

APPENDIX 4E
Preliminary Final Report
Year ended 30 June 2008

Name of Entity: ING Real Estate Entertainment Fund

ARSN: 108 982 627

Results for announcement to the market

	\$000	
Revenues from ordinary activities	up 34% to 38,510	
Loss from ordinary activities after tax attributable to members	down 120% to (8,560)	
Loss for the period attributable to members	down 120% to (8,560)	
Net realised income distributable to members	up 39% to 15,847	
Net assets per unit (excluding outside equity interest and diluted basis)	30 June 2008 \$1.16	30 June 2007 \$1.33

Distributions	Amount per unit (cents)	\$000
Interim - 31 December 2007	5.025	8,286
Final - 30 June 2008	5.025	8,384
Total	10.05	16,670
Previous Corresponding Period	9.70	11,370
Record date for determining entitlements to the final distribution	30 June 2008	

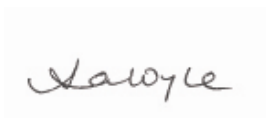
Note: Franked amount per unit is not applicable

Other significant information and commentary on results

See attached press release

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

- Directors' report
- Audited financial report
- Results presentation
- Property book



Anna Wyke
Company Secretary

26 August 2008



ING REAL ESTATE ENTERTAINMENT FUND

FINANCIAL & ASSOCIATED REPORTS

YEAR ENDED 30 JUNE 2008

ING Real Estate Entertainment Fund

Financial & associated reports

Year ended 30 June 2008

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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 26 August 2008. The Fund has the power to amend and reissue the financial report.

ING Real Estate Entertainment Fund

Directors' report

Year ended 30 June 2008

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 2008 and the auditors' 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
David Blight	
Philip Clark AM	
Michael Easson AM	
Philip Redmond	
Paul Scully	
Hugh Thomson	Alternate director for David Blight
Adrian Astridge	Alternate director for David Blight

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 hospitality and entertainment real estate. There was no significant change in the nature of the Fund's activities during the financial year.

Review and results of operations

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

	Consolidated	
	2008	2007
Net profit/(loss) attributable to unitholders of the Fund (\$000's)	(8,560)	43,033
Distributable income (\$000's)	15,847	11,397
Distributions per unit (cents)	10.05	9.70
Earnings per unit - basic (cents)	(5.5)	37.0
Earnings per unit - diluted (cents)	(5.5)	35.9
Distributable income per unit (cents)	10.1	9.8

The Responsible Entity uses the Fund's distributable income as a guide to the level of distributions to be paid to unitholders. Distributable 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 derivative financial instruments.

ING Real Estate Entertainment Fund

Directors' report

Year ended 30 June 2008

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

	Consolidated	
	2008	2007
	\$'000	\$'000
Net profit/(loss) for year attributable to unitholders	(8,560)	43,033
Adjusted for:		
Lease revenue recognition	(4,096)	(4,545)
Performance fee expense	(655)	655
Net gain on disposal of investment properties	(741)	(186)
(Gain)/ loss on change in fair value of:		
Investment properties	30,532	(22,890)
Derivatives	(6,756)	(4,670)
Investment properties included in share of net profit of equity accounted investments	(1,782)	-
Impairment loss on equity accounted investment	5,499	-
Deferred income tax expense	145	-
Aborted due diligence costs	2,261	-
Distributable income	<u>15,847</u>	<u>11,397</u>

Distributable income for the 2008 financial year increased by 39% to \$15,847,000 from \$11,397,000 for the 2007 financial year. The increase is mainly due to acquisitions of equity accounted investments and investment properties.

Distributable income per unit for the 2008 financial year was up 3.1% to 10.1 cents, compared to 9.8 cents per unit previously. This was primarily due to rental increases on the existing portfolio.

The Fund has delivered distribution growth of 3.6% with distributions per unit of 10.05 cents for the financial year, compared with 9.70 cents in 2007.

Earnings per unit as calculated under applicable accounting standards for the year ended 30 June 2008 were down 115% to a loss of 5.5 cents, compared to a profit of 37.0 cents per unit for the previous financial year. Revaluations of investment properties and equity accounted investment accounted for a loss of 19.5 cents per unit, compared to a profit of 19.7 cents per unit for 2007.

Total assets increased by \$98,406,000 or 25% to \$491,588,000 during the year due to Panthers Entertainment Group transactions which increased equity accounted investments by \$26,351,000 and loans to Panthers Investment Corporation Pty Ltd by \$62,177,000.

Net assets increased by 21% to \$194,302,000 during the 2008 financial year primarily as a result of \$59,271,000 (after costs) equity raising less fair value write downs of \$30,532,000 in investment properties. Net asset value per unit decreased by 13% to \$1.16 as a result of declines in valuations of investment properties and equity accounted investments. The basis of the valuations is described in note 1 in the financial report.

The Funds look through gearing (total debt / total assets) increased by 0.6% to 56.4% as at 30 June 2008. Excluding unsecured convertible loan securities, the Funds gearing of secured borrowings to total assets increased by 2.4% to 53.1% as at 30 June 2008.

A total of \$59,271,000 of new equity (after costs) was raised during the year. As a result, issued units increased by 48,921,184 to 166,848,905.

ING Real Estate Entertainment Fund

Directors' report

Year ended 30 June 2008

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

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

Likely developments

The Responsible Entity will continue to actively manage the existing portfolio. New acquisitions, including overseas acquisitions, will be considered on the relative value they may add to the Fund. Where appropriate the Fund may raise additional capital to fund new acquisitions. The Responsible Entity will continue to review the property portfolio and may dispose of assets to maximise returns to unitholders as part of its capital management strategy.

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.

Interests of directors of the Responsible Entity

Units in the Fund held by directors of the Responsible Entity as at 30 June 2008 were:

	Number of units
David Blight	37,547
Paul Scully	36,545
Hugh Thomson (alternate for David Blight)	129,867
Adrian Astridge (alternate for David Blight)	55,072

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 20 in the financial report.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

ING Real Estate Entertainment Fund
Directors' report
Year ended 30 June 2008

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 this report and in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise stated.

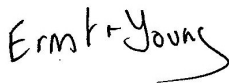
Signed in accordance with a resolution of the directors of the Responsible Entity.

A handwritten signature in black ink, consisting of a stylized 'H' followed by a large, sweeping loop.

Hugh Thomson
Director
Sydney
26 August 2008

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 and its controlled entities for the financial year ended 30 June 2008, 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.



