealised profits have been eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Parent. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are carried at cost in the Parent's financial statements.

#### (f) Distributions

A liability for distribution for any distribution declared on or before the end of the reporting period is recognised on the balance sheet in the reporting period to which the distribution pertains.

#### (g) Foreign currency

##### (i) *Functional and presentation currencies*

The functional currency and presentation currency of the Group (with the exception of its foreign subsidiaries) is the Australian dollar.

##### (ii) *Translation of foreign currency transactions*

Transactions in foreign currency are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange prevailing at the balance date. All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment at which time they are recognised in the income statement.

A non-monetary item that is measured at fair value in a foreign currency is translated using the exchange rates at the date when the fair value was determined.

##### (iii) *Translation of financial statements of foreign subsidiaries*

The functional currency of certain subsidiaries is not the Australian dollar. At reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the rate of exchange prevailing at balance date. Financial performance is translated at the average exchange rate prevailing during the reporting period. The exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

#### (h) Leases

Leases where the lessor retains substantially all the risk and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the term of the lease on the same basis as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Incentives may be provided to tenants to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fit outs. The incentive is amortised over the term of the lease as a reduction in rental income. The unamortised carrying amount of the incentive is reflected in the carrying value of the investment property.

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

Leasing fees that are directly associated with the negotiation and execution of a lease agreement (including commissions, legal fees and costs of preparing and processing documentation) are capitalised as part of the carrying value of the property.

Leasing fees in relation to the initial leasing of the investment property after a redevelopment are capitalised to the carrying value of the property as a cost of bringing the investment property to completion and intended use.

##### (i) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued. Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as fair value through profit or loss are recorded in the income statement.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

##### (j) Impairment of non-financial assets

Assets other than investment property and financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (k) Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

##### (l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. An allowance for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

##### (m) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. The Group may also invest in derivatives related to listed property equities and indices and may issue derivatives related to its own units. Such derivative financial instruments are initially recognised at fair value on the date in which the derivative contract is entered into and are subsequently remeasured to fair value.

For hedge accounting, hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or hedges of a net investment in a foreign operation.

Any gain or loss arising from measuring fair value hedges that meet the conditions for hedge accounting is recognised in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the relevant financial instrument.

Any gain or loss arising on cash flow hedges which hedge firm commitments and which qualify for hedge accounting are recognised directly in equity. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

Any gain or loss arising on hedges of a net investment in a foreign operation, which qualify for hedge accounting, are recognised directly in equity in foreign currency translation reserve. On disposal of the foreign operation, the cumulative amount of any such gains and losses is transferred to profit or loss.

For derivatives that do not meet the documentation requirements to qualify for hedge accounting and for the ineffective portion of qualifying hedges, any gains or losses arising from changes in fair value are recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised, terminated or no longer deemed effective. Any cumulative gains or losses relating to the hedge that were previously recognised in equity are transferred to the income statement.

Other financial liabilities include convertible debt. Where there is a minimum distribution entitlement or the redemption terms include settlement for cash on redemption, the instrument is classified as a liability with an embedded derivative. The embedded derivative is initially recorded at fair value with the liability recorded as the residual of the fair value of the hybrid instrument.

##### (n) Investment property

Land, buildings, liquor and gaming licences have the function of an investment and are regarded as composite assets. In accordance with applicable accounting standards, the buildings, including plant & equipment, are not depreciated.

It is the Group's policy to have all investment properties externally valued at intervals of not more than three years and that such valuation be reflected in the financial reports of the Group. It is the policy of the Responsible Entity to review the fair value of each investment property every six months and to cause investment properties to be revalued to fair values whenever their carrying value differs materially to their fair values.

## **ING Real Estate Entertainment Fund**

### **Notes to the financial statements**

#### **Year ended 30 June 2010**

#### **1. Summary of significant accounting policies (continued)**

Fair value represents the amount at which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. It is based on current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts, adjusted for any differences in the nature, location or condition of the property, or in the contractual terms of the leases and other contracts relating to the property.

In the absence of current prices in an active market, the Responsible Entity considers information from a variety of sources, including current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences, recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In determining fair values, expected net cash flows are discounted to their present value using a market determined risk adjusted discount rate. The assessment of fair value of investment properties does not take into account potential capital gains tax assessable. Changes in the fair value of an investment property are recorded in the income statement.

The Australian Securities and Investments Commission ("ASIC") considers that the Group should amend this accounting policy in relation to the treatment of its liquor and gaming licences, which may result in the classification of certain assets as separate intangible assets (where they were previously treated as part of tangible investment property). The Group does not agree with ASIC's opinion. ASIC has referred this matter to the Financial Reporting Panel for adjudication. Notwithstanding any change in this accounting policy, the Group's reported net asset value is not expected to be materially impacted.

The Group estimates that adopting ASIC's proposal would have the following impacts on its balance sheet at 30 June 2010:

- a reduction of less than two cents per unit in net asset value; and
- a reduction of approximately 23 cents per unit in net tangible assets.

The Group estimates the impact of ASIC's proposal (including the additional equity referred to in note 27) to be:

- a reduction of less than one cent per unit in net asset value; and
- a reduction of approximately seven cents per unit in net tangible assets.

The Group believes that its current accounting treatment is correct and in accordance with the requirements of Australian Accounting Standards. It has received written advice from its auditors, Ernst & Young, confirming its accounting treatment.

Compliance with loan to value ratios under the Fund's debt facilities, and compliance with the net worth to tangible assets ratio under the Group's main debt facility agreement, would not be affected by ASIC's proposal, since those documents specify the use of external valuations of the composite assets.

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

##### (o) Equity accounted investments

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. A contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Associates are those entities over which the Group has significant influence, but not control. Jointly controlled entities and associates, and investments in those entities, are referred to as "equity accounted investments". Equity accounted investments are accounted for in the Parent's financial statements using the cost method and in the consolidated financial statements using the equity method. The Group's share of net profit is recognised in the consolidated income statement and its share of any movement in reserves is recognised in reserves in the consolidated balance sheet. The accumulation of post-acquisition movements in the Group's share of net assets is adjusted against the carrying value of the investment. Distributions received or receivable are recognised in the Parent's income statement and reduce the carrying value of the investment in the consolidated financial statements.

##### (p) Payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and are recognised when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

##### (q) Borrowings

Borrowings are initially recorded at the fair value of the consideration received less directly attributable transaction costs associated with the borrowings. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums that are yield related are included as part of the carrying amount of the borrowing and amortised over its expected life.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed as incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case, they are capitalised as part of the acquisition cost of that asset.

##### (r) Issued units

Issued and paid up units are recognised at the fair value of the consideration received by the Fund. Any transaction costs arising on issue of ordinary units are recognised directly in unitholders' interest as a reduction of the units proceeds received.

##### (s) Revenue

Revenue from rents, interest and distributions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rentals are recognised as income in the financial year that they are earned. Fixed rental increases that do not represent direct compensation for underlying cost increases or capital expenditures are recognised on a straight-line basis until the next market review date.

