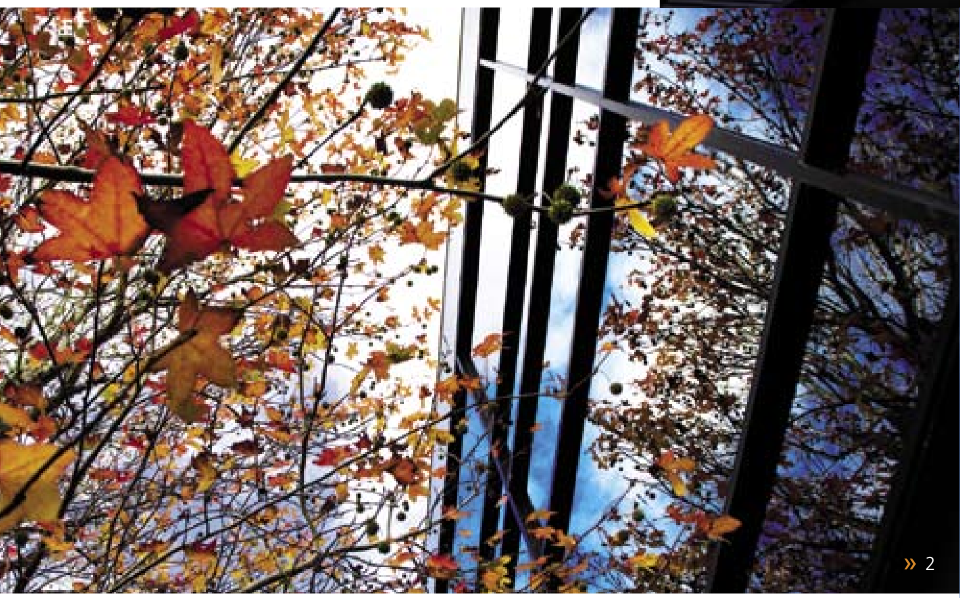
ING Property Trust

ANNUAL REPORT 2010

ING

Contents

« Cover_25 Nugent Street, Grafton, Auckland



» 1_12 Allens Road, East Tamaki, Auckland
2_308 Great South Road, Greenlane, Auckland
3_Forge Way, Panmure, Auckland
4_10 Transport Place, East Tamaki, Auckland

Highlights

$933m

Portfolio

The most diversified NZX-listed property vehicle, with a portfolio of 81 buildings valued at $933 million and over 290 tenants. The average size of the properties is $11.4 million, which is well within the liquid end of the property market.

5.0years

WALT

The weighted average lease term increased to 5.0 years, providing strong rental security.

7.5c

Distribution

A cash dividend of 7.5 cents per unit for the 12 months to 31 March 2010, meeting guidance.

97%

Occupancy

Occupancy in a difficult leasing environment is at 97%.

15

Properties sold

Taking advantage of the continued demand for investment property assets under $20 million with the sale of 15 properties for $103 million, at 103% of March 2009 valuation figures.

» Chairman's report

Key messages for this year's annual report remain largely unchanged from the last report. The strategy adopted to guide the Trust through a difficult time in the market has been proven to be effective in delivering a solid result to unitholders.

In trying market conditions we must be able to look past the current cycle and work on a long term strategy rather than a short term fix. Although we see a short term variance in our unit prices, the Trust's investment strategies are more soundly based on longer time frames.

The strategy we outlined last year was focused on three key areas:

- Risk mitigation – both income and value
- Debt reduction (capital management)
- Portfolio structuring for the future.

The Directors and management have remained focused on these key areas during the year and it is intended that these remain the primary focus for the year to come. While the markets both domestically and globally are showing signs that are more positive than this time last year, the global financial crisis is not yet over and the Trust's prudent strategy will reflect a cautious approach for some time to come.

Risk mitigation

The Trust has ended the year with strong occupancy levels and an increased average lease term. There have been some tenant failures during the year but this has been more than offset by good work by management in restructuring and renegotiating leases, where the Trust had lease expiries that were considered to carry a higher level of risk. Much of the year's success has been due to forewarning of potential issues and the implementation of strategies to manage occupancy levels.