Ernst & Young



Douglas Bain
Partner
26 August 2008

ING Real Estate Entertainment Fund
Income statement
Year ended 30 June 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Revenue					
Rental income		31,437	28,024	16,080	14,943
Distribution received from associate		-	-	1,629	-
Distribution receivable from subsidiaries		-	-	6,808	4,808
Interest income		7,073	738	5,945	537
		<u>38,510</u>	<u>28,762</u>	<u>30,462</u>	<u>20,288</u>
Other income					
Net gain on disposal of investment properties		741	186	-	186
Net gain/(loss) on change in fair value of:					
Investment properties		(30,532)	22,890	(15,688)	14,201
Derivatives		6,756	4,670	7,311	3,047
Expenses					
Property expenses		(459)	(416)	(373)	(321)
Finance costs	5	(18,241)	(11,618)	(9,728)	(5,458)
Responsible Entity's fees	20	(553)	(1,165)	(553)	(1,165)
Aborted due diligence costs		(2,261)	-	-	-
Impairment loss on:					
Equity accounted investment		(5,499)	-	(3,380)	-
Investments in subsidiaries		-	-	(3,827)	-
Other		(625)	(276)	(442)	(276)
Share of net profit of equity accounted investments	11	3,748	-	-	-
Profit/(loss) before income tax		<u>(8,415)</u>	<u>43,033</u>	<u>3,782</u>	<u>30,502</u>
Income tax expense	6	(145)	-	-	-
Net profit/(loss) attributable to unitholders of the Fund		<u>(8,560)</u>	<u>43,033</u>	<u>3,782</u>	<u>30,502</u>
		Cents	Cents		
Distributions per unit	3	10.05	9.70		
Earnings per unit - basic	4	(5.5)	37.0		
Earnings per unit - diluted	4	(5.5)	35.9		
Distributable income per unit	4	10.1	9.8		

ING Real Estate Entertainment Fund
Balance sheet
As at 30 June 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	7	3,255	3,716	2,555	3,075
Trade and other receivables	8	11,217	1,349	13,247	6,402
Derivatives	9	13,337	6,082	11,814	3,862
Investment property	10	13,500	-	-	-
		<u>41,309</u>	<u>11,147</u>	<u>27,616</u>	<u>13,339</u>
Non-current assets					
Trade and other receivables	8	75,225	14,785	67,677	4,670
Investments in subsidiaries	21	-	-	55,523	54,472
Investment properties	10	346,965	361,942	192,163	178,757
Equity accounted investments	11	26,351	-	26,351	-
Other		1,738	5,308	400	3,653
		<u>450,279</u>	<u>382,035</u>	<u>342,114</u>	<u>241,552</u>
Total assets		<u>491,588</u>	<u>393,182</u>	<u>369,730</u>	<u>254,891</u>
Current liabilities					
Payables	12	7,296	3,020	5,382	2,896
Borrowings	13	-	23,734	-	23,734
Derivatives	9	866	225	866	225
Provision for distribution	3	8,384	5,719	8,384	5,719
		<u>16,546</u>	<u>32,698</u>	<u>14,632</u>	<u>32,574</u>
Non-current liabilities					
Payables	12	-	655	-	655
Borrowings	13	280,630	199,308	160,796	73,743
Deferred tax liabilities		110	-	-	-
		<u>280,740</u>	<u>199,963</u>	<u>160,796</u>	<u>74,398</u>
Total liabilities		<u>297,286</u>	<u>232,661</u>	<u>175,428</u>	<u>106,972</u>
Net assets		<u>194,302</u>	<u>160,521</u>	<u>194,302</u>	<u>147,919</u>
Unitholders' interest					
Issued units	14	179,300	120,933	179,300	120,933
Reserves	15	(189)	71	-	-
Retained earnings	16	15,191	39,517	15,002	26,986
Total unitholders' interest		<u>194,302</u>	<u>160,521</u>	<u>194,302</u>	<u>147,919</u>
Net asset value per unit - diluted		\$1.16	\$1.33		

ING Real Estate Entertainment Fund
Cash flow statement
Year ended 30 June 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities	23				
Rental and other property income		25,968	24,305	13,497	14,064
Property and other expenses		(1,001)	(830)	(640)	(781)
Distributions received from equity accounted investments		1,629	-	1,629	-
Distributions received from subsidiaries		-	-	-	6,660
Interest received		6,951	736	5,873	535
Borrowing costs paid		(18,756)	(10,386)	(8,467)	(4,471)
Goods and services taxes paid from investing and financing activities		(613)	(683)	(461)	(319)
		<u>14,178</u>	<u>13,142</u>	<u>11,431</u>	<u>15,688</u>
Cash flows from investing activities					
Purchase of and additions to investment properties		(39,129)	(89,960)	(23,818)	(37,567)
Proceeds from sale of investment properties		21,000	396	-	396
Investment in subsidiaries	21	-	-	-	(12,797)
Purchase of equity accounted investments		(29,452)	-	(29,452)	-
Loans to associates		(62,176)	-	(62,177)	-
Loans to subsidiaries		-	-	(2,195)	(594)
Loans to lessees		(7,509)	(8,950)	(2,830)	(80)
		<u>(117,266)</u>	<u>(98,514)</u>	<u>(120,472)</u>	<u>(50,642)</u>
Cash flows from financing activities					
Proceeds from issue of units		52,500	11,586	52,500	11,586
Unit issue costs		(865)	(464)	(865)	(464)
Distributions to unitholders		(7,105)	(10,771)	(7,105)	(10,771)
Proceeds from borrowings		119,431	89,792	115,379	38,735
Repayment of borrowings		(61,178)	(4,723)	(51,388)	(4,723)
		<u>102,783</u>	<u>85,420</u>	<u>108,521</u>	<u>34,363</u>
Net increase/(decrease) in cash		(305)	48	(520)	(591)
Cash at the beginning of the year		3,716	3,668	3,075	3,666
Effects of exchange rate changes on cash		(156)	-	-	-
Cash at the end of the year		<u>3,255</u>	<u>3,716</u>	<u>2,555</u>	<u>3,075</u>

ING Real Estate Entertainment Fund
Statement of changes in unitholders' interest
Year ended 30 June 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Total unitholders' interest at the beginning of the year		<u>160,521</u>	<u>117,665</u>	<u>147,919</u>	<u>117,665</u>
Exchange differences on translation of foreign operations	15	(260)	71	-	-
Profit for the year		<u>(8,560)</u>	<u>43,033</u>	<u>3,782</u>	<u>30,502</u>
Total recognised income and expense for the year		<u>(8,820)</u>	<u>43,104</u>	<u>3,782</u>	<u>30,502</u>
Transactions with unitholders in their capacity as equity holders:					
Issue of units		59,271	11,122	59,271	11,122
Distributions paid or payable	3	<u>(16,670)</u>	<u>(11,370)</u>	<u>(16,670)</u>	<u>(11,370)</u>
		<u>42,601</u>	<u>(248)</u>	<u>42,601</u>	<u>(248)</u>
Total unitholders' interest at the end of the year		<u>194,302</u>	<u>160,521</u>	<u>194,302</u>	<u>147,919</u>
Total recognised income and expense for the year is attributable to:					
Unitholders of the parent		<u>(8,820)</u>	<u>43,104</u>	<u>3,782</u>	<u>30,502</u>

ING Real Estate Entertainment Fund

Notes to the financial statements

Year ended 30 June 2008

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 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) Adoption of new and revised accounting standards

In the current year the Fund has adopted all of the new and revised standards and interpretations issued by the Board that are relevant to its operations and effective for the current annual reporting periods. There was no material effect on the financial statements. The Fund has also adopted AASB 7 *Financial Instruments: Disclosures* and consequential amendments, which only affected disclosures in the Fund's financial statements.

