2007

ING Property Trust

Interim Financial Statements
30 September 2007

ING

Contents

Chairman's Report

The first half of the year has been busy on many fronts. We are all aware of the events that took place in the finance sector with a number of finance companies failing and the Official Cash Rate pushing up to 8.25%. The overall impact of these occurrences for the majority of developers has been that the cost of funds in general is higher than we have seen for some time.

This only further highlights the attractiveness of investments in property trusts, in particular the ING Property Trust (the "Trust"). The strong defensive nature of the Trust with a diversified portfolio presents a significantly lower risk profile than most other listed property vehicles and makes the Trust an attractive investment option.

The changes in the finance markets have had an effect on property investment, with some softening in the value of smaller and poorer quality property. There is, however, no evidence of a decrease in the value of investment-quality stock such as those that make up the Trust's portfolio of assets. We remain confident that the valuations of the buildings held in the Trust are appropriately conservative and expect unitholders will enjoy a positive revaluation round at the end of the financial year.

Interest rate management of the Trust's debt, currently 35% of the value of the Trust assets, means that unitholder returns remain well insulated from the current round of interest rate increases, with interest costing 7.25% over the last six months, against a current bank bill rate of over 8.75%. Interest costs to the Trust over the next six months are expected to be between 7.3 and 7.4%.

Fundamentally, the property market in New Zealand remains in good shape with vacancy rates at historic lows across all sectors. The costs of labour, transportation and finance have had an effect on businesses, however there is little excess capacity evident in the property market and the economy is showing strong resilience to these increased costs.

Leasing has been especially active this half year with 16 new leases and 25 rental reviews completed over the period. The rental reviews account for a total of $865,000 of additional rental income at an average increase of 13.2%. The normalised increase (excluding a 14-year ground rental review and a nil review) equates to a 7.8% increase, which on an annualised basis is an increase of 4.3%.

The average lease term for the entire portfolio has been maintained at 4.8 years. Only 9.4% of leases are due to expire in the next 12 months and active management of the portfolio has ensured that leasing negotiations for many of these potential vacancies are already well advanced. A significant transaction was the advance leasing of the space in the Old City Markets building in Auckland's Viaduct office precinct that will be vacated by GE in mid 2008. Two new blue chip tenants have committed to this space and will commence occupation immediately refurbishment work is completed following GE's departure.

Unitholders will have been interested in the announcement in October 2007 of the commencement of the first stage of the Trust's Albany development project. The development, anchored by Mitre 10 Mega, is to be open for trade before Christmas 2008. Bulk retail stores fronting Corban Avenue are to follow in early 2009. In the interim, there has been significant activity on the surrounding sites, most notably Westfield's opening of the country's largest shopping centre. The rapid growth of the Albany City area adds to the appeal of the Trust's land holdings in the area.

Looking at other acquisition and development projects, the Trust has been able to leverage off property identified for sale to complete an off-market trade of three of the Trust's smaller assets for the much larger 211 Albany Highway acquisition.

The Manawatu Business Park joint venture also continues to be successful with new leases being committed for Keegans Contractors and Vestas.

The Directors are disappointed with the Trust's unit price which is currently trading at about a 17% discount to the net value of the underlying assets. Consequently, the Board identified this as an opportunity to be in the market with a unit buyback plan. This has seen the acquisition and subsequent cancellation of over 20 million units in the Trust. The unit buyback plan will increase the Trust's after-tax return to unitholders. The Dividend Reinvestment Plan has been suspended while the unit buyback is in place.

At present the Trust is trading in the middle of the Listed Property Vehicle market relative to net asset backing. In the opinion of the Board, current prices represent very good value.

On 14 December 2007, the Trust paid a distribution of 2.375 cents per unit, bringing distributions for the 2008 financial half year to 4.75 cents per unit. The Trust projects that the gross distribution will be a minimum of 9.85 cents per unit for the full year ending 31 March 2008. On a normalised basis, this is in excess of the distribution paid in the prior financial year. This projection is subject to a continuation of reasonable economic conditions.

We remain positive regarding the outlook for the remainder of the financial year and look forward to reporting another solid result for unitholders at the end of the financial year, particularly in light of the advantages to unitholders from the introduction of the Portfolio Investment Entity ("PIE") regime.

P.M. Smith

Michael Smith
Chairman
ING Property Trust Management Limited
26 November 2007

Consolidated Interim Balance Sheet

as at 30 September 2007 (unaudited)

	Note	Group (unaudited) 30 September 2007 $000	Group (unaudited) 30 September 2006 $000	Group (unaudited) 31 March 2007 $000
Non-current assets				
Investment properties	6	**1,049,263**	913,875	1,025,673
Property, plant and equipment	7	**45,068**	18,396	19,084
Investments	8	**19,635**	19,635	19,635
Derivative financial instruments	9	**9,036**	3,898	7,692
Other non-current assets	10	**10,854**	14,356	11,307
Total non-current assets		**1,133,856**	970,160	1,083,391
Current assets				
Cash and cash equivalents		**9,756**	1,543	1,059
Trade and other receivables	11	**4,301**	1,902	5,604
Other current assets	12	**1,037**	630	14,061
Derivative financial instruments	9	**707**	325	621
Taxation receivable		**-**	1,681	1,190
Total current assets		**15,801**	6,081	22,535
Total assets		**1,149,657**	976,241	1,105,926
Unitholders' funds				
Units on issue	13	**545,834**	552,107	553,732
Hedging reserve	14	**6,313**	2,536	5,355
Retained earnings	15	**158,282**	83,961	150,237
Total unitholders' funds		**710,429**	638,604	709,324
Non-current liabilities				
Borrowings	16	**396,430**	322,477	353,053
Deferred tax	17	**34,681**	7,851	33,332
Total non-current liabilities		**431,111**	330,328	386,385
Current liabilities				
Trade and other payables	18	**4,091**	4,136	8,979
Derivative financial instruments	9	**418**	655	479
Taxation payable		**1,003**	-	-
Other current liabilities		**2,605**	2,518	759
Total current liabilities		**8,117**	7,309	10,217
Total liabilities		**439,228**	337,637	396,602
Total unitholders' funds and liabilities		**1,149,657**	976,241	1,105,926

For and on behalf of the Manager,
ING Property Trust Management Limited

Michael Smith
Chairman
26 November 2007

Trevor Scott
Director

The notes on pages 8 to 35 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Income Statement

for the six months ended 30 September 2007 (unaudited)