Interest income is recognised as the interest accrues using the effective interest method.

# ING Real Estate Entertainment Fund

## Notes to the financial statements

### Year ended 30 June 2010

#### 1. Summary of significant accounting policies (continued)

##### (t) Income tax

###### (i) Current income tax

Under the current tax legislation, the Fund is not liable to pay Australian income tax provided that its taxable income (including any assessable capital gains) is fully distributed to unitholders each year. Tax allowances for building and fixtures depreciation are distributed to unitholders in the form of the tax deferred component of distributions.

The subsidiaries that hold the Group's foreign properties may be subject to corporate income tax and withholding tax in the countries in which they operate. Under current Australian income tax legislation, unitholders may be entitled to receive a foreign tax credit for this withholding tax.

###### (ii) Deferred income tax

Deferred income tax represents foreign tax (including withholding tax) expected to be payable or recoverable by foreign taxable entities on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised through continuing use or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Income taxes related to items recognised directly in equity are recognised in equity and not against income.

##### (u) Earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders of the Fund divided by the weighted average number of issued units. Diluted earnings per unit is calculated as net profit attributable to ordinary unit holders, adjusted for preference distributions and interest associated with dilutive potential ordinary units, divided by the weighted average number of ordinary units and dilutive potential ordinary units outstanding during the financial year.

##### (v) Goods and services tax ("GST")

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of the acquisition, or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from or payable to the tax authority is included in the balance sheet as an asset or liability.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the tax authorities, are classified as operating cash flows.

##### (w) Pending Accounting Standards

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* address the classification and measurement of financial assets and are likely to affect the Group's accounting for its financial assets. The standards are not applicable until 1 July 2013. The Group is yet to assess the full impact.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

## ING Real Estate Entertainment Fund

### Notes to the financial statements

#### Year ended 30 June 2010

### 2. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group had investment properties with a carrying amount of \$199,350,000 (2009: \$307,898,000) (see note 10), representing estimated fair value. In addition, the carrying amount of the Group's equity accounted investments of \$24,986,000 (2009: \$26,398,000) (see note 11) also reflects investment properties carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

#### (b) Critical judgements in applying the entity's accounting policies

There were no judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial report.

### 3. Distributions

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
<b>Rates and amounts of distributions</b>	<b>Cents</b>	<b>Cents</b>
Distributions have been paid or are payable in respect of the following periods at the following rates (in cents per unit):		
Half-year ended 31 December	-	2.75
	<b>\$'000</b>	<b>\$'000</b>
The total amounts of these distributions were:		
Half-year ended 31 December	-	4,691

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**4. Earnings per unit**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Loss from continuing operations (\$'000)	(50,681)	(54,309)
Weighted average number of units outstanding (thousands)	175,749	171,699
Weighted average number of ordinary and dilutive potential ordinary units outstanding (thousands) <sup>(1)</sup>	175,749	171,699
Basic and diluted earnings per unit from continuing operations (cents)	(28.8)	(31.6)
Basic and diluted earning per unit from discontinuing operations (cents)	(1.2)	0.1

(1) The convertible loan securities were not dilutive in either financial year as the effect of the conversion would be to reduce loss per unit.

**5. Finance costs**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Interest paid or payable	18,301	19,692
Less interest capitalised	(266)	(569)
	<u>18,035</u>	<u>19,123</u>

The rate used to capitalise finance costs to qualifying assets was 4.0% (2009: 8.0%).

**6. Discontinued operations**

**(a) Details of discontinued operations**

On 29 June 2010, the Group decided to sell its New Zealand portfolio consisting of ten properties. On 16 July 2010, contracts were exchanged for this sale. Settlement of the sales is expected to be staged over a twelve month period commencing in August 2010.

**(b) Financial performance**

The financial performance of this component of the Fund classified as discontinued operation at 30 June 2010 was:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Revenue	3,440	3,504
Net loss on change in fair value of investment properties	(5,730)	(3,807)
Other income	251	494
Expenses	(9)	(11)
<b>Profit/(loss) from discontinued operations for the year</b>	<u>(2,048)</u>	<u>180</u>

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**6. Discontinued operations (continued)**

**(c) Cash flows**

The cash flows of this component of the Fund classified as a discontinued operation at 30 June 2010 were:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash flow from operating activities	2,632	2,858
Net cash flow from investing activities	(49)	(269)
<b>Net cash flows from discontinued operations</b>	<b>2,583</b>	<b>2,589</b>

**(d) Assets and liabilities**

The assets and liabilities of this component of the Fund classified as a disposal group at each reporting date were:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Trade and other receivables	5,673	-
Investment properties	25,724	-
<b>Total assets</b>	<b>31,397</b>	<b>-</b>
<b>Net assets of disposal groups</b>	<b>31,397</b>	<b>-</b>

**7. Cash and cash equivalents**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	19	496	279
Short term deposits	19	1,200	2,002
		<b>1,696</b>	<b>2,281</b>

**Reconciliation to statement of cash flows**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	19	496	279
Short term deposits	19	1,200	2,002
Bank overdraft	13	(561)	-
		<b>1,135</b>	<b>2,281</b>

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**8. Trade and other receivables**

		<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>	19		
Rental and other amounts due <sup>(1)</sup>		2,462	1,016
Loans to lessees <sup>(2,3)</sup>		550	878
Accrued income, prepayments and deposits		521	71
		<u>3,533</u>	<u>1,965</u>
<b>Non-current</b>	19		
Loans to lessees <sup>(2,3)</sup>		1,320	8,520
Loan to Panthers Investment Corporation Pty Ltd <sup>(4,5)</sup>		60,682	63,091
		<u>62,002</u>	<u>71,611</u>

(1) Rental and other amounts due are receivable within 30 days.

(2) Loans to lessees are secured and repayable as follows:

		<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
Within one year		1,000	4,501
Later than one year but not later than five years		12,017	8,520
		<u>13,017</u>	<u>13,021</u>
Accumulated impairment <sup>(5)</sup>		(11,147)	(3,623)
		<u>1,870</u>	<u>9,398</u>
Current		550	878
Non-current		1,320	8,520
		<u>1,870</u>	<u>9,398</u>

(3) The Group has made an impairment allowance of \$11,147,000 (2009: \$3,623,000) against loans to lessees representing the difference between loans of \$13,017,000 and the recoverable value of these loans. The Fund holds security against these loans of \$550,000 (2009: \$878,000).

(4) Loan to Panthers Investment Corporation Pty Ltd ("PIC") is secured and repayable as follows:

		<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
Later than one year but not later than five years		63,091	63,091
Accumulated impairment <sup>(3)</sup>		(2,409)	-
		<u>60,682</u>	<u>63,091</u>

Other terms of the loan to PIC include:

- (i) the loan matures on 13 July 2011;
- (ii) the Group has an option to convert the outstanding balance into 49.9% of the issued shares in PIC at any time until the maturity date.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**8. Trade and other receivables (continued)**

- (5) The Group has made an impairment allowance of \$2,409,000 against the loan to PIC representing the difference between loan of \$63,091,000 and the value of the security held against this loan of \$60,682,000.

