

REAL ESTATE INVESTMENT MANAGEMENT

Date

30 August 2010

Fund

ING Real Estate Entertainment Fund

## IEF Announces Full Year 2010 Result

ING Real Estate Entertainment Fund (IEF) today announced its full year results for the year ended 30 June 2010.

Key items for the year include:

- Statutory loss of \$(52.7)m down from \$(54.1)m for the previous year;
- Net operating income down by 24% to \$9.5 million due to impact of assets sales, increased debt margins and operating conditions;
- Operating income per unit of 5.4 cents;
- \$39.0 million in asset sales with net proceeds used to repay debt;
- Reduced total debt by 13.6% since 30 June 2009 to \$221.7m; and
- Successfully refinanced \$182m Facility 1 for five years and received credit approved terms sheet to extend Facility 2 by two years.

Post 30 June 2010, further initiatives have been undertaken to secure the Fund's capital position. These include:

- A capital raising of \$38.8m via a \$2.4m placement and \$36.4m 2-for-1 rights issue; and
- Contracted additional asset sales of \$26.3 million.

IEF Chief Executive Officer Daniel Hargraves said, "This has again been a challenging year for the Fund however our asset sale achievements, and the injection of new capital, have assisted in reducing Fund debt and providing stability to the balance sheet".

### **Financial Summary**

Operating income for the year of \$9.5m down from \$12.5m for the previous year due to impact of asset sales during the period, offset by reduction in CLS interest and impairment of receivables. Earnings were also impacted by increased finance margins as debt was refinanced at revised market margins.

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 (16 July 2010) capital raising and sale of New Zealand portfolio<sup>1</sup>. These initiatives enable IEF to reduce debt and address near term financing obligations.

As a result of these initiatives, weighted average debt term is 3.8 years compared to 0.8 years 12 months ago. The Fund is compliant with all its covenants and expects to have further headroom resulting from the completion of contracted asset sales

Property valuations were affected by tenant covenant risks and overall sector challenges resulting in a Net Asset Value (NAV) per unit of 49 cents compared to 79 cents at 30 June 2009. Following the Capital Raising and asset sales pro-forma NAV per unit is 20 cents.

### **Operational Update**

The Fund has a diversity of assets in regional and sub-regional locations through out Australia and is currently considering ways to further diversify income from operators.

Total assets for the year were \$323.4m down from \$413.3m twelve months ago primarily due to revaluations of \$54.5m<sup>2</sup> and asset sales of \$39.0m.

As announced on 16 August 2010, the directors of Icon Hospitality, the Fund's largest tenant by rental income, requested a deferral of two \$1.5m equity payments which had been agreed under the terms of the Icon profit improvement plan. An arrangement has been reached with Icon's financier to capitalise interest and defer the payments from the directors and a proportion of Icon's rent until 31 December 2010.

As announced on 29 July 2010 receivers and managers were appointed to Allied Hospitality, the operator of the Exchange Hotel and GPO Hotel in Queensland. IEF is working towards maintaining continuing operations and expects its lease obligations to be met.

Trading conditions remain challenging and IEF continues to work with key tenants to achieve improvement in operating businesses and asset values.

### **Strategy and Outlook**

Key activities over the next 12 months include diversification of income flows to reduce concentration risks and a continuation of asset sales within the portfolio to allow further reductions of debt. The addition of new investors to the register assists with access to capital to achieve medium to long term growth.

Further to this the Fund has undertaken a strategic review and identified a variety of options in terms of optimising structure, including consideration of:

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<sup>1</sup> Sale of the New Zealand portfolio remains subject to approval and consent to release of mortgage security by the Fund's lender

<sup>2</sup> Includes changes in market value of investment property, investment properties of discontinued operations, investment properties held by associates and derivatives

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

A detailed results presentation for IEF is available on our website [www.ingrealestate.com](http://www.ingrealestate.com).

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**About ING Real Estate Entertainment Fund**

*ING Real Estate Entertainment Fund (ASX code: IEF) is an externally managed ASX listed real estate investment trust that invests in the freehold of a diversified portfolio of entertainment and leisure venues. The Fund receives income through long term leases of the licensed real estate to a wide range of experienced operators. IEF has total assets under management of \$330 million with investments located throughout Australia and New Zealand.*

**About the ING Real Estate Investment Management**

*ING Real Estate Entertainment Fund is one of five listed real estate investment trusts that are managed by ING Real Estate Investment Management Australia on behalf of 60,000 investors.*

*Globally, ING Real Estate Investment Management focuses on the investment management of quality real estate in all major global markets with a total portfolio of more than A\$95 billion. ING Real Estate Investment Management is one of the leading investment management companies and serves a broad client base from four continents, Europe, North America and South America, Asia and Australia.*

*ING Real Estate Investment Management is part of ING Group, a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 85 million private, corporate and institutional clients in more than 40 countries*