Debt reduction (capital management)

The Trust has been able to successfully manage its capital base without the need to raise capital in a manner that would have been dilutive to unitholders, who where unwilling or unable to participate on a pro rata basis. Sales of property at, or in excess of, the level of the valuations completed at 31 March 2009 reduced debt levels to almost the targeted 35% of the Trust's total property value immediately prior to the year end. A disappointing negative revaluation at year end saw this eroded. Despite the devaluation that occurred at year end we consider the sales programme of the last two years to be successful, and the results have provided a strong endorsement of the strategy relative to any alternatives for unitholders.

The Directors consider that the valuations at balance date are conservative and that further significant decline from these levels is unlikely. In the event that further declines become a potential risk during the year, additional sales activity can be instigated should it be prudent to do so. The speed with which this was addressed two years ago provides confidence that this flexibility will be available again. Indeed this is a graphic illustration of one of the strengths of the Trust's property portfolio. While strategic focus remains on capital management, sales and acquisitions will be addressed as part of normal asset management processes unless there is sufficient economic pressure to warrant a change to this strategy.

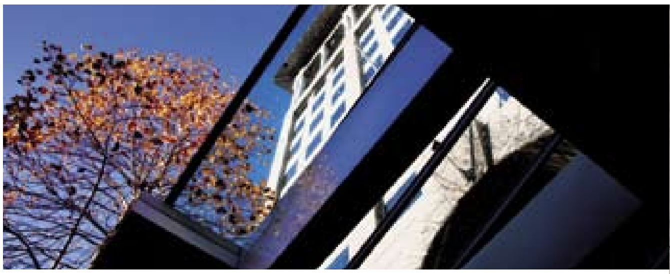
Portfolio structuring for the future

The portfolio is of higher quality and carries a lower risk profile than at last year's balance date due to the sales programme and the active management of the portfolio's lease profile. The investment quality of the Trust's property portfolio has been enhanced by the sale of those assets generally of lower quality or with a higher risk profile than the remainder of the portfolio. As a result the Trust is well positioned to deliver strong returns to unitholders as the market inevitably recovers.

The commercial environment

This has certainly been a challenging time. For a third year we need to look at the global financial crisis and a domestic recession in order to review the activities and performance of the property market.

The listed property market in New Zealand has fared significantly better than most other property markets in general and the main players, including the Trust, have emerged with their balance sheets intact. The Trust's conservative position has been enhanced by virtue of its low risk, diversified portfolio and modest average property values.



The debt issues that have plagued the rest of the world have resulted in higher costs and less availability of debt funding, which has an ongoing negative pressure on asset prices.

Among this, property in general, and New Zealand property in particular, has again shown the characteristics that has set it apart from many other sectors. Property continues to produce income returns that have provided many investors with continuing income returns in spite of the volatility of asset prices and the seemingly unpredictable variances of the stock market.

The Directors were pleased to confirm new debt financing arrangements for a three year period provided by a syndicate of three banks led by ANZ National Bank Limited. The financing arrangements were tendered to the market and the decision made by the Board was based entirely on the terms offered.

It is also pleasing to observe that the unit price for the Trust has shown solid performance for the year relative to our peers in the listed market, albeit that this was from a relatively low base. The positive unit price performance over the year can be seen as an illustration of the Trust's delivery of results based on an effective strategy.

Looking ahead

There is little doubt the market – specifically the commercial office sector – will continue to be challenging for the year ahead in spite of positive signs of recovery in the domestic economy. The Trust remains advantageously positioned with a well diversified portfolio of good quality property in strong locations. The income streams from the portfolio are diversified by use and by tenant, contributing rental returns that have remained resilient in a difficult environment.

Property valuations in the commercial office sector may be affected by reduced market rental levels that are anticipated. The degree to which these changes are already priced into the current asset values will be largely dependent on the speed with which the demand for office space improves and the timing of delivery of new stock to the market.

The Directors are conscious of the effect on returns of the financial markets over the last three years and that unitholders will be concerned over the level of return they can expect from their units over coming years. Reduced valuations of the portfolio do not affect the operating earnings, and after allowing for the increased bank fees and margins the Directors currently expect to pay a dividend of 7.0cpu for the next financial year. This is prior to the impact of government changes to depreciation.

International and domestic economies continue to face challenges however the Trust's portfolio is well positioned for this environment and the well diversified nature of the portfolio and its income stream provide a relatively sound base to generate positive income returns.

The Directors would like to thank all unitholders for their ongoing support. We look forward to continuing our work for and with you in the year ahead.