**9. Derivatives**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>			
Option to convert loan to PIC into equity	19	395	2,684
<b>Current liabilities</b>			
Interest rate swap contracts	19	3,346	6,391
<b>Non-current liabilities</b>			
Interest rate swap contracts	19	8,910	6,507

In addition, the Fund holds a warrant entitling it on exercise to acquire 49.9% of the issued shares of Icon Hospitality Management Pty Ltd. No fee is payable by the Fund on exercise of the warrant, which expires on 29 March 2015. The carrying amount of the warrant in the Fund's financial statements is \$1.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**10. Investment Properties**

**(a) Individual valuations and carrying amounts**

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate <sup>(3)</sup>	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
<b>Non-current</b>								
Ambarvale Tavern, Ambarvale NSW	05 Sep 05	14,004	20 May 10	13,000	13,000	16,000	10.6%	8.5%
Bidwill Club Hotel, Bidwill NSW		-		-	-	6,900	-	8.0%
Bourbon Hotel, Kings Cross NSW	01 Jul 04	24,154	10 Jun 08	24,000	18,000	23,000	11.2%	8.8%
Bowral Hotel, Bowral NSW	25 Sep 06	6,688	30 Jun 09	6,100	6,400	6,100	8.7%	8.8%
Brisbane Hotel, Perth WA	01 Oct 07	13,720	05 May 10	14,700	14,700	13,700	7.0%	7.5%
CBD Hotel, Newcastle NSW		-		-	-	2,900	-	12.1%
Central Hotel, Bundaberg Qld	09 Nov 06	4,271	03 Dec 09	3,350	3,350	4,000	10.7%	8.8%
Commodore Hotel North Sydney NSW	01 Jul 04	18,184	18 May 10	12,500	12,500	21,100	8.6%	8.3%
Courthouse Hotel, Cairns Qld	11 Sep 06	11,550	02 Dec 09	6,100	6,100	6,300	9.3%	8.5%
Dolphin Hotel, Surry Hills NSW	30 Nov 04	9,118	18 May 10	10,500	10,500	11,900	8.7%	7.5%
Elephant & Wheelbarrow Hotel, Fortitude Valley Qld		-		-	-	10,200	-	8.0%

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**10. Investment properties (continued)**

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate <sup>(3)</sup>	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
El Toro Hotel, Warwick Farm NSW	25 May 05	17,624	20 May 10	15,500	15,500	16,500	8.3%	8.8%
Empire Hotel, Annandale NSW		-		-	-	4,900	-	9.7%
Exchange Hotel, Brisbane Qld	19 Aug 04	21,770	10 Jun 09	19,000	19,300	19,000	9.5%	9.5%
M.J. Finnegan's Irish Pub, Newcastle NSW		-		-	-	4,400	-	6.4%
Five Dock Hotel, Five Dock NSW	01 Jul 04	11,772	18 May 10	17,400	17,400	13,800	8.0%	7.5%
General Gordon Hotel, Sydenham NSW	18 Nov 05	13,241	05 May 10	11,500	11,500	14,900	11.0%	8.2%
GPO Hotel, Fortitude Valley Qld	19 Aug 04	2,728	10 Dec 09	3,000	3,000	4,000	8.0%	6.1%
Hibernian Hotel, Goulburn NSW	31 Oct 07	4,539	05 Jun 10	2,000	2,000	3,100	7.5%	10.9%
Jewells Tavern, Jewells NSW		-		-	-	8,500	-	8.7%
Lawson Park Hotel <sup>(4)</sup> Mudgee NSW	19 May 06	4,865	09 May 10	3,000	3,000	4,000	8.8%	9.9%
Mattara Hotel, Charlestown NSW		-		-	-	7,000	-	8.5%
Premier Hotel, Broadmeadow NSW	15 Jun 06	6,599	31 Mar 09	3,800	3,800	3,800	7.5%	7.4%

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**10. Investment properties (continued)**

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate <sup>(3)</sup>	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Sydney Aussie Rules Club, Kings Cross NSW	01 Jul 04	29,220	16 Jul 09	13,100	11,500	13,100	9.5%	14.5%
Three Weeds Hotel, Rozelle NSW	04 Jul 07	7,341	05 Mar 10	6,100	6,100	6,600	9.0%	8.1%
Uncle Buck's Hotel & Retail Centre, Mount Druitt NSW	04 Jul 05	22,219	06 May 10	15,700	15,700	22,000	9.6%	8.5%
Woolwich Pier Hotel, Woolwich NSW	01 Jul 04	9,308	05 May 10	6,000	6,000	9,800	9.0%	8.5%
Albert's Sports Bar <sup>(5)</sup> Palmerston North NZ		-		-	-	2,506	-	9.2%
Cambridge Hotel <sup>(5)</sup> Wellington NZ		-		-	-	5,758	-	9.4%
Empire Hotel <sup>(5)</sup> Palmerston North NZ		-		-	-	3,123	-	10.0%
Exchange Hotel <sup>(5)</sup> Lower Hutt NZ		-		-	-	3,948	-	10.2%
Murphy's Law Bar <sup>(5)</sup> Palmerston North NZ		-		-	-	1,449	-	11.0%
Realm Hotel <sup>(5)</sup> Hataitai NZ		-		-	-	2,675	-	9.9%
The Office <sup>(5)</sup> Palmerston North NZ		-		-	-	1,834	-	11.9%
Tote Hotel <sup>(5)</sup> Trentham NZ		-		-	-	2,699	-	10.1%

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**10. Investment properties (continued)**

Property	Date of purchase	Cost to date \$'000	Latest external valuation		Carrying amount		Capitalisation rate <sup>(3)</sup>	
			Date	Valuation \$'000	2010 \$'000	2009 \$'000	2010 %	2009 %
Turks Bar <sup>(5)</sup>								
Havelock North NZ		-		-	-	2,050	-	10.7%
Waikanae Hotel & Super Liquor <sup>(5)</sup>								
Waikanae NZ		-		-	-	4,356	-	7.9%
		<u>252,915</u>		<u>206,350</u>	<u>199,350</u>	<u>307,898</u>	<u>9.2%</u>	<u>8.8%</u>

- (1) Investment property that has not been valued by external valuers at reporting date is carried at the Responsible Entity's estimate of fair value in accordance with the accounting policy detailed at note 1(n). Properties acquired during the period are held at cost, which is reflective of the estimate of fair value.
- (2) Valuations made in a foreign currency have been converted at the rate of exchange ruling at reporting date.
- (3) Capitalisation rates have been assessed having regard to geographic location, annual rent, expected reversions to market rent, turnover rent and tenant quality.
- (4) Lawson Park Hotel capitalisation rate is reflective of the expected rental following market rent reviews on 31 December 2011 based off assessment of the maintainable trade. Current passing yield on the property is 4.9%.
- (5) These properties are now classified as part of a disposal group, see note 6 for details.