	Note	Group (unaudited) Six months to 30 September 2007 $000s	Group (unaudited) Six months to 30 September 2006 $000s	Group (unaudited) 12 months to 31 March 2007 $000s
Gross property income from rentals	5	**43,931**	39,402	81,676
Gross property income from expense recoveries		**6,958**	6,772	13,593
Property expenses		**(9,419)**	(9,082)	(18,755)
Net property income	5	**41,470**	37,092	76,514
Other income	19	**-**	885	7,587
		41,470	37,977	84,101
Administration expenses	21	**4,979**	5,582	11,704
Other expenses	19	**339**	83	612
Total expenses		**5,318**	5,665	12,316
Operating profit		**36,152**	32,312	71,785
Financial income/(expense)				
Finance expense (before finance cost distributions)[1]	20	**(13,269)**	(10,211)	(21,340)
Finance income	20	**1,023**	970	1,914
		(12,246)	(9,241)	(19,426)
Other gains/(losses)				
Revaluation (losses)/gains on investment property	6	**-**	(1,113)	89,639
Profit before income tax (March 2007 and September 2006: Profit before income tax and finance cost distributions)		**23,906**	21,958	141,998
Taxation	22	**4,986**	7,602	37,265
Profit for the period (March 2007 and September 2006: Profit for the period before finance cost distributions)		**18,920**	14,356	104,733
Earnings per unit[2]				
Basic and diluted earnings per unit (cents)	24	**3.51**	2.69	19.63

1. On 17 October 2006, the Trust Deed was amended to allow units to continue to be classified as equity under NZ IFRS. Prior to this technical amendment, under a strict interpretation of NZ IFRS, the units were temporarily classified as a liability (with any distribution regarded as a finance cost). The impact on comparative periods was as follows:

Profit before income tax before finance cost distributions	**23,906**	21,958	141,998
Distributions declared prior to 17 October 2006	**-**	(25,179)	(25,179)
Restated profit/(loss) before income tax	**23,906**	(3,221)	116,819
Taxation	**4,986**	7,602	37,265
Profit/(loss) for the period attributable to unitholders	**18,920**	(10,823)	79,554

2. March 2007 and September 2006 earnings per unit are calculated using profit before income tax excluding finance cost distributions.

The notes on pages 8 to 35 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Statement of Changes in Unitholders' Funds

for the six months ended 30 September 2007 (unaudited)

	Units on issue $000s	Hedging reserve $000s	Retained earnings $000s	Total $000s
For the six months ended 30 September 2007 (unaudited)				
Unitholders' funds at the beginning of the period	553,732	5,355	150,237	709,324
Profit for the period	-	-	18,920	18,920
Fair value gains (net of tax)	-	958	-	958
Total recognised income and expense for the period	553,732	6,313	169,157	729,202
Contributions by unitholders				
Issue of units from Dividend Reinvestment Plan	4,821	-	-	4,821
Issue costs of units	(36)	-	-	(36)
Units purchased in buyback	(12,683)	-	-	(12,683)
Distributions to unitholders				
Distributions to unitholders	-	-	(10,875)	(10,875)
Unitholders' funds at the end of the period	545,834	6,313	158,282	710,429
For the six months ended 30 September 2006 (unaudited)				
Unitholders' funds at the beginning of the period	534,933	874	94,784	630,591
Profit for the period	-	-	14,356	14,356
Fair value gains (net of tax)	-	1,662	-	1,662
Total recognised income and expense for the period[1]	-	1,662	14,356	16,018
Contributions by unitholders				
Issue of units from Unit Purchase Plan	11,663	-	-	11,663
Issue of units from Dividend Reinvestment Plan	5,557	-	-	5,557
Issue costs of units	(46)	-	-	(46)
Distributions to unitholders				
Distributions to unitholders	-	-	(25,179)	(25,179)
Unitholders' funds at the end of the period	552,107	2,536	83,961	638,604

The notes on pages 8 to 35 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Statement of Changes in Unitholders' Funds (cont.)

for the six months ended 30 September 2007 (unaudited)

	Units on issue $000s	Hedging reserve $000s	Retained earnings $000s	Total $000s
For the year ended 31 March 2007 (unaudited)				
Unitholders' funds at the beginning of the year	534,933	874	94,784	630,591
Profit for the year	-	-	104,733	104,733
Fair value gains (net of tax)	-	4,481	-	4,481
Total recognised income and expense for the year[1]	-	4,481	104,733	109,214
Contributions by unitholders				
Issue of units from Unit Purchase Plan	11,663	-	-	11,663
Issue of units from Dividend Reinvestment Plan	7,211	-	-	7,211
Issue costs of units	(75)	-	-	(75)
Distributions to unitholders				
Distributions to unitholders (9.9875 cents per unit)	-	-	(49,280)	(49,280)
Unitholders' funds at the end of the year	553,732	5,355	150,237	709,324

1. On 17 October 2006, the Trust Deed was amended to allow units to continue to be classified as equity under NZ IFRS. Prior to this technical amendment, under a strict interpretation of NZ IFRS, the units were temporarily classified as a liability (with any distribution regarded as a finance cost). The impact on comparative periods was as follows:

	30 September 2007	30 September 2006	31 March 2007
Total recognised income and expense for the period	**729,202**	16,018	109,214
Distributions declared prior to 17 October 2006 classified as finance cost distributions	**-**	(25,179)	(25,179)
	729,202	(9,161)	84,035
The impact on distributions provided for or paid to unitholders were as follows:			
Distributions provided for or paid to unitholders	**(10,875)**	(25,179)	(49,280)
Distributions declared prior to 17 October 2006 classified as finance cost distributions	**-**	25,179	25,179
Distributions declared subsequent to 17 October 2006	**(10,875)**	-	(24,101)

The notes on pages 8 to 35 form part of and are to be read in conjunction with these interim financial statements.

Consolidated Interim Statement of Cash Flows

for the six months ended 30 September 2007 (unaudited)

	Note	Group (unaudited) Six months to 30 September 2007 $000s	Group (unaudited) Six months to 30 September 2006 $000s	Group (unaudited) 12 months to 31 March 2007 $000s
Cash flows from operating activities				
Cash was provided from:				
Net property income		**40,135**	32,207	74,322
Interest received		**328**	255	552
Distributions received		**588**	625	1,254
Other income		**-**	60	-
Cash was applied to:				
Management and trustee fees		**(4,177)**	(4,409)	(8,100)
Interest paid		**(12,941)**	(10,188)	(23,644)
Tax paid		**(1,916)**	(1,801)	(6,890)
Other trust expenses		**(1,056)**	(583)	(2,290)
Net cash from operating activities	23	**20,961**	16,166	35,204
Cash flows from investing activities				
Cash was provided from:				
Sale of properties		**17,790**	13,398	44,796
Short-term receivable		**13,453**	-	-
Cash was applied to:				
Acquisition costs		**(204)**	(1,431)	(24)
Advance to related party		**(128)**	-	-
Capital additions		**(5,799)**	(5,081)	(12,249)
Purchase of properties		**(35,804)**	(17,724)	(54,298)
Expenditure on property, plant and equipment		**(26,176)**	(626)	(2,424)
Purchase of 50% interest in North East Industrial Limited		**-**	(20,075)	(19,985)
Purchase of units in ING Medical Properties Trust		**-**	(922)	(922)
Short-term receivable		**-**	-	(13,857)
Net cash used in investing activities		**(36,868)**	(32,461)	(58,963)
Cash flows from financing activities				
Cash was provided from:				
Debt drawdown		**58,438**	48,689	111,117
Issue of units (net of issue costs)		**4,785**	17,174	18,799
Cash was applied to:				
Repayment of debt		**(15,061)**	(23,605)	(55,459)
Distributions paid to unitholders[1]		**(10,875)**	(25,475)	(50,694)
Buyback of units		**(12,683)**	-	-
Net cash from financing activities		**24,604**	16,783	23,763
Net increase in cash and cash equivalents		**8,697**	488	4
Cash and cash equivalents at the beginning of the period		**1,059**	1,055	1,055
Cash and cash equivalents at the end of the period		**9,756**	1,543	1,059

1. Distributions paid to unitholders includes finance cost distributions declared prior to 17 October 2006.

The notes on pages 8 to 35 form part of and are to be read in conjunction with these interim financial statements.