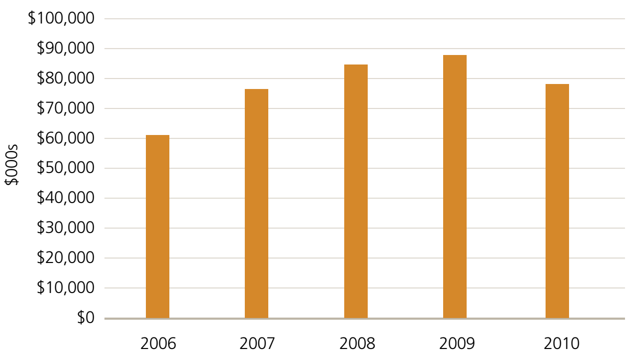
P M Smith

P Michael Smith
Chairman, ING Property Trust Management Limited

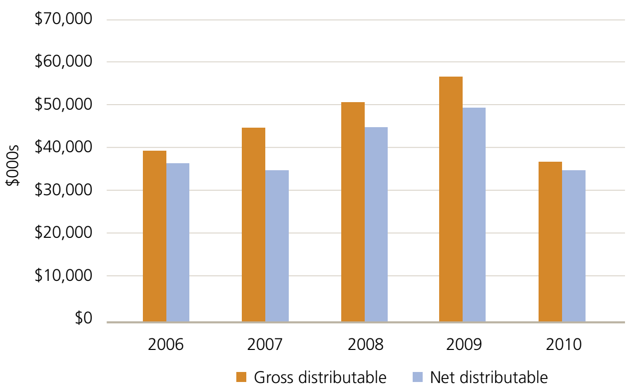
	2006 (NZ GAAP) $000s	2007 (NZ IFRS) $000s	2008 (NZ IFRS) $000s	2009 (NZ IFRS) $000s	2010 (NZ IFRS) $000s
Financial summary					
Net property income	61,023	76,514	84,657	87,838	**77,927**
Profit before financial income/(expenses) and other gains/(losses)	53,545	73,039	75,272	77,484	**67,718**
Revaluation gain/(loss)	49,530	87,236	43,041	(89,901)	**(82,761)**
Profit/(loss) for the year (after taxation)	91,415	102,330	71,748	(63,094)	**(53,862)**
Earnings per unit – cents per unit	10.25	19.06	13.49	-12.15	**-10.07**
Investment properties, plant & equipment	862,425	1,042,354	1,167,317	1,059,343	**932,641**
Total assets	915,444	1,103,468	1,214,115	1,081,807	**950,004**
Debt-to-total-assets ratio	31.5%	32.0%	37.7%	39.7%	**40.1%**
Cash distribution to unitholders – cents per unit	9.39	8.67	8.70	8.00	**7.50**
Net assets backing per unit – cents per unit	117	130	136	109	**97**
Total equity	614,831	706,941	700,528	577,076	**515,150**

Note: 2006 was reported under NZ GAAP.

NET PROPERTY INCOME



DISTRIBUTABLE INCOME



	2006	2007	2008	2009	2010
Property metrics					
Occupancy factor (sqm)	99.4%	99.8%	99.1%	97.8%	**97.1%**
Weighted average lease term (years)	4.81	4.79	4.65	4.24	**4.23**
Number of tenants	350	361	336	286	**294**
Number of properties	95	97	104	93	**81**
Average property size ($ms)	$9.08	$10.55	$10.69	$10.36	**$11.43**
Net lettable area (sqm)	511,800	540,756	593,267	582,962	**549,881**

46 Waring Taylor Street, Wellington

» Manager's report

Property as an investment class cannot exempt itself from the remainder of the domestic and global economies and to some extent must respond as quickly as is possible to the environment within which it operates. In the same manner, property as a service provider to business must respond as quickly as is possible to the requirements and desires of those businesses in providing the accommodation solutions to empower business to succeed domestically and on the international stage.

The recent performance of economic and financial markets have taught several strong lessons to property investors. These lessons were also learned in earlier periods of economic challenge, but recent events have seen them subsequently forgotten. For the Manager, these lessons became part of the Financial Year 2010 strategy:

- Diversification
- Liquidity (providing an exit strategy)
- Development risk management.