**ING Real Estate Entertainment Fund**  
**Directors' declaration**  
**Year ended 30 June 2010**

**10. Investment properties (continued)**

**(b) Movements in carrying amounts**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at beginning of year	307,898	360,465
Exchange rate fluctuations	525	239
Additions to existing property	5,681	9,863
Disposals	(38,950)	(23,712)
Transferred to discontinued operations	(25,724)	-
Amortisation of tenant incentives and leasing commissions	(292)	(244)
Straight line lease revenue recognition	(145)	2,594
Straight line lease revenue recognition - discontinued operations	501	569
Net change in fair value	(44,413)	(38,069)
Net change in fair value - discontinued operations	(5,731)	(3,807)
Carrying amount at end of year	<u>199,350</u>	<u>307,898</u>

**(c) Leasing arrangements**

The investment properties are leased to tenants under long-term operating leases. Lease terms vary between tenants. Future minimum rentals receivable under these leases are:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	19,411	24,774
Later than one year but not later than five years	81,699	135,981
Later than five years	123,800	191,761
	<u>224,910</u>	<u>352,516</u>

**11. Equity accounted investments**

**(a) Details of investments**

<b>Name</b>	<b>Principal activity</b>	<b>Ownership interest</b>	
		<b>2010</b>	<b>2009</b>
Panthers Property Unit Trust	Property investor	49.9%	49.9%
Panthers Property Management Pty Limited	Property investor	49.9%	49.9%

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**11. Equity accounted investments (continued)**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Share of assets and liabilities</b>		
Total assets	25,207	26,583
Total liabilities	(221)	(185)
Net assets	<u>24,986</u>	<u>26,398</u>
<b>(c) Share of results</b>		
Revenue	2,183	7,567
Loss on change in fair value of investment properties	(2,772)	-
Expenses	(45)	(5,491)
Profit/(loss) before income tax	(634)	2,076
Income tax expense	-	-
Profit/(loss) for the year	<u>(634)</u>	<u>2,076</u>

**12. Payables**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Trade payables	5,205	5,267
<b>Non-current liabilities</b>		
Unearned income	675	750

**13. Borrowings**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>			
Bank overdraft	19	561	-
Bank debt	(a)	19,280	200,896
Other external debt	(b)	19,600	-
		<u>39,441</u>	<u>200,896</u>
<b>Non-current liabilities</b>			
Bank debt	(a)	179,874	35,571
Other external debt	(b)	-	19,234
		<u>179,874</u>	<u>54,805</u>

## ING Real Estate Entertainment Fund

### Notes to the financial statements

#### Year ended 30 June 2010

### 13. Borrowings (continued)

#### (a) Bank debt

Bank debt comprises Australian dollar denominated debt of \$166,445,000 (2009: \$201,846,000) and New Zealand dollar denominated debt of \$35,657,000 (2009: \$35,052,000). Debt is provided through two fully drawn facilities. These facilities are repayable as to \$155,372,000 on 28 February 2013 and \$19,300,000 on 6 September 2010. The Fund at its option may extend the repayment date for the first facility to 28 February 2015. The bank debt is secured by a first mortgage over investment properties including those included as a discontinued operation, loan to PIC and equity accounted investments with a carrying amount of \$310,741,000 (2009: \$397,386,000).

Unamortised borrowing costs of \$2,948,000 (2009: \$431,000) reduce the amounts drawn to the carrying amount reported.

The facility agreements contain negative pledges that impose certain covenants including maintenance of the following financial ratios:

##### *Facility 1*

- (i) ratio of net worth to total tangible assets of not less than 30%;
- (ii) minimum interest cover ratio of 1.4 times until 30 June 2011 and 1.5 times after that date; and
- (iii) maximum loan to value ratio ("LVR") of 70% of the value of the secured investments until 29 June 2011 and 60% after that date.

##### *Facility 2*

- (i) minimum interest cover ratio of 1.5 times; and
- (ii) maximum LVR of 65.4% of the value of the secured investments.

The actual LVR at 30 June 2010 was 65.4% against a covenanted maximum of 65%. The covenanted maximum was increased to 65.4% on 6 August 2010, reducing to 65% on 23 August 2010. The Group reduced the outstanding debt at that latter date to comply with the maximum 65% LVR covenant.

Under the first facility agreement, a distribution may only be made if the loan to valuation ratio is less than or equal to 50% or the distribution is made pursuant to a distribution reinvestment plan approved by the bank. Whilst reinstatement of distributions remains a key focus for the Fund, any decision regarding distributions will consider the Funds need to retain conservative debt levels and future cash flow requirements. As a result the Fund does not expect to pay a distribution in the 2011 financial year.

Subsequent to reporting date, bank debt will be reduced following the Group's equity raising and sale of New Zealand portfolio as detailed in note 27.

#### (b) Other external debt

Convertible loan securities are expected to be repaid by 31 August 2010 as detailed in note 27.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**14. Issued units**

**(a) Carrying amounts**

	<b>Note</b>	<b>Consolidated 2010 \$'000</b>	<b>2009 \$'000</b>
At beginning of year		182,425	179,300
Issued during the year:			
Distribution reinvestment plan		-	3,434
Unit issue costs		-	(231)
Transfer to retained profits	(d)	-	(78)
At end of year		<u>182,425</u>	<u>182,425</u>

**(b) Number of issued units**

	<b>Consolidated 2010 thousands</b>	<b>2009 thousands</b>
At beginning of year	175,749	166,849
Issued during the year:		
Distribution reinvestment plan	-	8,900
At end of year	<u>175,749</u>	<u>175,749</u>

**(c) Terms of units**

All units are fully paid and rank equally with each other for all purposes. Each unit entitles the holder to one vote, in person or by proxy, at a meeting of unitholders.

**(d) Transfer to retained profits**

The transfer to retained profits represents the portion of distributions paid to holders of new units for that part of the period to which the distribution relates that occurred before the issue of the units.

**15. Reserves**

	<b>Consolidated 2010 \$'000</b>	<b>2009 \$'000</b>
<b>Foreign currency translation</b>		
Balance at beginning of year	(191)	(189)
Translation differences arising during the year	(46)	(2)
Balance at end of year	<u>(237)</u>	<u>(191)</u>

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**16. Retained earnings**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year		(43,551)	15,191
Net loss for the year		(52,729)	(54,129)
Transfer from issued units	14	-	78
Distributions paid or payable	3	-	(4,691)
Balance at end of year		<u>(96,280)</u>	<u>(43,551)</u>

**17. Commitments**

Commitments for capital expenditure on investment property contracted but not provided for at reporting date amounted to \$4,571,000 (2009: \$250,000), all payable within one year.