Notes to the Consolidated Interim Financial Statements

1. General information

ING Property Trust ("INGPT" or the "Trust") is a unit trust established under the Unit Trust Act 1960 by a Trust Deed dated 30 October 2002 as amended by a Deed of Variation and Reinstatement dated 30 September 2004. The Trust is an issuer in terms of the Financial Reporting Act 1993. INGPT is incorporated and domiciled in New Zealand.

INGPT's principal activity is investment in properties which include commercial, retail and industrial properties throughout the North Island of New Zealand. The Trust is managed by ING Property Trust Management Limited (the "Manager") which is owned equally by ING (NZ) Limited and Symphony Investments Limited.

These consolidated interim financial statements include those of ING Property Trust and its subsidiaries (the "Group") and the Group's interest in associated and jointly controlled entities.

The consolidated interim financial statements are presented in New Zealand dollars which is the Trust's functional currency.

These consolidated interim financial statements were approved by the Board of Directors of the Manager on 26 November 2007.

2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with NZ IAS 34 *Interim Financial Reporting* and are covered by NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* ("NZ IFRS") because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ending 31 March 2008. The accounting policies applied in these consolidated interim financial statements comply with NZ IFRS and NZ IFRIC interpretations issued and effective at the time of preparing these statements (November 2007) as applicable to the Trust as a profit-orientated entity. Compliance with NZ IFRS ensures that the consolidated interim financial statements also comply with International Financial Reporting Standards ("IFRS").

The preparation of the consolidated interim financial statements in accordance with NZ IAS 34 resulted in changes in the accounting policies as compared with the most recent annual financial statements prepared under previous NZ GAAP. The accounting policies described below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing an opening NZ IFRS balance sheet at 1 April 2006 for the purposes of transition to NZ IFRS. Reconciliations and descriptions of the effect of the transition from previous NZ GAAP to NZ IFRS on the Group's equity and its net income and cash flows are provided in note 28.

The consolidated interim financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties which are measured at fair value.

The preparation of financial statements in conformity in NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

Note 28(l) – business combinations
Note 6 – valuation of investment property
Note 9 – valuation of derivative financial instruments

The extended disclosure requirements of NZ IFRS 7 *Financial Instruments* which is effective for fiscal years beginning on or after 1 January 2007 will be presented in full in the consolidated financial statements for the year ending 31 March 2008.

3. Significant accounting policies

Basis of consolidation

The consolidated interim financial statements incorporate the financial statements of INGPT and its controlled subsidiaries accounted for using the purchase method. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiaries are included in the consolidated income statement from the date of acquisition which is the date the Trust became entitled to income from the subsidiaries acquired. All significant intercompany transactions are eliminated on consolidation.

The Trust's subsidiaries are:

- ING Property Trust No. 1 Limited
- ING Property Trust No. 4 Limited as corporate trustee of ING No. 1 Trust
- ING Property Trust Holdings Limited
- ING Property Trust Investments Limited
- ING Properties Limited.

Interests in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group reports its interest in jointly controlled entities using proportionate consolidation. Any goodwill arising on the acquisition of a joint controlled entity is accounted for in accordance with the Group's accounting policy arising on acquisition of a subsidiary.

Property, plant and equipment

Recognition and measurement

Land and buildings comprise development properties which are being developed for future use as investment properties. Land and buildings are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of development properties includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. No depreciation is charged since it is intended that all development property will be transferred to investment property on completion.

Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

Prior to 1 April 2006, investment properties were initially recorded at cost (including acquisition costs, if any). In each subsequent year the properties were stated at net current value (current value as determined by an independent registered valuer), less an allowance for disposal costs. Any unrealised increases or decreases in value of the properties was taken to the income statement and subsequently transferred to the revaluation reserve.

In accordance with the valuation policy of the Trust complete property valuations are carried out at least annually by independent registered valuers. The valuation policy stipulates that the same valuer may not value a building for more than two consecutive years. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared using a discounted cash flow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate that appropriately reflects the risks inherent in the expected cash flows.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in the income statement in the year of derecognition.

3. Significant accounting policies (cont.)

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowing and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

Borrowing costs directly attributable to property under development are capitalised as part of the cost of those assets.

Derivative financial instruments

Prior to 1 April 2006

Derivative financial instruments with off balance sheet risk are entered into for the primary purpose of reducing exposure to interest rate fluctuations. While derivative financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

Interest rate swaps are entered into to manage interest rate exposure. For interest rate swaps, the net differential paid or received is recognised as a component of interest in the income statement.

From 1 April 2006

Cash flow hedge

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value hedge

The Group designates hedges of the fair value of recognised assets and liabilities as fair value hedges. These include hedges of borrowings issued at fixed interest rates which expose the group to fair value interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Fair value estimation

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Recognition of income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Operating expenses borne by tenants are offset by recoveries from tenants. Operating expenses not borne by tenants are offset by rental income.

Financial income and expenses

Finance income comprises interest income, gains on disposal of investment property, revaluation gains on investment properties and gains on hedging instruments that are recognised in profit or loss.

Finance expenses comprise interest expense on borrowings, revaluation losses on investment properties and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Taxation

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Operating lease commitments

INGPT has entered into commercial property leases on its investment properties. INGPT has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

3. Significant accounting policies (cont.)

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's principal business is to invest in New Zealand properties in the retail, commercial and industrial sectors which are its primary reporting format. Since the Group owns property only in the North Island of New Zealand there are no separate segments on a geographic basis.

4. Financial risk management

The Group's activities expose it primarily to the financial risks of changes in credit risk, and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The Group designates these as cash flow hedges of interest rate risk. The Group does not use derivative financial instruments for speculative purposes.

(i) Credit risk

The Group has no significant concentrations of credit risk. Credit risk with respect to trade receivables is limited due to the large number of tenants included in the Group's property rental portfolio. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 85% of its borrowings in fixed rate instruments. At 30 September 2007, 82% of borrowings were at fixed rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

5. Segment information

The principal business activity of the Trust and its subsidiaries is to invest in New Zealand properties. Properties are divided into three business sectors: industrial, commercial and retail which is the Group's primary reporting format.