(d) Principles of consolidation

The consolidated financial statements comprise the Parent and its subsidiaries as at 30 June 2008 (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.

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.

(e) Distribution policy

Distributions are paid to unitholders semi-annually out of distributable income, which includes realised income available for distribution and transfers from equity. A provision 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.

ING Real Estate Entertainment Fund

Notes to the financial statements

Year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(f) Foreign currency

(i) *Functional and presentation currencies*

The functional currency and presentation currency of the Fund (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 Fund 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.

(g) 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.

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 and amortised over the lease term.

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.

ING Real Estate Entertainment Fund

Notes to the financial statements

Year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(h) 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 Fund 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 and 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.

(i) Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Apart from investment property and financial assets, other 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 which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) 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.

(k) 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. A provision for impairment is made when there is objective evidence that collection of the full amount is no longer probable.

(l) Derivative financial instruments

The Fund 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 Fund 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.

ING Real Estate Entertainment Fund

Notes to the financial statements

Year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(l) Derivative financial instruments (continued)

For hedge accounting, hedges are classified as a 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. 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.

(m) Investment property

Land and buildings 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 Fund'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 Fund. 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 in aggregate differs materially to their fair values.

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.

All property interests held under operating leases are classified and accounted for as investment property.

ING Real Estate Entertainment Fund

Notes to the financial statements

Year ended 30 June 2008

1. Summary of significant accounting policies (continued)

(n) 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 Fund has significant influence, but not control. Investments in jointly controlled entities and associates are accounted for in the Parent's financial statements using the cost method and in the consolidated financial statements using the equity method. The Fund'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.

(o) 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 Fund prior to the end of the financial year that are unpaid and are recognised when the Fund 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.

(p) 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 Fund 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.

(q) 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.

(r) 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 2008

1. Summary of significant accounting policies (continued)

(s) 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 Fund'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.

(t) Earnings per unit

Basic earnings per unit are 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 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.

(u) 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.

(v) Pending Accounting Standards

Accounting Standards AASB 8 *Operating Segments*, AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*, AASB 101 *Presentation of Financial Statements* (revised and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* are applicable to annual reporting periods beginning on or after 1 January 2009. The Fund has not adopted these standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will affect the type of information disclosed.

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 2008

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 Fund'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 Fund 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 Fund had investment properties with a carrying amount of \$360,465,000 (2007: \$361,942,000), representing estimated fair value. In addition, the carrying amount of the Fund's investment in associates of \$26,351,000 (2007: nil) also reflects the expected net cash flows discounted to their present value using a market determined risk adjusted discount rate. This carrying amount reflects 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 Fund, as well as independent valuations of the Fund'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

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
(a) Rates and amounts of distributions					
		Cents	Cents	Cents	Cents
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		5.025	4.850	5.025	4.850
Half-year ended 30 June		5.025	4.850	5.025	4.850
		<u>10.050</u>	<u>9.700</u>	<u>10.050</u>	<u>9.700</u>
		\$'000	\$'000	\$'000	\$'000
The total amounts of these distributions were:					
Half-year ended 31 December		8,286	5,651	8,286	5,651
Half-year ended 30 June		8,384	5,719	8,384	5,719
		<u>16,670</u>	<u>11,370</u>	<u>16,670</u>	<u>11,370</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

3. Distributions (continued)

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
(b) Distributable income					
Distributable income is calculated as follows:					
Net profit/(loss) for year attributable to unitholders		(8,560)	43,033	3,782	30,502
Adjusted for:					
Lease revenue recognition		(4,096)	(4,545)	(2,460)	(2,326)
Performance fee expense		(655)	655	(655)	655
(Gain)/loss on change in fair value of:					
Investment properties		30,532	(22,890)	15,688	(14,201)
Derivatives		(6,756)	(4,670)	(7,311)	(3,047)
Investment properties included in share of net profit of equity accounted investments		(1,782)	-	-	-
Impairment loss on:					
Equity accounted investments		5,499	-	3,380	-
investment in subsidiaries		-	-	3,827	-
Deferred income tax expense		145	-	-	-
Aborted due diligence costs		2,261	-	-	-
Distributable income including disposal of investment properties		16,588	11,583	16,251	11,583
less net gain on disposal of investment properties		(741)	(186)	-	(186)
Distributable income		15,847	11,397	16,251	11,397
Distributable income including disposal of investment properties					
		16,588	11,583	16,251	11,583
Transfer from issued units	14(d)	904	96	904	96
Distributable income brought forward		609	300	609	300
Distributions paid or payable		(16,670)	(11,370)	(16,670)	(11,370)
Distributable income carried forward		1,431	609	1,094	609

The distribution for the half-year ended 30 June 2007 was recognised in the 2007 financial year and paid on 31 August 2007. The distribution for the half-year ended 30 June 2008 was recognised in the 2008 financial year and will be paid on 29 August 2008.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

4. Earnings per unit

	Note	Consolidated 2008	2007
Distributable income - \$'000	3(b)	15,847	11,397
Distributable income including disposals of investment properties - \$'000	3(b)	16,588	11,583
Profit attributable to unitholders - \$'000		(8,560)	43,033
Profit attributable to unitholders adjusted for interest on dilutive convertible loan securities - \$'000 (1)		(8,560)	43,033
Weighted average number of units outstanding - thousands		156,824	116,222
Weighted average number of dilutive convertible loan securities outstanding - thousands (1)		-	3,726
Weighted average number of ordinary units and dilutive potential ordinary units outstanding - thousands		<u>156,824</u>	<u>119,948</u>
Distributable income per unit - cents		10.1	9.8
Distributable income including disposal of investment properties per unit - cents		10.6	10.0
Basic earnings per unit - cents		(5.5)	37.0
Diluted earnings per unit - cents		(5.5)	35.9

(1) The convertible loan securities were not dilutive in 2008 as the effect of the conversion would be to reduce loss per unit.