**18. Capital management**

The Group aims to meet its strategic objectives and operational needs and to maximise returns to unitholders through the appropriate use of debt and equity, while taking account of the additional financial risks of higher debt levels.

In determining the optimal capital structure, the Group takes into account a number of factors, including the views of investors and the market in general, the capital needs of its portfolio, the relative cost of debt versus equity, the execution risk of raising equity or debt, and the additional financial risks of debt including increased volatility of earnings due to exposure to interest rate movements, the liquidity risk of maturing debt facilities and the potential for acceleration prior to maturity.

In assessing this risk, the Group takes into account the relative security of its income flows, the predictability of its expenses, its debt profile, the degree of hedging and the overall level of debt as measured by gearing.

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside of the control of the Group, particularly the impact of revaluations on gearing levels, the availability of new equity and the liquidity in real estate markets. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**18. Capital management (continued)**

The Group's capital position is primarily monitored through its ratio of total liabilities to total assets ("Leverage Ratio"), calculated on a look-through basis, in which the Group's interest in its joint ventures and associates are proportionately consolidated based on the Group's ownership interest. The Group's medium term strategy is to maintain the Gearing Ratio in the range of 45% - 55%. At 30 June 2010, the Leverage Ratio was 73.7%, compared to 66.5% at 30 June 2009, calculated as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Total consolidated liabilities	237,451	274,616
Plus share of liabilities of equity accounted investments	221	185
Total look-through liabilities	<u>237,672</u>	<u>274,801</u>
Total consolidated assets	323,359	413,299
Less equity accounted investments	(24,986)	(26,398)
Plus share of assets of equity accounted investments	25,207	26,583
Less elimination of receivables from and payables to equity accounted investments	(1,068)	-
Total look-through assets	<u>322,512</u>	<u>413,484</u>
Leverage ratio	<u>73.7%</u>	<u>66.5%</u>

In addition, the Group monitors the ratio of debt to total assets ("Gearing Ratio"), calculated on a look-through basis. At 30 June 2010, the Gearing Ratio was 67.8%, compared to 61.6% at 30 June 2009, calculated as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Total consolidated borrowings	219,315	255,701
Less cash & cash equivalents	(1,696)	(2,281)
Net look-through debt	<u>217,619</u>	<u>253,420</u>
Total consolidated assets	323,359	413,299
Less cash & cash equivalents	(1,696)	(2,281)
Less equity accounted investments	(24,986)	(26,398)
Plus share of assets of equity accounted investments	25,207	26,583
Less elimination of receivables from and payables to equity accounted investments	(1,068)	-
Total look-through assets	<u>320,816</u>	<u>411,203</u>
Gearing ratio	<u>67.8%</u>	<u>61.6%</u>

The Group's Leverage and Gearing Ratios were reduced after reporting date because of the Fund's capital raising – see note 27.

## **ING Real Estate Entertainment Fund**

### **Notes to the financial statements**

#### **Year ended 30 June 2010**

### **19. Financial instruments**

#### **(a) Introduction**

The Group's principal financial instruments comprise receivables, payables, interest bearing liabilities, other financial liabilities, cash and short-term deposits and derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its Treasury Policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or forecast not to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Treasury Policy are accepted and no plan of action is put in place to meet the Treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

While the Group aims to meet its Treasury Policy targets, many factors influence its performance, and it is probable that at any one time it will not meet all its targets. For example, the Group may be unable to negotiate the extension of bank facilities sufficiently ahead of time, so that it fails to achieve its liquidity target. When refinancing loans it may be unable to achieve the desired maturity profile or the desired level of flexibility of financial covenants, because of the cost of such terms or their unavailability. Hedging instruments may not be available, or their cost may outweigh the benefit of risk reduction or they may introduce other risks such as mark to market risk. Changes in market conditions may limit the Group's ability to raise capital through the issue of units or sale of properties.

The Group's exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Group's profit. In addition, one or more of the Group's loan agreements may include minimum interest cover covenants. Higher interest costs resulting from increases in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten-year time horizon.

At 30 June 2010, after taking into account the effect of interest rate swaps, approximately 100% of the Group's borrowings are at a fixed rate of interest (30 June 2009: 100%).

Exposure to changes in market interest rates also arises from financial assets such as cash deposits and loan receivables subject to floating interest rate terms. Changes in market interest rates will also change the fair value of any interest rate hedges.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

**(b) Interest rate risk exposure**

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date was:

30 June 2010	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
<b>Principal amounts \$'000</b>					
<b>Financial assets</b>					
Cash at bank	496	-	-	-	496
Short term deposits	1,200	-	-	-	1,200
Loan to lessees	-	550	1,320	-	1,870
Loan to PIC	-	-	60,682	-	60,682
<b>Financial liabilities</b>					
Bank debt denominated in AUD	164,058	-	-	-	164,058
Bank debt denominated in NZD	35,657	-	-	-	35,657
Interest rate swaps:					
- denominated in AUD; Fund pays fixed rate	(208,900)	40,200	168,700	-	-
- denominated in NZD; Fund pays fixed rate	(32,991)	-	-	32,991	-
<b>Weighted average interest rates</b>					
<b>Financial assets</b>					
Cash at bank	4.2%	-	-	-	na
Short term deposits	4.4%	-	-	-	na
Loan to lessees	-	9.2%	8.0%	-	na
Loan to PIC	-	-	9.0%	-	na
<b>Financial liabilities</b>					
Bank debt denominated in AUD	6.7%	-	-	-	na
Bank debt denominated in NZD	4.9%	-	-	-	na
Interest rate swaps:					
- denominated in AUD; Fund pays fixed rate	4.8%	5.6%	6.4%	-	na
- denominated in NZD; Fund pays fixed rate	4.9%	-	-	7.2%	na

Other financial instruments of the Group not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

The Group's exposure to interest rate risk and the effective interest rates on financial instruments at the end of the previous financial year was:

30 June 2009	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
<b>Principal amounts \$'000</b>					
<b>Financial assets</b>					
Cash at bank	279	-	-	-	279
Short term deposits	2,002	-	-	-	2,002
Loan to lessees	-	878	8,520	-	9,398
Loan to PIC	-	-	63,091	-	63,091
<b>Financial liabilities</b>					
Bank debt denominated in AUD	201,415	-	-	-	201,415
Bank debt denominated in NZD	35,052	-	-	-	35,052
Interest rate swaps:					
- denominated in AUD; Fund pays fixed rate	(214,900)	6,000	208,900	-	-
- denominated in NZD; Fund pays fixed rate	(32,431)	-	-	32,431	-
<b>Weighted average interest rates</b>					
<b>Financial assets</b>					
Cash at bank	2.7%	-	-	-	na
Short term deposits	2.9%	-	-	-	na
Loan to lessees	-	9.2%	9.2%	-	na
Loan to PIC	-	-	9.0%	-	na
<b>Financial liabilities</b>					
Bank debt denominated in AUD	3.8%	-	-	-	na
Bank debt denominated in NZD	3.4%	-	-	-	na
Interest rate swaps:					
- denominated in AUD; Fund pays fixed rate	3.2%	5.6%	6.3%	-	na
- denominated in NZD; Fund pays fixed rate	2.8%	-	-	7.2%	na

**(c) Interest rate sensitivity analysis**

The impact of an increase or decrease in average interest rates of 1% (100 basis points) at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the interest rate risk exposures in existence at balance sheet date. As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on unitholders' interest (apart from the effect on profit).