The segment results for the six months ended 30 September 2007 were as follows:

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment revenue	**14,492**	**17,418**	**12,021**	**43,931**
Segment result	**13,883**	**16,035**	**11,552**	**41,470**

The segment results for the six months ended 30 September 2006 were as follows:

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment revenue	12,315	15,527	11,560	39,402
Segment result	11,536	14,446	11,110	37,092

The segment results for the year ended 31 March 2007 were as follows:

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment revenue	26,105	31,886	23,685	81,676
Segment result	24,768	29,318	22,428	76,514

6. Investment properties

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Balance at the beginning of the period	**1,008,865**	880,405	880,405
Acquisition of properties	**34,412**	16,354	52,753
Capitalised costs	**4,544**	6,536	14,971
Disposals	**(16,780)**	(2,900)	(28,903)
Change in fair value	-	(1,113)	89,639
Fair value of investment property	**1,031,041**	899,282	1,008,865
Deferred initial direct costs/lease incentives			
Balance at the beginning of the period	**2,403**	1,128	1,128
Change during the period	**1,314**	1,080	1,275
Balance at the end of the period	**3,717**	2,208	2,403
Share of joint venture investment properties	**14,505**	12,385	14,405
Balance at the end of the period	**1,049,263**	913,875	1,025,673
Balance at the beginning of the period	**1,025,673**	881,533	881,533

Notes to the Consolidated Interim Financial Statements (cont.)

6. Investment properties (cont.)

Deferred initial direct costs/lease incentives

The amount represents costs incurred with the negotiation of operating leases for the Group's investment property portfolio and which are being amortised over the term of those leases.

The Trust holds the freehold interest to all investment properties other than 39 Market Place, Auckland.

Investment properties purchased and disposed of during the period were as follows:

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Acquisition of properties			
1 Pandora Road, Napier	**7,138**	-	-
211 Albany Highway, Auckland	**17,102**	-	-
80 Springs Road, Auckland	**9,812**	-	-
245-247 Queen Street, Masterton	**360**	-	-
792 Great South Road, Auckland	-	16,354	16,393
United Carriers Rewarewa, Whangarei	-	-	11,689
IBM Centre, 5 Wyndham Street, Auckland	-	-	24,671
	34,412	16,354	52,753
Disposal of properties			
10 Cawley Street, Auckland	**4,180**	-	-
306 Neilson Street, Auckland	**5,700**	-	-
27 Zelanian Drive, Auckland	**6,900**	-	-
Farmers, Rotorua	-	2,900	2,900
50 Grafton Road, Auckland	-	-	4,512
Farmers, Hamilton	-	-	21,491
	16,780	2,900	28,903
Sale proceeds of properties disposed of	**16,441**	2,817	35,575
Net (loss)/gain on disposal	**(339)**	(83)	6,672

Valuation of investment properties

All investment properties with the exception of United Carriers, Whangarei which was independently valued at acquisition, were independently valued as at 31 March 2007. The valuations were prepared by independent registered valuers DTZ, CB Richard Ellis and Colliers.[1] The total value per valuer was as follows:

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
DTZ New Zealand Limited	**517,330**	394,455	517,330
CB Richard Ellis Limited	**328,330**	301,250	328,330
Colliers International New Zealand Limited	**177,610**	184,700	177,610
Changes due to capital additions, acquisitions and disposals	**22,276**	31,262	-
Deferred initial direct costs/lease incentives	**3,717**	2,208	2,403
	1,049,263	913,875	1,025,673

1. Valuations were not carried out at 30 September periods. Therefore, valuation date relates to the previous year end.

7. Property, plant and equipment

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Investment property under development			
Balance at the beginning of the period	19,084	-	-
Acquisition of joint venture	-	17,928	17,928
Purchase of investment property	23,969	-	-
Capitalised costs	2,015	468	2,424
Transfer to investment property	-	-	(1,290)
Revaluation gains	-	-	22
Total property, plant and equipment	45,068	18,396	19,084

During the period the Trust acquired a perpetual leasehold interest in Block E, Albany, Auckland.

8. Investments

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Investment in ING Medical Properties Trust	19,635	19,635	19,635
Total investments	19,635	19,635	19,635

As at 30 September 2007, the Trust held 15,724,246 units (30 September 2006: 15,724,246; 31 March 2007: 15,724,246) in ING Medical Properties Trust. The investment is carried at cost and the market value on the NZX of the units at 30 September 2007 was $18,554,610 (30 September 2006: $20,756,005; 31 March 2007: $23,114,642).

9. Derivative financial instruments

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Current assets			
Interest rate swaps – cash flow hedges	385	325	621
Interest rate swaps – held for trading	322	-	-
	707	325	621
Non-current asset			
Interest rate swaps – cash flow hedges	9,036	3,695	7,371
Interest rate swaps – held for trading	-	203	321
	9,036	3,898	7,692
Non-current liability			
Interest rate swaps – cash flow hedges	-	235	-
Interest rate swaps – held for trading	418	420	479
	418	655	479
Balance	9,325	3,568	7,834

9. Derivative financial instruments (cont.)

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Nominal value of interest rate swaps	**313,000**	238,000	278,000
Average fixed interest rate	**6.95%**	6.41%	6.71%
Floating rates based on NZD BBR	**8.85%**	7.73%	8.03%

Cash flow hedge

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. The Group designates hedges of both firm commitments and highly probable forecast transactions as cash flow hedges.

Fair value hedge

The Group designates hedges of the fair value of recognised assets and liabilities as fair value hedges. These include hedges of borrowings issued at fixed interest rates which expose the Group to fair value interest rate risk. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

10. Other non-current assets

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Management fee buyout	**10,648**	11,973	11,306
Other	**206**	2,383	1
Total other non-current assets	**10,854**	14,356	11,307

The unitholders of the Trust agreed to terminate contracts relating to the management of properties held by Urbus Properties Limited ("Urbus"), a wholly-owned subsidiary of the Trust, at a meeting of unitholders on 13 October 2005, as indicated in the Urbus takeover documents. The termination of the management contracts enabled Urbus to be charged management fees on a basis consistent with the other Trust subsidiaries and has resulted in the capitalisation of the cost of buying out the previous management contract. The contracts are being amortised over a period of 10 years.

11. Trade and other receivables

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Trade receivables	**2,569**	1,332	2,447
Share of joint venture trade receivables	**301**	294	294
Amount receivable from unsettled sales of properties	**11**	-	1,359
GST receivable	**-**	-	1,327
Prepayments	**148**	276	177
Related party receivable	**1,272**	-	-
Total trade and other receivables	**4,301**	1,902	5,604

12. Other current assets

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Accrued income	**683**	630	400
Share of joint venture other current assets	**22**	-	3
Short-term receivable	**-**	-	13,453
Other current assets	**332**	-	205
Total other current assets	**1,037**	630	14,061

13. Units

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Balance at the beginning of the period	**553,732**	534,933	534,933
Purchase of units from buyback	**(12,683)**	-	-
Issue of units from Unit Purchase Plan	**-**	11,663	11,663
Issue of units from Dividend Reinvestment Plan	**4,821**	5,557	7,211
Issue cost of units	**(36)**	(46)	(75)
Balance at the end of the period	**545,834**	552,107	553,732

The number of units on issue at 30 September 2007 was 535,412,849 (30 September 2006: 540,358,433; 31 March 2007: 541,737,478). The units have no par value.