5. Finance costs

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest paid or payable	20,322	11,618	10,986	5,458
Less interest capitalised	(2,081)	-	(1,258)	-
	<u>18,241</u>	<u>11,618</u>	<u>9,728</u>	<u>5,458</u>

The average rate used to capitalise finance costs to qualifying assets was 7.7%.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

6. Income tax expense

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Deferred tax:				
Increase in deferred tax liabilities	(145)	-	-	-
(b) Reconciliation between tax expense and pre-tax net profit				
Profit / (Loss) before income tax	(8,415)	43,033	3,782	30,502
Income tax at the Australian tax rate of 30% (2007: 30%)	(2,525)	12,910	1,135	9,151
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Australian income	2,394	(12,514)	(1,135)	(9,151)
Foreign income not subject to income tax	(14)	(396)	-	-
Income tax expense	(145)	-	-	-

7. Cash and cash equivalents

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	18	1,194	3,361	894	3,075
Short term deposits	18	2,061	355	1,661	-
		3,255	3,716	2,555	3,075

8. Trade and other receivables

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Current					
Rental and other amounts due		2,242	1,253	2,228	905
Loan to lessees ⁽¹⁾		8,000	-	2,000	-
Amounts receivable from subsidiaries		-	-	8,976	5,401
		10,242	1,253	13,204	6,306
Accrued income, prepayments and deposits		975	96	43	96
		11,217	1,349	13,247	6,402
Non-current					
Loan to lessees ⁽¹⁾	18	13,048	13,540	5,500	4,670
Loan to Panthers Investment Corporation Pty Ltd ⁽²⁾	18	62,177	-	62,177	-
Accrued income, prepayments and deposits		-	1,245	-	-
		75,225	14,785	67,677	4,670

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

8. Trade and other receivables (continued)

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Repayment of loans to lessees:				
Within one year	8,000	-	2,000	-
Later than one year but not later than five years	13,048	13,540	5,500	4,670
	<u>21,048</u>	<u>13,540</u>	<u>7,500</u>	<u>4,670</u>

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Later than one year but not later than five years	62,177	-	62,177	-

Other terms of the loan to PIC include:

- (i) PIC has the right either to repay the outstanding loan balance on the first maturity date of 13 July 2009, or to extend the term for an additional two years to the second maturity date of 13 July 2011.
- (ii) If PIC elects to extend the loan past the first maturity date, the Fund has an option to convert the outstanding balance into 49.9% of issued shares in PIC at any time until the second maturity date.

9. Derivatives

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Current assets					
Interest rate swap contracts	18	10,601	6,082	9,078	3,862
Option on loan facility to associate		2,736	-	2,736	-
		<u>13,337</u>	<u>6,082</u>	<u>11,814</u>	<u>3,862</u>
Current liabilities					
Interest rate swap contracts	18	866	225	866	225

10. Investment Properties

(a) Summary of carrying amounts

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Investment properties:				
Current	13,500	-	-	-
Non-current	346,965	361,942	192,163	178,757
	<u>360,465</u>	<u>361,942</u>	<u>192,163</u>	<u>178,757</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

10. Investment Properties (continued)

(b) Individual valuations and carrying amounts

Property	Cost to date	Latest external valuation Date	Latest external valuation	Carrying amount	
	\$'000		Valuation \$'000	2008 \$'000	2007 \$'000
Investment property					
Subsidiaries - current					
Terrey Hills Tavern, Terrey Hills NSW	12,577	31 Dec 06	13,150	13,500	-
	<u>12,577</u>		<u>13,150</u>	<u>13,500</u>	<u>-</u>
Parent - non-current					
Commodore Hotel North Sydney NSW	18,089	11 Jun 08	20,250	20,250	21,700
Five Dock Hotel, Five Dock NSW	11,392	11 Jun 08	13,700	13,700	18,400
Woolwich Pier Hotel, Woolwich NSW	9,246	11 Jun 08	9,700	9,700	9,700
Exchange Hotel, Brisbane Qld ⁽¹⁾	19,141	29 Jul 05	15,800	16,772	16,842
GPO Hotel, Fortitude Valley Qld	2,710	16 Apr 08	4,700	4,250	3,923
Dolphin Hotel, Surry Hills NSW	9,054	11 Jun 08	11,750	11,750	14,000
Elephant & Wheelbarrow Hotel, Fortitude Valley Qld ⁽¹⁾	8,461	11 Jun 08	10,000	9,050	7,800
El Toro Hotel, Warwick Farm NSW	17,470	31 Dec 06	17,850	17,500	17,850
Uncle Buck's Hotel & Retail Centre, Mount Druitt NSW	21,929	31 Dec 06	24,300	23,150	24,300
O'Dowd's Irish Pub, Rockhampton Qld	2,939	30 Jun 06	2,400	2,938	2,932
Premier Hotel, Broadmeadow NSW	6,611	9 May 06	4,480	6,400	4,840
Bowral Hotel, Bowral NSW	6,680	31 Dec 06	7,100	6,800	7,100
Mattara Hotel, Charlestown NSW	8,051	10 Jul 06	7,735	7,650	8,005
Jewells Tavern, Jewells NSW	9,822	10 Jul 06	9,600	9,550	9,827
Central Hotel, Bundaberg Qld	4,231	12 Oct 06	3,000	4,231	3,388
Courthouse Hotel, Cairns Qld	8,593	31 Dec 06	8,150	8,100	8,150
Brisbane Hotel, Perth WA	13,572	11 Sep 07	12,300	13,572	-
Three Weeds Hotel, Rozelle NSW	7,150	4 Jul 07	6,550	6,800	-
	<u>185,141</u>		<u>189,365</u>	<u>192,163</u>	<u>178,757</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

10. Investment Properties (continued)

Property	Cost to date	Latest external valuation		Carrying amount	
	\$'000	Date	Valuation \$'000	2008 \$'000	2007 \$'000
<i>Subsidiaries - non-current</i>					
Bourbon Hotel, Kings Cross NSW	24,008	10 Jun 08	24,000	24,000	24,100
Sydney Aussie Rules Club, Kings Cross NSW	29,256	10 Jun 08	23,200	23,200	17,800
Ambarvale Tavern, Ambarvale NSW	13,865	11 Jun 08	16,000	16,000	17,500
Pritchard's Hotel, Mount Pritchard NSW	-	31 Dec 06	19,100	-	19,200
General Gordon Hotel, Sydenham NSW	13,109	11 Jun 08	14,800	14,800	16,700
Shamrock Hotel, Toowoomba Qld	7,722	30 May 08	8,300	8,300	7,600
Bidwill Club Hotel, Bidwill NSW	7,332	31 Dec 06	7,850	7,100	7,850
Empire Hotel, Annandale NSW	5,986	31 Dec 06	7,100	6,000	7,100
Lawson Park Hotel, Mudgee NSW	4,460	31 Dec 06	4,650	4,650	4,650
CBD Hotel, Newcastle NSW	5,717	22 Jun 06	5,000	5,550	5,707
M.J. Finnegan's Irish Pub, Newcastle NSW	8,263	9 May 06	7,000	8,000	7,580
Terrey Hills Tavern, Terrey Hills NSW	-	31 Dec 06	-	-	13,150
Hibernian Hotel, Goulburn NSW	4,285	31 Oct 07	4,000	4,100	-
Albert's Sports Bar, Palmerston North NZ	2,578	20 Jan 07	2,846	2,578	2,931
Murphy's Law Bar, Palmerston North NZ	1,766	20 Jan 07	1,757	1,766	2,008
Empire Hotel, Palmerston North NZ	3,479	20 Jan 07	3,514	3,479	3,956
The Office Palmerston North NZ	2,435	20 Jan 07	2,274	2,435	2,768
Waikanae Hotel & Super Liquor, Waikanae NZ	3,819	21 Jan 07	3,880	3,819	4,342
Cambridge Hotel, Wellington NZ	6,063	21 Jan 07	6,520	6,063	6,894
Exchange Hotel, Lower Hutt NZ	4,488	21 Jan 07	4,714	4,488	5,102
Turks Bar, Havelock North NZ	2,435	20 Jan 07	2,345	2,435	2,768
Tote Hotel, Trentham NZ	3,086	11 Apr 07	3,577	3,086	3,479