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

**(i) Increase in average interest rates of 1%**

The effect on net interest expense for one year would have been:

	Effect on profit after tax	
	Consolidated	
	Higher/(lower)	
	2010	2009
	\$'000	\$'000
Variable interest rate instruments denominated in:		
Australian dollars	(279)	120
New Zealand dollars	28	(25)
	<u>(251)</u>	<u>95</u>

The effect on change in fair value of derivatives would have been:

	Effect on profit after tax	
	Consolidated	
	Higher/(lower)	
	2010	2009
	\$'000	\$'000
Variable interest rate instruments denominated in:		
Australian dollars	4,805	6,141
New Zealand dollars	1,687	1,728
	<u>6,492</u>	<u>7,869</u>

**(ii) Decrease in average interest rates of 1%**

The effect on net interest expense for one year would have been:

	Effect on profit after tax	
	Consolidated	
	Higher/(lower)	
	2010	2009
	\$'000	\$'000
Variable interest rate instruments denominated in:		
Australian dollars	279	(120)
New Zealand dollars	(28)	25
	<u>251</u>	<u>(95)</u>

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

The effect on change in fair value of derivatives would have been:

	<b>Effect on profit after tax</b>	
	<b>Consolidated Higher/(lower)</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Variable interest rate instruments denominated in:		
Australian dollars	(5,486)	(6,757)
New Zealand dollars	(1,799)	(1,855)
	<u>(7,285)</u>	<u>(8,612)</u>

**(d) Foreign exchange risk**

By holding properties in offshore markets, the Group is exposed to the risk of movements in foreign exchange rates. Foreign exchange rate movements may reduce the Australian dollar equivalent of the carrying value of the Group's offshore properties, and may result in lower Australian dollar equivalent proceeds when an offshore property is sold. In addition, foreign exchange rate movements may reduce the Australian dollar equivalent of the earnings from the offshore properties while they are owned by the Group.

The Group reduces its exposure to the foreign exchange risk inherent in the carrying value of its offshore properties and interests in offshore investments by partly or wholly funding their acquisition using borrowings denominated in the particular offshore currency, and by using derivatives. The Treasury Policy sets a target for minimum and maximum hedging of the carrying value of its offshore properties.

The Group's exposure to the impact of exchange rate movements on its earnings from its offshore properties is partly mitigated by the foreign denominated interest expense of its foreign denominated borrowings.

The Group had no net foreign currency monetary exposure at reporting date.

There were no forward exchange contracts, options or foreign exchange swaps outstanding at reporting date.

**(e) Credit risk**

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in a financial loss to the Group.

The major credit risk for the Group is default by tenants, resulting in a loss of rental income while a replacement tenant is secured and further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant. In addition, a default of one of the Group's major tenants may trigger the right for one or more of the lenders to the Group to review or call in its loan.

The Group assesses the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into account when assessing credit risk include the aggregate exposure the Group may have to the prospective tenant if the counterparty is already a tenant in the Group's portfolio; the strength of the prospective tenant's business; the level of its commitment to locating in the Group's property; and any form of security, for example a rental bond, to be provided.

## **ING Real Estate Entertainment Fund**

### **Notes to the financial statements**

#### **Year ended 30 June 2010**

#### **19. Financial instruments (continued)**

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing up vacant space.

Rent receivable balances are monitored on an ongoing basis and arrears actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default.

At reporting date, the Group held \$1,228,000 (30 June 2009: \$1,016,000) of receivables that were past due but not impaired. There are reasonable grounds to believe that these amounts are recoverable. The Group holds bank guarantees covering these receivables of \$800,000. Of these past due receivables, \$374,000 was up to 30 days overdue, \$478,000 was between 30 and 60 days overdue and \$376,000 was more than 60 days overdue.

The Responsible Entity believes that the Group's receivables that are neither past due nor impaired do not give rise to any significant credit risk.

A significant concentration of credit risk arises because one tenant, Icon, is the debtor in respect of \$578,000 of rental and other amounts due and \$550,000 of loans to lessees. Further information is given in note 1(c).

Credit risk also arises from deposits placed with financial institutions and derivatives contracts that may have a positive value to the Group. The Group's Treasury Policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

The Group's maximum exposure to credit risk at reporting date in relation to each class of financial instrument is its carrying amount as reported in the balance sheet.

#### **(f) Liquidity risk**

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations and working capital and committed capital expenditure requirements. The Group's Treasury Policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next six months and an allowance for unforeseen events such as tenant default. At times, the Group has fallen below this target.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Group monitors adherence to loan covenants on a regular basis, and the Treasury Policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Group monitors its debt expiry profile and aims to achieve staggered maturities, where possible, to reduce refinance risk in any one year. At present, the Group has not achieved the desired level of staggered maturities.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

The contractual maturities of the Group's non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date.

	<b>Consolidated 2010</b>			
	<b>Less than 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>More than 5 years \$'000</b>	<b>Total \$'000</b>
Trade & other payables	5,205	300	375	5,880
Borrowings	51,940	224,001	-	275,941
	<u>57,145</u>	<u>224,301</u>	<u>375</u>	<u>281,821</u>
	<b>2009</b>			
Trade & other payables	5,267	300	450	6,017
Borrowings	208,021	55,306	-	263,327
	<u>213,288</u>	<u>55,606</u>	<u>450</u>	<u>269,344</u>

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures*, which requires separate disclosure of the contractual maturities of the Group's derivative liabilities and related derivative assets. These are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates. Foreign currencies have been converted at rates of exchange ruling at reporting date. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	<b>Consolidated 2010</b>			
	<b>Less than 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>More than 5 years \$'000</b>	<b>Total \$'000</b>
<b>Liabilities</b>				
Derivative liabilities - net settled	3,775	7,808	1,326	12,909

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

**(g) Fair value of financial assets and liabilities**

As of 1 July 2009, the Group has adopted the amendment to *AASB 7 Financial Instruments: Disclosures*, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: fair value is calculated using quoted prices in active markets;

Level 2: fair value is calculated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: fair value is calculated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps denominated in both Australian and New Zealand dollars.

The fair value of the option to convert the loan to PIC into equity is based on valuation techniques using market data that is not observable, being the volatility of the price of PIC's assets.

The fair value of an interest rate swap agreement is based on valuation techniques using market data that is not observable. One valuation input is an adjustment for the credit risk of the Group.