13. Units (cont.)

Reconciliation of number of units

(in thousands of units)	Group (unaudited) As at 30 September 2007	Group (unaudited) As at 30 September 2006	Group (unaudited) As at 31 March 2007
Balance at the beginning of the period	541,738	525,454	525,454
Purchase of units from buyback	(10,442)	-	-
Units purchased in buyback not yet cancelled	242	-	-
Issue of units from Unit Purchase Plan	-	10,240	10,240
Issue of units from Dividend Reinvestment Plan	3,875	4,664	6,044
Balance at the end of the period	535,413	540,358	541,738

14. Hedging reserve

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Balance at the beginning of the period	5,355	874	874
Fair value gains during the period	1,430	2,480	6,687
Tax on fair value gains	(472)	(818)	(2,206)
Balance at the end of the period	6,313	2,536	5,355

15. Retained earnings

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Balance at the beginning of the period	150,237	94,784	94,784
Profit for the period	18,920	14,356	104,733
Distributions to unitholders	(10,875)	(25,179)	(49,280)
Balance at the end of the period	158,282	83,961	150,237

16. Borrowings

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
ANZ National Bank Limited	381,535	313,002	341,123
Bank of New Zealand – Share of joint venture borrowings	14,895	9,475	11,930
Total non-current liabilities	396,430	322,477	353,053

The Trust has a revolving credit facility with the ANZ National Bank Limited of $400,000,000 (30 September 2006: $350,000,000; 31 March 2007: $370,000,000) secured by way of mortgage over the properties of the Trust. The facility has a term of three years and expires on 27 September 2010.

The effective interest rate on the borrowings as at 30 September 2007 was 7.29% per annum including margin (30 September 2006: 6.62%; 31 March 2007: 6.95%). The Trust also pays a line fee of 0.20% per annum on the total facility.

The joint venture has a committed cash advance facility with the Bank of New Zealand of $30,000,000 (30 September 2006: $27,300,000; 31 March 2007: $30,000,000) secured by way of mortgage over the properties of the joint venture.

The effective interest rate on the joint venture borrowings as at 30 September 2007 was 7.18% per annum including margin (30 September 2006: 9.01%; 31 March 2007: 7.18%). The joint venture also pays a commitment fee of 0.25% per annum on the total facility.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon during the current and prior reporting periods:

	Interest rate swaps $000s	Revaluation of building $000s	Total $000s
At 1 April 2007	**2,637**	**30,695**	**33,332**
Credit to unitholders' funds for the period	**472**	**-**	**472**
Charge to profit or loss for the period	**-**	**877**	**877**
At 30 September 2007	**3,109**	**31,572**	**34,681**
At 1 April 2006	330	2,889	3,219
Acquisition of joint venture	-	440	440
Credit to unitholders' funds for the period	818	-	818
Charge to profit or loss for the period	101	3,273	3,374
At 30 September 2006	1,249	6,602	7,851
At 1 April 2006	330	2,889	3,219
Acquisition of joint venture	-	440	440
Credit to unitholders' funds for the year	2,206	-	2,206
Charge to profit or loss for the year	101	27,366	27,467
At 31 March 2007	2,637	30,695	33,332

18. Trade and other payables

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Interest accrued on non-current liabilities	**2,263**	1,645	1,935
Manager's fee accrued	**530**	527	1,372
Other creditors and accruals	**1,298**	1,964	5,672
Total trade and other payables	**4,091**	4,136	8,979

19. Other income/(expenses)

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Income			
Gain on disposal of investment properties	-	-	6,672
Other income	-	60	-
Fair value difference on acquisition of joint venture – negative goodwill	-	825	915
	-	885	7,587
Expenses			
Acquisition costs written off	-	-	(612)
Selling costs	(339)	(83)	-
	(339)	(83)	(612)

20. Finance income/(expenses)

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Income			
Interest income	373	255	531
Dividends received	588	625	1,254
Interest rate swaps – held for trading	62	90	129
	1,023	970	1,914
Expense			
Interest expense	(13,269)	(10,211)	(21,340)
	(13,269)	(10,211)	(21,340)

21. Administration expenses

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Audit fees	126	93	226
Other trust expenses	874	455	989
Doubtful debts provision	-	-	118
Amortisation of management contract cancellation costs	659	650	1,317
Management fees	3,162	4,242	8,767
Trustee fees	158	142	287
	4,979	5,582	11,704

22. Taxation

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Profit before tax for the period	23,906	21,958	141,998
Taxation charge (33%)	7,889	7,246	46,859
Depreciation charges	(3,484)	(3,221)	(6,889)
Tax exempt income	-	-	(29,661)
Tax on revaluation of investment properties	4,290	3,273	27,686
Deferred tax adjustment due to change in corporate tax rate	(3,468)	-	-
Other adjustments	(241)	304	(730)
Taxation charge	4,986	7,602	37,265
Income tax recognised directly in unitholders' funds			
Derivatives	472	818	2,206
The taxation charge is made up as follows:			
Current taxation	4,109	4,228	9,798
Deferred taxation	877	3,374	27,467
Total taxation charge	4,986	7,602	37,265
Imputation credits			
Imputation credits at the beginning of the period	2,693	89	89
Prior period adjustment	-	(5)	(5)
New Zealand tax payments, net of refunds	1,611	1,801	6,890
Imputation credits attached to dividends received	194	85	195
Imputation credits attached to dividends paid	(5,294)	(1,539)	(4,476)
Imputation credits at the end of the period	(796)	431	2,693

23. Reconciliation of profit for the period with net cash from operating activities

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Profit for the period	**18,920**	17,629	104,733
Adjustments for non-cash items			
Change in fair value of investment properties	-	1,113	(89,639)
Fair value gains on derivative financial instruments	**(62)**	(90)	(129)
(Gain)/loss on disposal of properties	**339**	83	(6,672)
Other non-cash items	**581**	(163)	(237)
Operating cash flow before changes in working capital	**19,778**	18,572	8,056
Change in trade and other payables	**(3,529)**	(2,858)	(1,166)
Change in rent in advance	**1,898**	75	(24)
Change in provision for taxation	**3,070**	2,529	30,300
Change in trade and other receivables	**(256)**	(2,152)	(1,962)
Net cash from operating activities	**20,961**	16,166	35,204

24. Earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to unitholders of the Trust by the weighted average number of ordinary units on issue during the period.