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Notes to the financial statement
Year ended 30 June 2008

10. Investment Properties (continued)

Property	Cost	Latest external valuation Date	Carrying amount		
	to date		2008		2007
	\$'000		Valuation \$'000	\$'000	\$'000
Realm Hotel, Hataitai NZ	2,953	11 Apr 07	2,810	2,953	-
	<u>157,105</u>		<u>175,237</u>	<u>154,802</u>	<u>183,185</u>
Total non-current investment	<u>342,246</u>		<u>364,602</u>	<u>346,965</u>	<u>361,942</u>
Total investment properties	<u>354,823</u>		<u>377,752</u>	<u>360,465</u>	<u>361,942</u>

(1) The difference between the carrying amount and the valuation shown reflects committed capital expenditures yet to be incurred.

(c) Details of valuations

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(m). Properties acquired during the period are held at cost, which is reflective of the estimate of fair value.

Valuations made in a foreign currency have been converted at the rate of exchange ruling at reporting date.

(d) Movements in carrying amounts

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment property				
Carrying amount at beginning of year	361,942	249,862	178,757	127,982
Exchange rate fluctuations	(4,321)	-	-	-
Additions - initial acquisitions	27,960	81,096	20,721	34,162
Additions - to existing property	20,958	3,824	5,994	340
Disposals	(19,259)	(168)	-	(168)
Amortisation of tenant incentives and leasing commissions	(379)	(107)	(81)	(86)
Straight line lease revenue recognition	4,096	4,545	2,460	2,326
Net change in fair value	<u>(30,532)</u>	<u>22,890</u>	<u>(15,688)</u>	<u>14,201</u>
Carrying amount at end of year	<u>360,465</u>	<u>361,942</u>	<u>192,163</u>	<u>178,757</u>

(e) 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:

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	29,542	26,901	15,759	13,406
Later than one year but not later than five years	118,914	113,810	61,438	55,892
Later than five years	290,985	297,851	147,348	147,992
	<u>439,441</u>	<u>438,562</u>	<u>224,545</u>	<u>217,290</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

11. Equity accounted investments

(a) Details of investments

Name	Principal activity	Ownership interest	
		2008	2007
Panthers Property Management Pty Limited	Trustee	49.9%	-
Panthers Property Unit Trust	Property Investment	49.9%	-
		Consolidated	
		2008	2007
		\$'000	\$'000

(b) Share of assets and liabilities

Total assets	26,351	-
Total liabilities	-	-
Net assets	26,351	-

(c) Share of results

Revenue	7,123	-
Gain on change in fair value of investment properties	1,782	-
Expenses	(5,157)	-
Profit before income tax	3,748	-
Income tax expense	-	-
Profit for the year	3,748	-

(b) Impairment loss

A loss on change in fair value of investment properties was recognised by the Panthers Property Management Pty Ltd. Consequently, the Responsible Entity tested the carrying amount of the investment in this entity for impairment and recognised an impairment loss of \$5,499,000 (Parent: \$3,380,000). The recoverable amount of this investment was value in use, which was estimated by discounting estimated cash flows at a discount rate of 10.5%.

12. Payables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current liabilities				
Trade payables	5,303	2,902	3,556	2,136
Interest payable	1,993	118	1,826	760
	7,296	3,020	5,382	2,896
Non-current liabilities				
Accrued performance fee	-	655	-	655

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Notes to the financial statement
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13. Borrowings

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Current liabilities	18				
Other external debt	(b)	-	23,734	-	23,734
Non-current liabilities					
Bank debt	(a)	261,612	199,308	141,778	73,743
Other external debt	(b)	19,018	-	19,018	-
		<u>280,630</u>	<u>199,308</u>	<u>160,796</u>	<u>73,743</u>

(a) Bank debt

Bank debt comprises Australian dollar denominated debt of \$226,811,000 (2007: \$162,801,000) and New Zealand dollar denominated debt at its Australian dollar equivalent of \$34,801,000 (2007: \$36,507,000). Debt is provided through two drawn facilities. These facilities are repayable as to \$204,034,000 on 28 February 2010 and \$57,578,000 on 6 September 2010. The bank debt is secured by a first mortgage over investment properties, loans to PIC and equity accounted investments with a carrying amount of \$448,993,000 (2007: \$361,942,000).

The facility agreements contain a negative pledge that imposes certain covenants including maintenance of the following financial ratios:

Facility 1

- (i) ratio of net tangible assets to total tangible assets of not less than 35%;
- (ii) minimum interest cover ratio of 1.5 times; and
- (iii) maximum loan to value ratio of 60% of the value of the secured investment properties.

Facility 2

- (i) minimum interest cover ratio of 1.5 times; and
- (ii) maximum loan to value ratio of 65% of the value of the secured investment properties.

(b) Other external debt

Convertible loan securities (CLS) totalling \$19,018,000 (2007: \$23,734,000) representing 17,359,304 units (2007: 20,734,425), were on issue as at 30 June 2008. CLS may be redeemed for cash on their expiry or converted into ordinary units on a one for one basis at the option of the holder, at any time until the expiry date. During the period, the expiry date of these securities was extended until July 2010 in consideration for the issue of a further 975,000 CLS units for nil consideration. These additional CLS units were converted into ordinary units of the Fund on 30 June 2008.

CLS units rank as an unsecured creditor and do not confer any rights as a holder of ordinary units. CLS will receive a coupon payment equal to the distribution rate on ordinary units of the Fund.