The Trust's strategic focus on diversification and liquidity has ensured that the portfolio is able to be managed in a manner that means a capital management strategy does not dilute the return for unitholders unable to participate in any capital raising initiative. The low risk approach to development has avoided excessive exposure to this higher risk area of the market.

The reality about risk is that most people will only fully value the magnitude of a risk when they are faced with the realisation of it. This is true of the property industry and of the investment community. Put them together and you have the framework within which the property developer is free to operate successfully and achieve great rewards in times of growth. When times are not so good, however, and we see contraction in the market, the risks tend to put property development in the high risk and low activity area.

Strategy

The short term strategy has been and continues to be focused in three key areas:

- Risk mitigation
- Debt reduction (capital management)
- Portfolio structuring for the future.

The management team has delivered demonstrable results over the year in these three key areas and this success has improved opportunities for the future. Further information about the Manager's strategy can be found on page 19 of this report.

Sales

Last year's target to reduce debt levels by the sale of property to 35% of property value required the sale of $100 million of property, which was achieved by finalising unconditional contracts for the sale of 15 properties before the end of 2009. The early success of this strategy has been fortuitous due to the lower investment activity levels in the wake of the Taxation Working Group report and the subsequent Government budget which will cause a decrease in the level of tax deduction applicable to property assets.

With greater stability in the market, sales activity for the coming financial year will be focused on normal asset management, rather than the comprehensive sales programme announced in previous years. It is expected that there will be some sale and acquisition activity during the year as part of normal optimisation of the portfolio, in terms of both risk and return levels.

Budget 2010

The Government budget heralded some changes to the method of taxation of property in general, removing the ability to claim depreciation. Naturally this could have an affect on the return to unitholders as a result of increased taxation. Exactly what affect this will have on distribution levels is yet to be finalised, because also announced in the budget was a review by the IRD on which parts of a building are determined to be "building structure". It is possible that this definition may be extended to include items that we would normally regard as building fit-out or services.

Other events

On 30 November 2009, ANZ acquired ING Group's 51% shareholding in ING (NZ) Holdings Limited, thus terminating the joint venture with ING Group. Thereafter, ING (NZ) Holdings Limited became a wholly owned subsidiary of ANZ. As a result, the Manager is ultimately wholly owned by Australia and New Zealand

Banking Group Limited, an Australian incorporated company, and has ceased to form part of the ING Group. Importantly, the acquisition does not affect the Trust's portfolio or your unitholding. A more detailed explanation of the Trust's management can be found in the corporate governance section on pages 15-17.

Looking ahead

The year ahead will continue to be challenging. The economic environment remains tight and vacancy levels in the commercial office area are set to increase. Occupancy remains a key focus to ensure that vacancy in the portfolio is minimised. We are working to mitigate this risk as part of our active management strategy.

The Trust is positioned well at Manawatu Business Park with titles expected toward the end of 2010, and a number of sales confirmed subject to issue of title.

	2006 (NZ GAAP) $000s	2007 (NZ IFRS) $000s	2008 (NZ IFRS) $000s	2009 (NZ IFRS) $000s	2010 (NZ IFRS) $000s
Distributable income					
Profit/(loss) before income tax	44,884	139,595	90,993	(64,418)	**(56,348)**
Adjusted for:					
Revaluation losses/(gains)	–	(87,236)	(43,041)	89,901	**82,761**
Investment properties disposal (gains)/losses	(6,911)	(6,672)	183	9,610	**(527)**
Capital gain/(losses) on disposal	1,335	(1,681)	1,534	12,432	**6,900**
Investment disposal loss	–	–	–	3,829	**–**
Derivative fair value adjustment	–	(129)	223	4,472	**3,528**
Management right amortisation	549	1,317	1,317	1,317	**1,317**
Gross distributable income	39,857	45,194	51,209	57,143	**37,631**
Current tax	3,000	9,798	8,070	7,836	**2,123**
Other tax adjustment	–	93	(2,182)	(557)	**625**
Adjustment for minority interests	–	–	–	–	**(125)**
Net distributable income	36,857	35,303	45,321	49,864	**35,008**

Note: 2006 was reported under NZ GAAP.

From left: Michael Smith, Trevor Scott, Philip Burdon, Peter Brook and Andrew Evans

» Board of Directors

The Board of Directors of the Manager (the 'Board') has overall responsibility for the management of the Trust. The Board reviews all aspects of portfolio, asset and financial management strategy, formulates and reviews compliance programmes, and approves transactions and capital expenditures. The Trust's performance against budget is monitored by the Board, as is the performance of the responsibilities delegated by the Board to various parties.