The following tables present the Group's financial instruments that were measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	<b>Consolidated 2010</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Derivatives	-	-	395	395
<b>Financial liabilities</b>				
Derivatives	-	10,415	1,841	12,256

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**19. Financial instruments (continued)**

The following tables present the changes in level 3 instruments for the year ended 30 June 2010:

	<b>Consolidated 2010</b>	
	<b>Derivatives</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	2,684	(1,298)
Gains & losses recognised in profit or loss	(2,289)	(543)
Closing balance	<u>395</u>	<u>(1,841)</u>
Gains & losses for the year included in profit or loss that relate to assets held at the end of the year	<u>(2,289)</u>	<u>(543)</u>

The carrying amounts of the Group's other financial instruments approximate their fair values.

**20. Auditor's remuneration**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts received or receivable by Ernst & Young for:		
Audit or review of financial reports of the Fund and any other entity in the consolidated entity	176,007	60,452
Other services - assurance related	45,114	4,902
	<u>221,121</u>	<u>65,354</u>

**21. Contingencies**

On 29 March 2010, the Group granted Icon an option to require the Group to purchase the personal property, furniture, plant and equipment, and other property owned by Icon and situated in the hotels leased by Icon from the Group (the "Plant"). The option becomes exercisable upon the occurrence of certain defined insolvency events in relation to Icon. The maximum amount that the Fund may be required to pay is \$7,500,000.

On the same day, Icon granted the Group an option to purchase the Plant on similar terms.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**22. Related parties**

**(a) Responsible Entity**

The Responsible Entity of the Fund is ING Management Limited ("IML"), a member of the ING group of companies for which the ultimate holding company is ING Groep NV, a company incorporated in the Netherlands.

**(b) Fees of the Responsible Entity and its related parties**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Asset management fees	1,618,620	1,000,000

IML is entitled to a management fee of 0.6% per annum of total assets of the Group. However, the company has waived this fee for the years ended 30 June 2005 and 2006, and partially waived fees for the years ended 30 June 2007, 2008 and 2009. The fees waived would become immediately due and payable should IML be removed as Responsible Entity of the Fund.

IML is entitled to an acquisition fee of 0.5% of the total price paid by the Group for any new properties.

IML is entitled to a performance fee of 15% of any performance of the Fund above a total return benchmark of 12% per annum for the six years ending 30 June 2010.

ING Property Management Pty Limited is entitled to receive a property management fee of 1.5% of gross rent received. However, it has waived this fee for the years ended 30 June 2005, 2006, 2007, 2008, 2009 and 2010, provided IML is not removed as the Responsible Entity of the Fund.

The estimated fees that have not been recognised but would become payable if IML was removed as Responsible Entity as at reporting date are:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Asset management fees	6,312,272	6,306,495
Property management and leasing fees	1,730,438	1,273,938
	8,042,710	7,580,433

**(c) Holdings of the Responsible Entity and its related parties**

Holdings of the Responsible Entity and its related parties (including managed investment schemes for which a related party is the Responsible Entity) as at 30 June 2010, and distributions received or receivable for the year then ended, were:

<b>Name</b>	<b>Number of units held</b>	<b>Distributions Receivable Consolidated 2010 \$</b>
ING Real Estate Co-Investment Pty Ltd	668,383	-
ING Real Estate International Investments III BV	25,032,196	-
	25,700,579	-

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**22. Related parties (continued)**

Holdings of those parties as at 30 June 2009, and distributions received or receivable for the year then ended, were:

<b>Name</b>	<b>Number of units held</b>	<b>Distributions Receivable Consolidated 2009 \$</b>
ING Real Estate Co-Investment Pty Ltd	668,383	18,381
ING Real Estate International Investments III BV	25,435,093	631,167
	<u>26,103,476</u>	<u>649,548</u>

**(d) Other transactions with the Responsible Entity and its related parties**

ING Real Estate Development Australia Pty Ltd, a subsidiary of ING, received project management fees of \$83,601 (2009: \$50,697) for the financial year for project management services for refurbishment of the Group's properties.

**(e) Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Responsible Entity.

The names of the directors of the Responsible Entity, and their dates of appointment or resignation if they were not directors for all of the financial year, are:

Richard Colless AM	Chairman
Philip Clark AM	
Michael Easson AM	
Paul Scully	
Christophe Tanghe	Appointed 1 September 2009
George Jautze	Appointed 1 September 2009; resigned 31 May 2010
Philip Redmond	Resigned 12 April 2010

The names of other key management personnel, and their dates of appointment or resignation if they did not occupy their position for all of the financial year, are:

Denis Hickey	IML Chief Executive Officer; appointed 1 September 2009
Daniel Hargraves	Fund Chief Executive Officer
Danny Agnoletto	IML Chief Financial Officer; appointed 16 November 2009
Hugh Thomson	IML Chief Executive Officer; ceased 31 August 2009
David Hunt	IML Chief Financial Officer; ceased 15 November 2009

Key management personnel do not receive any remuneration directly from the Group. They receive remuneration from the Responsible Entity in their capacity as directors or employees of the Responsible Entity or its related parties. Consequently, the Group does not pay any compensation as defined in Accounting Standard AASB 124 *Related Parties* to its key management personnel.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**22. Related parties (continued)**

Units held directly, indirectly or beneficially in the Fund by each key management person, including their related parties, were:

	<u>2010</u>	<u>2009</u>
Paul Scully		
Held at the beginning of the financial year	43,983	36,545
Acquisitions	68,516	7,438
Held at the end of the financial year	<u>112,499</u>	<u>43,983</u>
Daniel Hargraves		
Held at the beginning of the financial year	393,050	383,413
Acquisitions	-	9,637
Held at the end of the financial year	<u>393,050</u>	<u>393,050</u>
Hugh Thomson		
Held at the beginning of the financial year	129,867	129,867
Held at the date of cessation as a key management person or at the end of the financial year	<u>129,867</u>	<u>129,867</u>
David Hunt		
Held at the beginning of the financial year	186,892	162,208
Acquisitions	-	24,684
Disposals	(120,520)	-
Held at the date of cessation as a key management person or at the end of the financial year	<u>66,372</u>	<u>186,892</u>

Distributions received or receivable from the Fund by each key management person were:

	<u>2010</u>	<u>2009</u>
	\$	\$
Paul Scully	-	1,081
Daniel Hargraves	-	10,809
Hugh Thomson	-	3,571
David Hunt	-	4,787
	<u>-</u>	<u>20,248</u>

In addition to the above persons, key management personnel as defined in the Accounting Standards includes the Responsible Entity. Details of the remuneration of the Responsible Entity are given at note (b) above. Details of its holdings in the Fund are given at note (c) above.