ING Real Estate Entertainment Fund
Notes to the financial statement
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14. Issued units

(a) Carrying amounts

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
At beginning of year		120,933	109,907	120,933	109,907
Issued during the year:					
Placements		40,658	-	40,658	-
Distribution reinvestment plan		6,900	1,586	6,900	1,586
Unit purchase plan		12,500	10,000	12,500	10,000
Unit issue costs		(787)	(464)	(787)	(464)
Transfer to distributable income	(d)	(904)	(96)	(904)	(96)
At end of year		179,300	120,933	179,300	120,933

(b) Number of issued units

	Consolidated		Parent entity	
	2008	2007	2008	2007
	thousands	thousands	thousands	thousands
At beginning of year	117,928	107,810	117,928	107,810
Issued during the year:				
Placements	33,233	-	33,233	-
Distribution reinvestment plan	5,607	1,422	5,607	1,422
Unit purchase plan	10,081	8,696	10,081	8,696
At end of year	166,849	117,928	166,849	117,928

(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 distributable income

The transfer to distributable income 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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation				
Balance at beginning of year	71	-	-	-
Translation differences arising during the year	(260)	71	-	-
Balance at end of year	(189)	71	-	-

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 statement
Year ended 30 June 2008

16. Retained earnings

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of year		39,517	7,758	26,986	7,758
Net profit/(loss) for the year		(8,560)	43,033	3,782	30,502
Transfer from issued units	14	904	96	904	96
Distributions paid or payable	3	(16,670)	(11,370)	(16,670)	(11,370)
Balance at end of year		<u>15,191</u>	<u>39,517</u>	<u>15,002</u>	<u>26,986</u>
The balance at the end of the year comprises:					
Lease revenue recognition		12,003	7,907	8,723	6,263
Performance fee expense		-	(655)	-	(655)
Gain/(loss) on change in fair value of:					
Investment properties		(4,994)	25,538	(2,149)	13,539
Derivatives		12,874	6,118	10,948	3,637
Investment properties included in share of net profit of equity accounted investments		1,782	-	-	-
Income from subsidiaries		-	-	3,593	3,593
Impairment loss on:					
equity accounted investment		(5,499)	-	(3,380)	-
Investments in subsidiaries		-	-	(3,827)	-
Deferred income tax expense		(145)	-	-	-
Aborted due diligence costs		(2,261)	-	-	-
		<u>13,760</u>	<u>38,908</u>	<u>13,908</u>	<u>26,377</u>
Distributable income		1,431	609	1,094	609
		<u>15,191</u>	<u>39,517</u>	<u>15,002</u>	<u>26,986</u>

17. Commitments

Commitments for capital expenditure on investment property contracted but not provided for at reporting date amounted to \$2,839,000 (2007: \$87,833,000), all payable within one year.

ING Real Estate Entertainment Fund

Notes to the financial statement

Year ended 30 June 2008

18. 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 put in place to enable the Group to meet the target within an agreed timeframe. 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. Changes in market conditions may limit the Group's ability to raise capital through the issue of units or sale of properties.

(b) Interest rate risk

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 distributable income. 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 five-year time horizon.

At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 97% of the Group's external bank borrowings are at a fixed rate of interest (2007: 100%) (Parent: 100%; 2007: 100%).

Exposure also arises from financial assets such as cash deposits and loan receivables subject to floating interest rate terms.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

18. Financial instruments (continued)

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

30 June 2008

	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	1,194	-	-	-	1,194
Short term deposits	2,061	-	-	-	2,061
Loan to PIC	-	-	62,177	-	62,177
Loans to lessees	-	8,000	13,048	-	21,048
Financial liabilities					
Bank debt denominated in A\$	226,811	-	-	-	226,811
Bank debt denominated in NZ\$	34,801	-	-	-	34,801
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	(219,900)	5,000	189,900	25,000	-
- denominated in NZ\$; Fund pays fixed rate	(34,584)	-	-	34,584	-
Weighted average interest rates at reporting date					
Financial assets					
Cash at bank	5.4%	-	-	-	na
Short term deposits	7.2%	-	-	-	na
Loan to PIC	-	-	8.9%	-	na
Loans to lessees	-	8.5%	8.8%	-	na
Financial liabilities					
Bank debt denominated in A\$	8.3%	-	-	-	na
Bank debt denominated in NZ\$	8.7%	-	-	-	na
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	7.7%	5.8%	6.2%	6.2%	na
- denominated in NZ\$; Fund pays fixed rate	8.7%	-	-	7.2%	na

Other financial instruments of the Group not included in the above tables (including CLS) are not subject to interest rate risk.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

18. 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 2007

	Floating interest rate	Consolidated Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	3,361	-	-	-	3,361
Short term deposits	355	-	-	-	355
Loans to lessees	-	-	13,540	-	13,540
Financial liabilities					
Bank debt denominated in A\$	162,801	-	-	-	162,801
Bank debt denominated in NZ\$	36,507	-	-	-	36,507
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	(169,900)	-	114,900	55,000	-
- denominated in NZ\$; Fund pays fixed rate	(36,848)	-	-	36,848	-
Weighted average interest rates at reporting date					
Financial assets					
Cash at bank	5.2%	-	-	-	na
Short term deposits	7.7%	-	-	-	na
Loan to lessees	-	-	8.8%	-	na
Financial liabilities					
Bank debt denominated in A\$	7.0%	-	-	-	na
Bank debt denominated in NZ\$	8.7%	-	-	-	na
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	6.4%	-	6.0%	6.2%	na
- denominated in NZ\$; Fund pays fixed rate	8.3%	-	-	7.2%	na

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

18. Financial instruments (continued)

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

30 June 2008

	Floating interest rate	Parent entity Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	894	-	-	-	894
Short term deposits	1,661	-	-	-	1,661
Loan to PIC	-	-	62,177	-	62,177
Loan to lessees	-	2,000	5,500	-	7,500
Financial liabilities					
Bank debt denominated in A\$	141,778	-	-	-	141,778
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	(194,700)	5,000	164,700	25,000	-
Weighted average interest rates at reporting date					
Financial assets					
Cash at bank	5.4%	-	-	-	na
Short term deposits	7.2%	-	-	-	na
Loan to PIC	-	-	8.9%	-	na
Loan to lessees	-	10.0%	9.3%	-	na
Financial liabilities					
Bank debt denominated in A\$	8.3%	-	-	-	na
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	7.7%	5.8%	6.2%	6.2%	na

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

18. Financial instruments (continued)

The Parent'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 2007	Floating interest rate	Parent entity Fixed interest maturing in:			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Principal amounts \$'000					
Financial assets					
Cash at bank	3,075	-	-	-	3,075
Loan to lessees	-	-	4,500	-	4,500
Financial liabilities					
Bank debt denominated in A\$	73,743	-	-	-	73,743
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	144,700	-	(119,700)	(25,000)	-
Weighted average interest rates at reporting date					
Financial assets					
Cash at bank	5.2%	-	-	-	na
Loan to lessees	-	-	9.2%	-	na
Financial liabilities					
Bank debt denominated in A\$	6.9%	-	-	-	na
Interest rate swaps:					
- denominated in A\$; Fund pays fixed rate	6.4%	-	6.1%	6.3%	na

The impact of an increase in average interest rates of 1% (100 basis points) during the year, 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.

	Consolidated		Parent entity	
	Effect on profit after tax		Effect on profit after tax	
	Higher/(lower)		Higher/(lower)	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	475	6,832	574	6,543
New Zealand dollars	2,544	2,452	-	-
	3,019	9,284	574	6,543

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18. Financial instruments (continued)

The impact of a decrease in average interest rates of 1% (100 basis points) during the year, 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.