» The Board currently comprises five members, each of whom bring a significant level of expertise to the Trust. Their experience includes property investment, management and development, finance, law and corporate management. Two of these Directors are considered by the Board to be independent under the NZSX listing rules.

Michael Smith Chairman

Mr Smith was employed by Lion Nathan Limited for 29 years and during that time held a number of senior executive positions with the Lion Nathan Group, and was Director of the parent company for 16 years. Mr Smith is a Director of a number of public and private companies including Hauraki Private Equity No. 2 Fund, ING (NZ) Holdings Limited (Chairman) and Maui Capital Limited. Mr Smith is also the Chairman of The Lion Foundation. Mr Smith's previous directorships include Lion Nathan Limited, Fonterra Co-Operative Group Limited, Auckland International Airport Limited and Fisher & Paykel Healthcare Corporation Limited.

Trevor Scott Independent Director

Mr Scott is a Wanaka-based company director and Chairman of Arthur Barnett Limited, Mercy Hospital Dunedin Limited, Tamahine Holdings Limited, Whitestone Cheese Limited and Harraway and Sons Limited. In addition, Mr Scott is a member of the Advisory Board of Marsh NZ Limited and a Director of Neuron Pharmaceuticals Limited and several other private companies.

Mr Scott was inducted into the New Zealand Business Hall of Fame in 2007.

Peter Brook Independent Director

Mr Brook has 20 years' experience in the investment banking industry, during which time he has held the positions of Head of Research, Head of Investment Banking and Managing Director of Merrill Lynch (New Zealand) Limited. Mr Brook retired from Merrill Lynch to pursue his own business and consultancy activities at the end of 2000. He is also a Trustee of the Melanesian Mission Trust Board, a member of the Institute of Finance Professionals New Zealand Inc., a Director of Trust Investments Management Limited, ING Medical Properties Limited, Burger Fuel Worldwide Limited and several other private companies.

Hon Philip Burdon Director

Mr Burdon holds positions on the boards of several New Zealand and Australian corporates. These include Chairman of Superannuation Investments Limited and MFL Mutual Fund Limited, Deputy Chairman of BIL International Limited, and Director of IAG New Zealand Limited. Elected to Parliament as the National Party member for his local electorate in 1981, Mr Burdon was appointed to the New Zealand Cabinet in 1990 and held a number of senior Ministerial portfolios including Minister of Commerce, Minister for State-Owned Enterprises and Minister for Trade Negotiations, until his retirement from politics in 1996. Mr Burdon is also the current Chairman of the Asia 2000 Foundation and the past Chairman of the APEC Business Advisory Council, and is a member of the International Advisory Board for the Hong Kong Policy Research Institute.

Andrew Evans Director

Mr Evans is an accomplished executive who is highly experienced across the fields of commercial real estate and asset management, having held the position of Managing Director of the Manager for four years until stepping down in 2007. Prior to this, Mr Evans was responsible for the direct property mandates at ING (NZ) Limited, where he was the General Manager, Property. Other governance roles held by Mr Evans are with ING Medical Properties Limited and Holmes Group Limited where he is a Director. In addition Mr Evans is a past National President of the Property Council of New Zealand and a foundation member of the New Zealand Property Institute.

On 30 November 2009 David McClatchy resigned from the Board of Directors. The Board would like to acknowledge Mr McClatchy's contribution and thank him for his work and support.


» 1
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» Our people

When you do business with or invest in ING (NZ) Limited, you are dealing with an organisation whose stability and strength offer you the assurance that we have the expertise and skills to meet your needs.

Our people are an integral part of our business. The ING (NZ) Limited Real Estate team is made up of 11 well-qualified and experienced property professionals who perform at the highest level in the industry. They are supported by an equally committed and competent administration and accounting staff of ten.

The business principles of the Trust are based on the values of ING (NZ) Limited: entrepreneurship, professionalism, teamwork, responsiveness and integrity. We encourage our team to apply these principles to every aspect of their work.