	Group (unaudited) As at 30 September 2007 $000s	Group (unaudited) As at 30 September 2006 $000s	Group (unaudited) As at 31 March 2007 $000s
Profit attributable to unitholders of the Trust	**18,920**	14,356	104,733
Weighted average number of units on issue	**539,436**	532,906	533,596
Basic earnings per unit (cents)[1]	**3.51**	2.69	19.63
Weighted average number of ordinary units			
Issued units at beginning of period	**541,737**	525,454	525,454
Issued units at end of period	**535,413**	540,358	541,737
Weighted average number of ordinary units	**539,436**	532,906	533,596

1. March 2007 and September 2006 earnings per unit is calculated using profit before income tax excluding finance cost distributions.

25. Commitments

Ground rent

Ground leases exist over the GE Capital Building in the Viaduct Harbour; Auckland. The amount paid in respect of ground leases during the period was $314,111 (30 September 2006: $313,500: 31 March 2007: $626,178). The annual ground lease commitment is $627,001 and is fully recoverable from tenants in proportion to their area of occupancy. The lease is renewable in perpetuity. Given these factors the total value of the commitment has not been calculated.

The Trust is committed to make ground rental payments for Block E, Albany from 31 May 2008. The full commencement ground rental is $1.22 million, payable in stages and increased on an annual basis at the rate of change in the consumer price index plus 1%. From June 2010 the rental is determined by an agreed formula.

Building upgrades
Estimated capital commitments contracted for building projects not yet completed as at balance date, but not provided for were $4,675,923 (30 September 2006: $15,921,054; 31 March 2007: $5,083,154).

There were no other commitments as at 30 September 2007 (30 September 2006: nil; 31 March 2007: nil).

26. Contingencies
There were no contingencies as at 30 September 2007 (30 September 2006: nil; 31 March 2007: nil).

27. Subsequent events
On 1 October 2007, the Trust purchased 10 Tutu Place, Porirua for $3,705,258.

On 5 October 2007, the Trust made a distribution payment of $12,716,061 (2.375 cents per unit).

On 31 October 2007, the Board approved the payment of a dividend of 2.375 cents per unit to be paid on 14 December 2007.

28. Adoption of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS")
The Group's financial statements for the year ending 31 March 2008 will be the Group's first annual statements that comply with NZ IFRS.

These consolidated interim financial statements have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*, and do not include all of the information required for full annual financial statements. They are also covered by NZ IFRS 1 *First-time Adoption of New Zealand equivalents to International Financial Reporting Standards* because they are part of the period covered by the Group's first annual NZ IFRS financial statements for the year ending 31 March 2008.

The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods.

- Deferred tax NZ IAS 12 *Income Taxes*
- Development property NZ IAS 16 *Property, Plant and Equipment*
- Initial direct costs and lease incentives NZ IAS 17 *Leases*
- Joint ventures NZ IAS 31 *Interests in Joint Ventures*
- Financial instruments NZ IAS 32 *Financial Instruments: Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement*
- Investment property NZ IAS 40 *Investment Property*
- Properties intended for sale NZ IAS 40 *Investment Property*.

The impact of these changes in accounting policies are described in detail below:

In adopting NZ IFRS, the Group has applied NZ IFRS 1 which requires an entity to use the same accounting policies in its opening NZ IFRS balance sheet and throughout all periods presented in its first NZ IFRS financial statements. As such, prior year comparatives have been restated except where NZ IFRS 1 has allowed exemptions. In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NZ GAAP). An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

28. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of balance sheet

As at 1 April 2006

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	NZ IFRS $000s
Non-current assets				
Investment properties	a	769,378	112,155	881,533
Property, plant and equipment	b	38,218	(38,218)	-
Investments	c	18,712	-	18,712
Properties intended for sale	e	54,829	(54,829)	-
Derivative financial instruments	f	-	1,230	1,230
Other non-current assets	d	14,436	(814)	13,622
Total non-current assets		895,573	19,524	915,097
Current assets				
Cash and cash equivalents		1,055	-	1,055
Trade and other receivables		14,237	-	14,237
Other current assets	d	490	(314)	176
Derivative financial instruments	f	-	339	339
Taxation receivable		4,090	-	4,090
Total current assets		19,872	25	19,897
Total assets		915,445	19,549	934,994
Unitholders' funds				
Units on issue		534,933	-	534,933
Revaluation reserve	h	65,843	(65,843)	-
Hedging reserve	i	-	874	874
Retained earnings	j	14,056	80,728	94,784
Total unitholders' funds		614,832	15,759	630,591
Non-current liabilities				
Borrowings		288,318	-	288,318
Deferred tax	g	-	3,219	3,219
Total non-current liabilities		288,318	3,219	291,537
Current liabilities				
Trade and other payables		10,099	-	10,099
Derivative financial instruments	f	-	571	571
Other current liabilities		2,196	-	2,196
Total current liabilities		12,295	571	12,866
Total liabilities		300,613	3,790	304,403
Total unitholders' funds and liabilities		915,445	19,549	934,994

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of balance sheet

As at 30 September 2006

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Non-current assets					
Investment properties	a	830,251	71,239	12,385	913,875
Properties intended for sale	e	52,101	(52,101)	-	-
Property, plant and equipment	b	-	-	18,396	18,396
Investments	c	39,923	-	(20,289)	19,634
Derivative financial instruments	f	-	3,898	-	3,898
Other non-current assets	d	16,565	(2,208)	-	14,357
Total non-current assets		938,840	20,828	10,492	970,160
Current assets					
Cash and cash equivalents		1,430	-	113	1,543
Trade and other receivables		1,608	-	294	1,902
Other current assets		630	-	-	630
Derivative financial instruments	f	-	325	-	325
Taxation receivable		1,681	-	-	1,681
Total current assets		5,349	325	407	6,081
Total assets		944,189	21,153	10,899	976,241
Unitholders' funds					
Units on issue		552,107	-	-	552,107
Revaluation reserve	h	66,165	(66,165)	-	-
Hedging reserve	i	-	2,536	-	2,536
Retained earnings	j	6,420	76,716	825	83,961
Total unitholders' funds		624,692	13,087	825	638,604
Non-current liabilities					
Borrowings		313,002	-	9,475	322,477
Deferred tax	g	-	7,411	440	7,851
Total non-current liabilities		313,002	7,411	9,915	330,328
Current liabilities					
Trade and other payables		3,977	-	159	4,136
Taxation payable		-	-	-	-
Derivative financial instruments	f	-	655	-	655
Other current liabilities		2,518	-	-	2,518
Total current liabilities		6,495	655	159	7,309
Total liabilities		319,497	8,066	10,074	337,637
Total unitholders' funds and liabilities		944,189	21,153	10,899	976,241

28. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of income statement

For six months ended 30 September 2006

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Gross property income from rentals		39,170	-	232	39,402
Gross property income from expense recoveries		6,772	-	-	6,772
Property expenses		(9,061)	-	(21)	(9,082)
Net property income		36,881	-	211	37,092
Administration expenses	21	5,587	-	(5)	5,582
Other income	19	(72)	12	(825)	(885)
Other expenses	19	-	83	-	83
Total expenses		5,515	95	(830)	4,780
Operating profit		31,366	(95)	1,041	32,312
Financial income/(expense)					
Revaluation gains/(losses) on investment property	6	-	(955)	(158)	(1,113)
Finance expense	20	(10,211)	-	-	(10,211)
Finance income	20	880	90	-	970
		(9,331)	(865)	(158)	(10,354)
Share of profits in North East Industrial Limited		39	-	(39)	-
Profit before income tax		22,074	(960)	844	21,958
Taxation		4,208	3,375	19	7,602
Profit for the period	k	17,866	(4,335)	825	14,356