	Consolidated		Parent entity	
	Effect on profit after tax		Effect on profit after tax	
	Higher/(lower)		Higher/(lower)	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Variable interest rate instruments denominated in:				
Australian dollars	(477)	(7,590)	(728)	(7,056)
New Zealand dollars	(2,760)	(2,679)	-	-
	<u>(3,237)</u>	<u>(10,269)</u>	<u>(728)</u>	<u>(7,056)</u>

As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on unitholders' equity (apart from the effect on profit).

Because a high proportion of the Group's debt is hedged at fixed rates, these figures largely reflect the impact of the specified interest rate change on the fair value of the Group's interest rate derivatives.

(a) Foreign exchange risk

By acquiring 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 by partly or wholly funding their acquisition using borrowings denominated in the particular offshore currency, and through the use of 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 and any derivative hedges. The Group reduces any residual exposure to its earnings arising because of its investment in offshore markets through the use of forward exchange contracts. The Treasury Policy sets out targets of minimum and maximum hedging of its earnings from offshore properties over a five-year time horizon.

The Group had no net foreign currency exposure, after taking into account the effect of foreign exchange derivatives, as at reporting date.

There would be no impact from an increase or decrease in average foreign exchange rates of 10% during the year, with all other variables held constant, on profit after tax or unitholders' interest. This analysis is based on the foreign exchange risk exposures in existence at balance sheet date.

The Responsible Entity believes that the reporting date risk exposures are representative of the risk exposure inherent in the Group's financial instruments.

This does not include the effect on equity that would occur from the translation of the financial statements of foreign operations because of the postulated 10% change in exchange rates.

ING Real Estate Entertainment Fund

Notes to the financial statement

Year ended 30 June 2008

18. Financial instruments (continued)

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

(b) 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.

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.

The Group currently has \$967,196 of receivables that are past due but not impaired. There are reasonable grounds to believe that these amounts are recoverable. The Group holds security from the debtors, which may be redeemed to recover the outstanding balance.

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.

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.

(c) 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, loan maturities and an allowance for unforeseen events such as tenant default, for a period of one year.

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.

ING Real Estate Entertainment Fund
Notes to the financial statement
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18. Financial instruments (continued)

The Group monitors its debt expiry profile and aims to achieve staggered maturities, where possible, to reduce refinance risk in any one year.

The contractual maturities of the Group's 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. It does not include receipts and payments under the Group's interest rate swaps, which are financial assets at reporting date:

	Consolidated 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Payables	7,296	-	-	7,296
Borrowings	21,621	298,979	-	320,600
Derivatives	866	-	-	866
	<u>29,783</u>	<u>298,979</u>	<u>-</u>	<u>328,762</u>

	Consolidated 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Payables	3,020	-	655	3,675
Borrowings	41,645	238,613	-	280,258
Derivatives	225	-	-	225
	<u>44,890</u>	<u>238,613</u>	<u>655</u>	<u>284,158</u>

The contractual maturities of the Parent's financial liabilities at reporting date, on the same basis, were:

	Parent entity 2008			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Payables	5,382	-	-	5,382
Borrowings	12,133	170,107	-	182,240
Derivatives	866	-	-	866
	<u>18,381</u>	<u>170,107</u>	<u>-</u>	<u>188,488</u>

	Parent entity 2007			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Payables	2,896	-	655	3,551
Borrowings	32,405	94,515	-	126,920
Derivatives	225	-	-	225
	<u>35,526</u>	<u>94,515</u>	<u>655</u>	<u>130,696</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

18. Financial instruments (continued)

(d) Capital risk 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 state of development of its asset 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.

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 Responsible Entity monitors capital through the gearing ratio (net debt / total assets on a look-through basis, that is, including the Group's share of the debt and assets of equity accounted investments). Its policy is that the effective long term gearing of the Group will normally be in the range of 45 - 60%.

Look-through gearing ratios based on continuing operations at reporting date were:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Total borrowings	280,630	223,042	280,630	223,042
Less cash & cash equivalents	3,255	3,716	3,255	3,716
Net debt	277,375	219,326	277,375	219,326
Total assets	491,588	393,182	491,588	393,182
Gearing ratio	56.4%	55.8%	56.4%	55.8%

(e) Fair value of financial assets and liabilities

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

19. Auditor's remuneration

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts received or receivable by the auditors for:				
Audit or review of financial reports of the Fund and any other entity in the consolidated entity	50,800	36,500	50,800	36,500
Other services - assurance related	3,050	6,800	3,050	-
	53,850	43,300	53,850	36,500

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

20. 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

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
ING Management Limited:					
Asset management fees		1,208,193	510,000	1,208,193	510,000
Performance fee		(655,201)	655,201	(655,201)	655,201
		552,992	1,165,201	552,992	1,165,201
Property acquisition fees		557,344	393,447	94,000	167,950
		1,110,336	1,558,648	646,992	1,333,151

IML is entitled to a management fee of 0.6% per annum of total assets of the Fund. However, the company has waived this fee for the years ended 2005, 2006, and partially waived fees for the years ended 30 June 2007 and 2008. The fee 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 Fund for any new properties, with no fee payable on the first \$42 million of acquisitions.

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 and 2008, 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 30 June 2008 are:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
ING Management Limited:				
Asset management fees	5,452,676	3,639,490	5,452,676	3,639,490
Performance fee	-	1,778,403	-	1,778,403
Property management fees	1,074,251	668,797	1,074,251	668,797
	6,526,927	6,086,690	6,526,927	6,086,690

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

20. Related parties (continued)

(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 2008, and distributions receivable for the year then ended, were:

Name	Number of units held	Distributions Receivable	
		Consolidated 2008	Parent entity 2008
		\$	\$
ING Real Estate Income Fund	668,383	67,172	67,172
ING Real Estate International Investments III BV	20,875,709	2,098,009	2,098,009
	<u>21,544,092</u>	<u>2,165,181</u>	<u>2,165,181</u>

Holdings of those parties as at 30 June 2007, and distributions receivable for the year then ended, were:

Name	Number of units held	Distributions Receivable	
		Consolidated 2007	Parent entity 2007
		\$	\$
ING Management Limited	200,000	9,700	9,700
ING Real Estate Income Fund	668,383	64,833	64,833
ING Real Estate International Investments III BV	8,990,332	830,892	830,892
Armstrong Jones Management Pty Ltd	1,794,203	174,038	174,038
	<u>11,652,918</u>	<u>1,079,463</u>	<u>1,079,463</u>

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

ING Real Estate Development Australia Pty Ltd received project management fees of \$42,500 (2007: \$24,000) for the financial year in relation to project management services provided for the refurbishment of Sydney Aussie Rules Social Club and other projects.

The Fund provided a loan to Panthers Investment Corporation Pty Ltd ("PIC") during the year (see note 8 for terms of the loan). The Responsible Entity has the right to appoint two of the four required Directors to the Board with decisions required to be unanimous. Under certain circumstances, the loan to PIC is convertible into 49.9% of issued shares.