1 Bridget Spraggon
2 Saatyesh Bhana
3 Tony Frost
4 Brett Plummer
5 Marilyn Storey
6 Lawrence Morgan
7 Stuart Harrison
8 Warren Cate
9 Peter Mence

Our team

Peter Mence General Manager

Peter's property career spans over a quarter of a century working with firms like Progressive Enterprises, Challenge Properties, Green & McCahill and CB Richard Ellis. Peter joined ING (NZ) Ltd (then Armstrong Jones) in 1994 and was appointed General Manager of ING Property Trust Management in 2007. He has been an integral part of the management of ING Property Trust since ING (NZ) Ltd commenced management of the Trust in 2003.

An engineer by background, Peter has responsibility for the activities and performance of the Trust.

Warren Cate Asset Manager

Warren is responsible for a wide variety of properties in the Trust's portfolio. In addition to strategic management and financial performance accountabilities, Warren's extensive property industry experience is utilised to good effect in the investigation and analysis of many of the Trust's property acquisition initiatives.

Graduating from Auckland University with a Bachelor of Engineering, Warren has held a wide variety of roles over 20 years in the industry including a general management position at DB Breweries, Property. Warren joined the Real Estate team at ING (NZ) Ltd in 1995, making him one of the longest serving members of the Real Estate team.

Stuart Harrison

Chief Financial Officer and Company Secretary

Stuart commenced with the Real Estate division of ING (NZ) Ltd in September 2008 and is responsible for overseeing the financial and corporate functions of the Trust.

Along with a Bachelor of Commerce and Chartered Accountant qualifications, Stuart has 25 years of financial reporting and management experience within the Chartered Accountancy, utilities and hospitality/property industries. Most recently he was the Vice President-Finance for NZX listed Millennium and Copthorne Hotels New Zealand Ltd and subsidiaries, which also include CDL Investments New Zealand Ltd.

Tony Frost Asset Manager

Tony's property career spans over 30 years and includes a wide variety of property and development management roles in both private and public sector entities. Many of the development projects he completed while working for previous employers are now assets held within the Trust's portfolio.

Tony joined the ING (NZ) Ltd Real Estate team in 2007 and has responsibility for a varied portfolio of the Trust's properties.

In addition to strategic management and financial performance accountabilities Tony is particularly effective at investigating and analysing development projects, using his wealth of property industry experience to enhance many of the Trust's portfolio initiatives.

Bridget Spraggon

Marketing and Communications Manager

Joining the Real Estate team in January 2008, Bridget is responsible for all marketing and communications for ING (NZ) Limited's real estate business.

Suitably qualified with an MA and a Postgraduate Diploma in Business Administration (Marketing) from Auckland University, Bridget brings a broad range of experience from the publishing and wine industries. Bridget joined ING (NZ) Ltd in 2007, as a Communications Executive.

Marilyn Storey Asset Manager

Marilyn joined the ING (NZ) Ltd Real Estate team in 2007 and carries the responsibility for the Trust's Manawatu Business Park project. Marilyn is developing a new business plan for the project and is working to maximise the opportunities this exciting initiative offers.

Well qualified with a Master of Business Administration and a Bachelor degree in both property and commerce, Marilyn joined ING (NZ) Ltd after operating her own property projects consulting business. Her work experience beyond her own business includes a period working in property, operational and change management for Babcocks at the Devonport Naval Dockyard in Auckland.

Lawrence Morgan Senior Property Manager

Lawrence is responsible for the strategic management and financial performance of a portfolio of properties. He also is responsible for two full-time Property Managers who administer the day-to-day requirements of the property portfolio and tenants.

Graduating from Auckland University with a Bachelor of Property in Valuations, Property Management and Building Technology in 1988, Lawrence's career has included both public and private sector exposure. This has been dominated by a ten-year period with ASB Bank where he gained experience in all areas of building and property management. Lawrence joined the ING (NZ) Ltd team in 2007 as a Senior Property Manager.

Saatyesh Bhana Asset Manager

Saatyesh is responsible for the strategic management and financial performance of a portfolio of properties predominantly located in the Wellington region. He is also the Trust's New Zealand Green Building Council Champion. Saatyesh began his property career in his home town of Wellington 13 years ago, and has worked with a wide variety of private sector and listed property businesses. Joining ING (NZ) Ltd in 2005 initially as cover for parental leave, he has been a valuable addition to the property team.

Saatyesh graduated from Massey University in 1996 with a Bachelor of Business Studies (Valuation and Property Management).