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of cash flow statement

For six months ended 30 September 2006

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Profit for the period		17,866	(4,335)	825	14,356
Adjustments for non-cash items					
Change in fair value of investment properties	a	-	955	158	1,113
Fair value gains on derivative financial instruments	k	-	(90)	-	(90)
(Loss)/gain on disposal of properties	k	(12)	95	-	83
Write-off of negative goodwill	k	-	-	(825)	(825)
Other non-cash items		642	-	20	662
Operating cash before changes in working capital		18,496	(3,375)	178	15,299
Change in trade and other payables		(2,858)	-	-	(2,858)
Change in rent in advance		75	-	-	75
Change in tax provision		2,408	3,375	19	5,802
Change in trade and other receivables		(2,163)	-	11	(2,152)
Net cash from operating activities		15,958	-	208	16,166
Net cash used in investing activities		(31,966)	-	(495)	(32,461)
Net cash from financing activities		16,383	-	400	16,783
Net increase in cash and cash equivalents		375	-	113	488

28. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of balance sheet

As at 31 March 2007

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Non-current assets					
Investment properties	a	853,958	157,310	14,405	1,025,673
Property, plant and equipment	b	-	-	19,084	19,084
Investments	c	41,409	-	(21,774)	19,635
Properties intended for sale	e	125,462	(125,462)	-	-
Derivative financial instruments	f	-	7,692	-	7,692
Other non-current assets	d	13,547	(2,240)	-	11,307
Total non-current assets		1,034,376	37,300	11,715	1,083,391
Current assets					
Cash and cash equivalents		1,006	-	53	1,059
Trade and other receivables		5,310	-	294	5,604
Other current assets	d	14,221	(163)	3	14,061
Derivative financial instruments	f	-	621	-	621
Taxation receivable		1,190	-	-	1,190
Total current assets		21,727	458	350	22,535
Total assets		1,056,103	37,758	12,065	1,105,926
Unitholders' funds					
Units on issue		553,732	-	-	553,732
Revaluation reserve	h	144,446	(144,446)	-	-
Hedging reserve	i	-	5,355	-	5,355
Retained earnings	j	7,118	143,158	(39)	150,237
Total unitholders' funds		705,296	4,067	(39)	709,324
Non-current liabilities					
Borrowings		341,123	-	11,930	353,053
Deferred tax	g	-	33,212	120	33,332
Total non-current liabilities		341,123	33,212	12,050	386,385
Current liabilities					
Trade and other payables		8,925	-	54	8,979
Taxation payable		-	-	-	-
Derivative financial instruments	f	-	479	-	479
Other current liabilities		759	-	-	759
Total current liabilities		9,684	479	54	10,217
Total liabilities		350,807	33,691	12,104	396,602
Total unitholders' funds and liabilities		1,056,103	37,758	12,065	1,105,926

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of income statement

For the year ended 31 March 2007

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Gross property income from rentals		80,876	-	800	81,676
Gross property income from expense recoveries		13,593	-	-	13,593
Property expenses		(18,694)	-	(61)	(18,755)
Net property income		75,775	-	739	76,514
Administration expenses	21	11,651	-	53	11,704
Other income	19	(7,531)	859	(915)	(7,587)
Other expenses	19	612	-	-	612
Total expenses		4,732	859	(862)	4,729
Operating profit		71,043	(859)	1,601	71,785
Financial income/(expense)					
Revaluation gains/(losses) on investment property	6	77,610	12,324	(295)	89,639
Finance expense	20	(21,362)	-	22	(21,340)
Finance income	20	1,784	129	1	1,914
		58,032	12,453	(272)	70,213
Share of profits in North East Industrial Limited		1,613	-	(1,613)	-
Profit before income tax		130,688	11,594	(284)	141,998
Taxation	k	9,742	27,768	(245)	37,265
Profit for the period		120,946	(16,174)	(39)	104,733

Notes to the Consolidated Interim Financial Statements (cont.)

28. Adoption of NZ IFRS (cont.)

Reconciliation between previous NZ GAAP and NZ IFRS

Reconciliation of cash flow statement

For year ended 31 March 2007

	Note	Previous NZ GAAP $000s	Effect of transition to NZ IFRS $000s	Acquisition of joint venture $000s	NZ IFRS $000s
Profit for the year		41,723	(16,174)	(39)	25,510
Unrealised net change in value of investment properties		77,610	-	-	77,610
Share of profits in North East Industrial Limited		1,613	-	-	1,613
Adjusted profit for the year		120,946	(16,174)	(39)	104,733
Adjustments for non-cash items					
Change in fair value of investment properties	a	(77,610)	(12,324)	295	(89,639)
Fair value gains on derivative financial instruments	k	-	(129)	-	(129)
(Loss)/gain on disposal of properties	k	(7,531)	859	-	(6,672)
Write-off of negative goodwill		-	-	(915)	(915)
Share of profits in North East Industrial Limited		(1,613)	-	1,613	-
Other non-cash items		1,720	-	(1,042)	678
Operating cash before changes in working capital		35,912	(27,768)	(88)	8,056
Change in trade and other payables		(1,061)	-	(105)	(1,166)
Change in rent in advance		(24)	-	-	(24)
Change in tax provision		2,852	27,768	(320)	30,300
Change in trade and other receivables		(1,969)	-	7	(1,962)
Net cash from operating activities		35,710	-	(506)	35,204
Net cash used in investing activities		(56,667)	-	(2,296)	(58,963)
Net cash from financing activities		20,908	-	2,855	23,763
Net increase in cash and cash equivalents		(49)	-	53	4

Explanatory notes

(a) Investment properties

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Reversal of disposal provision[1]		13,040	13,285	13,040
Revaluation of investment properties[2]		17,264	3,740	4,940
Reclassification of properties intended for sale[3]	e	125,462	52,101	54,829
Reclassification of development property[4]	b	-	-	38,218
Reclassification of capitalised lease incentives[5]	d	2,403	2,208	1,128
Adjustment (loss)/gain on property disposals	k	(859)	(95)	-
		157,310	71,239	112,155
Acquisition of joint venture		14,405	12,385	-
Total impact – changes to investment properties		171,715	83,624	112,155
Income statement impact gain/(expense)	k	12,029	(1,113)	-

1. Previously the fair value of investment properties were recorded net of a provision for disposal costs. Under NZ IFRS investment properties should be measured at fair value.
2. Properties intended for sale should remain part of investment properties until such time as the property is derecognised. Previously properties intended for sale were not revalued. Since these properties are classified as investment properties under NZ IFRS they are required to be adjusted to market value.
3. Properties intended for sale should not be categorised separately from investment properties. The previous policy was to retain properties intended for sale at the book value at the date of transfer. Under NZ IFRS they are categorised as investment properties and as such are required to be measured at fair value.
4. Development properties are reported as property, plant and equipment and include only land and buildings being developed for future use as an investment property. Any existing investment properties being redeveloped for continued future use as investment property remains as investment property. Properties classified as development properties are being developed for continued future use and as such should be reclassified to investment properties.
5. Capitalised lease incentives should be included as part of the component of the investment property carrying value. Previously these were separately classified as current and non-current assets.