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**22. Related parties (continued)**

**(f) Transactions with equity accounted investments**

The Fund has lent to PIC; further details of this loan are given at notes 8 and 19. Amounts recognised were:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts receivable at reporting date	60,681,601	63,090,818
Interest income	5,601,493	5,438,342

Panthers Property Unit Trust ("PPUT") has lent to the Fund; further details of this loan are given at notes 12 and 19. The loan will be offset against future distributions receivable from PPUT. Amounts recognised were:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Loan payable at reporting date	1,068,472	-
Interest expense	-	-

**23. Parent financial information**

Summary financial information about the Parent is:

	<b>ING Real Estate</b>	
	<b>Entertainment Fund</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	6,566	14,198
Total assets	235,813	310,873
Current liabilities	26,402	152,206
Total liabilities	150,007	172,190
Unitholders equity:		
Issued units	182,425	182,425
Accumulated losses	(96,619)	(43,742)
Total unitholders' equity	85,806	138,683
Net loss attributable to unitholders of the Fund	(52,877)	(54,131)
Total comprehensive income	(52,877)	(54,131)

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**24. Subsidiaries**

**(a) Names of subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(e):

Name	Country of residence	Ownership interest	
		2010 %	2009 %
Bourbon Unit Trust	Australia	100	100
ING Real Estate Entertainment Subsidiary Trust	Australia	100	100
IEF Victoria Trust	Australia	100	100
IEF NZ Subsidiary Trust	New Zealand	100	100
IEF NZ Trust	New Zealand	100	100

The Group's voting interest in its subsidiaries is the same as its ownership interest.

**25. Segment information**

**(a) Description of segments**

The Fund invests in hospitality and entertainment property located in Australia and New Zealand, each of which leases the properties it owns. The Fund has identified its operating segments as being each of these regions, based on internal reporting to the chief operating decision maker. The Fund is organised around functions, but distinguishes these regions in its internal reporting.

The New Zealand segment is now classified as a discontinued operation.

**(b) Major customers**

The Group receives revenue from Icon amounting to \$11,332,000 (2009: \$11,839,000).

**ING Real Estate Entertainment Fund**  
**Notes to the financial statements**  
**Year ended 30 June 2010**

**26. Notes to the cash flow statement**

**(a) Reconciliation of profit to net cash flows from operations**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net loss for the year</b>	(52,729)	(54,129)
Adjustments for:		
Straight line lease revenue recognition	145	(2,594)
Straight line lease revenue recognition - discontinued operations	(501)	(569)
Net loss on disposal of investment properties	-	213
Net loss on change in fair value of:		
Investment properties	44,413	38,069
Investment properties included in share of net profit of equity accounted investments	2,772	-
Investment properties - discontinued operations	5,730	3,807
Derivatives	1,585	23,003
Amortisation of borrowing costs	975	-
Amortisation of tenant incentives	292	283
Impairment loss on:		
Trade receivables	-	1,808
Loans	6,260	3,623
Excess of share of profits from equity accounted investments over distributions	-	(10)
Deferred income tax benefit	-	(111)
Operating profit for the year before changes in working capital	8,942	13,393
Changes in working capital:		
(Increase)/decrease in receivables	(3,972)	225
(Increase)/decrease in payables	(1,207)	1,092
<b>Net cash provided by operating activities</b>	<b>3,763</b>	<b>14,710</b>

**(b) Non-cash financing and investing activities**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Re-investment of distributions pursuant to Distribution Investment Plan	-	3,434

## **ING Real Estate Entertainment Fund**

### **Notes to the financial statements**

#### **Year ended 30 June 2010**

#### **27. Subsequent events**

On 15 July 2010, the Fund issued 26,362,000 units at a price of nine cents each to new investors, raising a total of \$2,373,000. On 16 July 2010, the Fund announced the issue of 404,222,000 units at a price of nine cents each under an underwritten 2:1 renounceable rights issue, to raise a total of \$36,380,000. The proceeds, net of issue costs, will be applied to repayment of the CLS and reduction of bank debt.

On 16 July 2010, the Group announced that it had exchanged contracts on the sale of its New Zealand portfolio with expected sale proceeds of \$26,305,000. In addition, the Group will be repaid the \$5,262,000 loan owed by the tenant of this portfolio, bringing the total gross proceeds from this transaction to \$31,567,000. This sale remains subject to approval and consent to release of mortgage security from the Facility 1 lender. Settlement of the asset sales will be staged over a period of up to sixteen-months from August 2010. The net proceeds will be applied to reducing the Group's bank debt and termination of New Zealand interest rate hedge contracts.

If these initiatives had occurred on 30 June 2010, the Group's Gearing Ratio would have reduced to 53.3% and the Group's Leverage Ratio would have reduced to 58.6%.

Based on these capital initiatives, the Fund's Facility 1 lender has agreed that distributions may be reinstated once the Facility 1 LVR is below 60% (formerly below 50%). Whilst reinstatement of distributions remains a key focus for the Fund, any decision regarding distributions will consider both the Fund's need to retain conservative debt levels and expected future cash flow. The Fund does not expect to pay any distribution in the 2011 financial year.

On 29 July 2010, the Group gave an update about a significant tenant, Allied, details of which are given in note 1(c).

On 16 August 2010, the Group gave an update about its largest tenant, Icon, details of which are given in note 1(c).

**ING Real Estate Entertainment Fund  
Directors' declaration  
Year ended 30 June 2010**

In accordance with a resolution of the directors of ING Management Limited, I state that:

1. In the opinion of the directors:
  - (a) the financial statements and notes of ING Real Estate Entertainment Fund are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that ING Real Estate Entertainment Fund will be able to pay its debts as and when they become due and payable. In reaching this conclusion, the directors considered the matters discussed at note 1(c).
2. The notes to the financial statements include an explicit and unreserved statement of compliance with international financial reporting standards at note 1(b).
3. This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

On behalf of the directors



Philip Clark AM  
Director  
Sydney, 30 August 2010

## Independent auditor's report to the unitholders of ING Real Estate Entertainment Fund

### Report on the Financial Report

We have audited the accompanying financial report of ING Real Estate Entertainment Fund, which comprises the balance sheet as at 30 June 2010, and income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of ING Management Limited, the Responsible Entity of ING Real Estate Entertainment Fund and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of ING Management Limited, as Responsible Entity for ING Real Estate Entertainment Fund, are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity of ING Real Estate Entertainment Fund a written Auditor's Independence Declaration, a copy of which follows the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

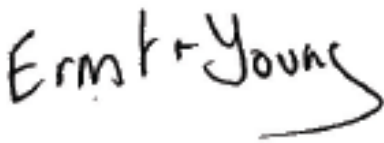
### **Auditor's Opinion**

In our opinion:

1. the financial report of ING Real Estate Entertainment Fund is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of ING Real Estate Entertainment Fund and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 1(b).

### **Significant Uncertainty as to Going Concern**

Without qualifying our opinion, we draw attention to Note 1 (c) in the financial report which indicates that there is an increased risk of a key tenant defaulting under its obligations to the Fund; and that a breach of those obligations, or of the key tenant's obligations to its financiers, could lead to a breach of both of the Fund's bank facility agreements. This may cast doubt over whether the Fund would be able to realise its assets and liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the fund not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain'.

Douglas Bain  
Partner  
Sydney  
30 August 2010