(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.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

20. Related parties (continued)

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
David Blight	
Philip Clark AM	
Michael Easson AM	
Philip Redmond	
Paul Scully	
Hugh Thomson	Alternate director for David Blight
Adrian Astridge	Alternate director for David Blight

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:

Daniel Hargraves	Chief Executive Officer
David Hunt	Chief Financial Officer

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

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

	2008	2007
David Blight		
Held at the beginning of the financial year	33,514	29,167
Acquisitions	4,033	4,347
Held at the end of the financial year	<u>37,547</u>	<u>33,514</u>
Paul Scully		
Held at the beginning of the financial year	33,756	32,349
Acquisitions	2,789	1,407
Held at the end of the financial year	<u>36,545</u>	<u>33,756</u>
Hugh Thomson		
Held at the beginning of the financial year	26,334	26,334
Acquisitions	103,533	-
Held at the end of the financial year	<u>129,867</u>	<u>26,334</u>
Adrian Astridge		
Held at the beginning of the financial year	50,870	20,000
Acquisitions	4,202	30,870
Held at the end of the financial year	<u>55,072</u>	<u>50,870</u>
Daniel Hargraves		
Held at the beginning of the financial year	374,269	369,450
Acquisitions	9,144	4,819
Held at the end of the financial year	<u>383,413</u>	<u>374,269</u>
David Hunt		
Held at the beginning of the financial year	119,258	-
Acquisitions	42,950	119,258
Held at the end of the financial year	<u>162,208</u>	<u>119,258</u>

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

20. Related parties (continued)

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

	2008	2007
	\$	\$
David Blight	3,571	2,829
Paul Scully	3,599	3,206
Hugh Thomson	8,052	2,554
Adrian Astridge	5,424	3,437
Daniel Hargraves	38,295	36,070
David Hunt	14,557	9,003
	73,498	57,099

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.

21. 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(d):

Name	Country of residence	Ownership interest	
		2008	2007
		%	%
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 Fund's voting interest in its subsidiaries is the same as its ownership interest.

A loss on change in fair value of investment properties was recognised by certain of the Parent's subsidiaries. Consequently, the Responsible Entity tested the carrying amounts of the investments in these subsidiaries for impairment and recognised an impairment loss of \$3,827,000. The recoverable amount of these investments was fair value less costs to sell, which was estimated by reference to the estimated fair value of the assets and liabilities owned by those subsidiaries.

22. Segment information

(a) Description of segments

The Fund operates in the one business segment, investment in hospitality and entertainment real estate, in two geographical areas, Australia and New Zealand.

(b) Segment accounting policies

Segment accounting policies are the same as the Fund's policies described in note 1. During the financial year, there were no changes in segment policies that had a material effect on segment information.

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

22. Segment information (continued)

(c) Primary reporting format - geographical segments

	Australia	New Zealand	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2008			
Segment revenue			
Rental income - total segment revenue	27,829	3,608	31,437
Interest income			7,073
Total consolidated revenue			<u>38,510</u>
Segment result			
Segment result	(3,522)	439	(3,083)
Share of associates' net profit	1,966	-	1,966
	<u>(1,556)</u>	439	<u>(1,117)</u>
Interest income			7,073
Gain on change in fair value of derivatives			6,756
Finance costs			(18,241)
Aborted due diligence costs			(2,261)
Other expenses			(625)
Consolidated profit before income tax			<u>(8,415)</u>
Segment assets			
Unallocated	398,039	35,368	433,407
Consolidated assets			<u>58,181</u>
			<u>491,588</u>
Segment liabilities			
Unallocated	15,957	699	16,656
Consolidated liabilities			<u>280,630</u>
			<u>297,286</u>
Other segment information			
Acquisition of investment properties and other non-current assets	25,007	2,953	27,960
Carrying amount of investment in associates	26,351	-	26,351

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

22. Segment information (continued)

	Australia	New Zealand	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2007			
Segment revenue			
Rental income- total segment revenue	27,365	659	28,024
Interest income			738
Total consolidated revenue			<u>28,762</u>
Segment result			
Segment result	48,983	536	49,519
	<u>48,983</u>	<u>536</u>	49,519
Interest income			738
Gain on change in fair value of derivatives			4,670
Finance costs			(11,618)
Other expenses			(276)
Consolidated profit before income tax			<u>43,033</u>
Segment assets			
Unallocated	348,477	35,794	384,271
Consolidated assets			<u>8,911</u>
			<u>393,182</u>
Segment liabilities			
Unallocated	8,813	807	9,620
Consolidated liabilities			<u>223,041</u>
			<u>232,661</u>
Other segment information			
Acquisition of investment properties and other non-current assets	52,925	37,303	90,228

ING Real Estate Entertainment Fund
Notes to the financial statement
Year ended 30 June 2008

23. Notes to the cash flow statement

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

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) for the year	(8,560)	43,033	3,782	30,502
Adjustments for:				
Lease revenue recognition	(4,096)	(4,545)	(2,460)	(2,326)
(Gain)/Loss on disposal of investment properties	(741)	(186)	-	(186)
Gain on change in fair value of:				
Investment properties	30,532	(22,890)	15,688	(14,201)
Derivatives	(6,756)	(4,670)	(7,311)	(3,047)
Impairment loss on				
Equity accounted investment	5,499	-	3,380	-
Investments in subsidiaries	-	-	3,827	-
Amortisation of rental incentives	379	-	81	-
Difference between distributions received from associates and share of profits	(2,118)	-	-	-
Distributions from subsidiaries	-	-	(6,808)	1,851
Operating profit for the year before changes in working capital	14,139	10,742	10,179	12,593
Changes in working capital:				
(Increase)/decrease in receivables	(6,186)	(424)	(1,228)	829
Increase/(decrease) in deferred expenditure	-	(231)	-	(251)
Increase/(decrease) in payables	6,225	3,055	2,480	2,517
Net cash used by operating activities	14,178	13,142	11,431	15,688

(b) Non-cash financing and investing activities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Re-investment of distributions pursuant to Distribution Investment Plan	6,900	1,586	6,900	1,586

24. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**ING Real Estate Entertainment Fund
Directors' declaration
Year ended 30 June 2008**

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 their financial position as at 30 June 2008 and of their 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.
2. 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 2008.

On behalf of the directors

A handwritten signature in black ink, consisting of a stylized 'H' followed by a large, sweeping loop.

Hugh Thomson
Director
Sydney, 26 August 2008

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

We have audited the accompanying financial report of ING Real Estate Entertainment Fund which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement 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 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.

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, 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.

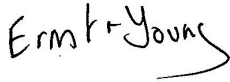
Independence

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 the ING Real Estate Entertainment Fund a written Auditor's Independence Declaration, a copy of which follows the directors' report.

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 2008 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 complies with International Financial Reporting Standards as disclosed in Note 1 (b)

A handwritten signature in black ink, appearing to read 'Douglas Bain', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Douglas Bain', written in a cursive style.

Douglas Bain
Partner
Sydney

26 August 2008