(b) Investment property under development

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Reclassification to investment properties[1]	a	-	-	(38,218)
Acquisition of joint venture		19,084	18,396	-
Total impact – changes to investment property under development		19,084	18,396	(38,218)

1. Under NZ IFRS any existing investment properties being redeveloped for continued future use as investment property remain as investment property. Properties classified as development properties are being developed for continued future use and as such should be reclassified to investment properties.

28. Adoption of NZ IFRS (cont.)

Explanatory notes (cont.)

(c) Accounting change for joint ventures

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Investments				
Joint venture[1]		(21,774)	(20,289)	-
Total impact – investments		(21,774)	(20,289)	-
Income statement impact:				
Reverse share of profits under equity accounting		(1,613)	(39)	-
Add 50% income and expenses on a line by line basis		(90)	39	-
Change in valuation of investment properties		749	-	-
Negative goodwill written off	l	915	825	-
Net income per income statement reconciliation		(39)	825	-

1. The joint venture was accounted for as an equity accounted investee. ING has elected to account for the joint venture by proportionate consolidation. Thus 50% of the joint venture assets, liabilities, income and expenses are included in the financial statements as per note 28(l).

(d) Reclassification of lease incentives to investment properties

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Reclassification from non-current assets		2,240	2,208	814
Reclassification from current assets		163	-	314
Total impact – investment properties	a	2,403	2,208	1,128

Lease incentives were recorded as either current or non-current assets. Under NZ IFRS they form part of the value of investment properties.

(e) Reclassification of property intended for resale to investment properties

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Properties intended for resale reclassified to investment property	a	(125,462)	(52,101)	(54,829)

(f) Derivative financial instruments

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Classified as current assets		621	325	339
Classified as non-current assets		7,692	3,898	1,230
Classified as current liabilities		(479)	(655)	(571)
Total impact – derivative financial instruments		7,834	3,568	998
Classification				
Cash flow hedges – in unitholders' funds	i	7,992	3,785	1,305
Fair value hedges – through profit or loss		(158)	(217)	(307)
		7,834	3,568	998

Derivative financial instruments which consist of interest rate swaps used to hedge interest paid on bank borrowings were not previously recorded in the financial statements other than as a note to the financial statements. Under NZ IFRS the fair value of derivative financial instruments is required to be recorded in the financial statements.

(g) Deferred tax (note 17)

The above changes increased/(decreased) deferred tax as follows based on a tax rate of 33%.

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Revaluation of investment property	h	30,575	6,162	2,889
Set off – deferred tax asset – joint venture		(352)	-	-
Revaluation of investment property – joint venture		472	440	-
Deferred tax on derivative financial instruments	i	2,637	1,249	330
Total impact – deferred tax		33,332	7,851	3,219
Total impact – income statement		221	541	-
Total impact – revaluation investment properties		27,686	-	-
Total impact – hedging reserve		2,206	818	-

(h) Revaluation reserve (transferred to retained earnings)

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Balance of revaluation reserve transferred to retained earnings	j	144,446	66,165	65,843

Under NZ IFRS the revaluation reserve relates solely to revaluations of property, plant and equipment. Revaluations of investment property is debited/credited in the income statement and forms part of retained earnings.

28. Adoption of NZ IFRS (cont.)

Explanatory notes (cont.)

(i) Hedging reserve (note 14)

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Cash flow hedges	f	7,992	3,785	1,305
Deferred tax on cash flow hedges (33%)	g	(2,637)	(1,249)	(330)
Deferred tax on fair value hedges – opening adjustment	j	-	-	(101)
Total impact – hedge reserve		5,355	2,536	874

(j) Retained earnings (note 15)

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Transfer from revaluation reserve	h	144,446	66,165	65,843
Reversal of opening disposal provision	a	13,040	13,040	13,040
Revaluation to fair value of properties intended for sale	a	4,940	4,940	4,940
Change in fair value for the period	a, k	12,029	(1,275)	-
Change in disposal provision for the period		-	162	-
Deferred tax on revaluation of properties	g	(30,575)	(6,162)	(2,889)
Fair value hedges – opening adjustment		(307)	(307)	(307)
Deferred tax on fair value hedges – opening adjustment	i	102	102	101
Profit effect of adjustments	k	(556)	876	-
Total impact – retained earnings		143,119	77,541	80,728

(k) Income statement

	Note	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Gain on derivative trading – finance expense		129	90	-
Loss on disposal of investment property (other expenses)		(859)	(95)	-
Negative goodwill on joint venture		915	825	-
Income statement effect of joint venture accounting[1]		(905)	176	-
Revaluation of investment property	a	12,029	(1,113)	-
Taxation		11,309	(117)	-
Reversal of opening tax adjustment		(101)	(101)	-
Joint venture taxation		245	(19)	-
Deferred tax on revaluation of investment property	g	(27,666)	(3,273)	-
		(27,522)	(3,393)	-
Total impact – income statement		(16,213)	(3,510)	-

1 Income statement effect of joint venture

	31 March 2007 $000s	30 September 2006 $000s	1 April 2006 $000s
Share of operating costs of joint venture	685	215	-
Share of finance income expenses of joint venture	23	-	-
Deduct share of profits as previously recorded	(1,613)	(39)	-
	(905)	176	-

(l) Business combinations

Acquisition of 50% North East Industrial Limited

Effect of change in accounting from equity accounting to proportional consolidation.

The fair value of the North East Industrial Limited assets and liabilities acquired was as follows:

	NZ IFRS $000s	Previous NZ GAAP $000s
Current assets	872	872
Investment and development properties	60,626	34,013
Current liabilities	(317)	(317)
Deferred tax	(880)	-
Term loan	(18,150)	(18,150)
Net assets acquired	42,151	16,418
50% share attributable to ING Property Trust	21,075	
Fair value of consideration		
Cash paid	20,116	
Acquisition costs	44	
Total consideration	20,160	
Negative goodwill on acquisition written off to income statement	915	

The re-opening of the business combination for the purchase of the joint venture and the change in accounting from equity to proportional consolidation resulted in a net assets value (after NZ IFRS adjustments) of $21,075,000. This difference between the net assets acquired and the consideration paid of $20,160,000 is negative goodwill which has been immediately recognised in the income statement in accordance with NZ IFRS 3.

At 30 September 2006 the total purchase consideration was assessed at $20,250,000 giving a negative goodwill of $825,000. This was later adjusted.

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