Brett Plummer Senior Property Manager

Brett has held various property management, development and investment management positions during his 18 years in the property industry, in New Zealand and in the United Kingdom. Brett is currently responsible for the strategic management and financial performance of a portfolio of properties.

A graduate of Lincoln University with a Bachelor of Commerce in Valuation and Property Management, Brett gained valuable experience working in a variety of private and public sector organisations, including a brief period at ING Barings in London, before joining ING (NZ) Ltd in 2007.


IBM Centre, 82 Wyndham Street, Auckland

» Corporate governance

The Trust

ING Property Trust is a unit trust established under the Unit Trust Act 1960 by a Trust Deed dated 30 October 2002, as amended by Deeds of Variation and Restatement dated 30 September 2004, 17 October 2006 and 17 December 2008, and as varied on 27 May 2009.

ING Property Trust units are listed on the New Zealand Stock Exchange (NZX code: ING).

A copy of the amended Trust Deed is available from ING Property Trust Management Limited (the "Manager") on request or can be viewed at the Manager's registered office at Level 27, ASB Bank Centre, 135 Albert Street, Auckland, during normal business hours. A copy has also been filed with the Companies Office of the Ministry of Economic Development and may be viewed, on payment of a nominal fee, on the Companies Office website at www.companies.govt.nz.

The Trustee

The Trustee of the Trust is The New Zealand Guardian Trust Company Limited ("Guardian Trust"). Guardian Trust is authorised to act as a trustee company under the Trustee Companies Act 1967, and acts as trustee for unit trusts under the Unit Trust Act 1960.

The role of the Trustee is to supervise the administration and management of the Trust in accordance with the Trust Deed, and to ensure that the Manager complies with its duties and responsibilities under the Trust Deed. Where the approval of the Trustee is required, the Trustee is to have regard to the interests of unitholders and has the explicit obligation to veto any proposal that it does not consider to be in the interests of unitholders. The Trustee must also be satisfied that any proposal involves an investment of a type authorised under the Trust Deed and within the investment policies of the Trust.

The Trustee holds title to the assets of the Trust in trust for the unitholders, upon and subject to the terms and conditions of the Trust Deed. The Trustee also has certain discretions and powers to approve investment and divestment proposals recommended to it by the Manager.

The Trustee is entitled to receive fees in respect of its services not exceeding 0.075% per annum of the average of the Gross Value of the Trust Fund plus reasonable reimbursement for special attendances.

The Manager

The Manager of the Trust is ING Property Trust Management Limited, a company owned 100% by ING (NZ) Limited.

The Manager has responsibility for management of the Trust in accordance with the Trust Deed.

The Manager provides professional management expertise in selecting assets and managing them on behalf of unitholders. The Manager's role and duties extend to the overall strategic direction of the Trust, portfolio management, selection and review, negotiation of acquisition and disposal of assets, treasury and funding management, property management, ensuring adherence to financial and reporting requirements, and liaison with unitholders.

Day-to-day management of the properties in the portfolio is carried out by ING (NZ) Limited, which provides tenancy management, account management, building management, risk management and property investigation services in respect of the Trust's properties pursuant to a Property Management Agreement with the Manager.

Stipulated within the Trust Deed is the basis on which the Manager is entitled to receive management fees and incentive fees. Management fees are charged at 0.6% per annum of the average of the Gross Value of the assets of the Trust Fund. The Incentive Fee is 10% per annum of the amount of outperformance. When outperformance exceeds 15%, the excess is carried forward to the next quarter and when performance does not exceed the 10% threshold, a deficit is carried forward to the next quarter. Excesses and deficits can only be carried forward for up to 24 months. The remuneration of the Manager includes the remuneration of the general manager and management team.

Corporate governance philosophy

Ultimate responsibility for corporate governance of the Trust resides with the Board of Directors of the Manager. The Board sees strong corporate governance and stewardship as fundamental to the strong performance of the Trust and, accordingly, their commitment is to the highest standards of business behaviour and accountability.

Outlined below are the main corporate governance practices in place throughout the year, which, in the Board's opinion materially comply with the NZX Corporate Governance Best Practice Code (NZX Code) and the Securities Commission's Principles of Corporate Governance and Guidelines, unless otherwise stated.

Ethical standards

The Board has adopted a Code of Ethics, which sets out the ethical and behavioural standards expected of the Manager's Directors, officers and employees. The purpose of the Code of Ethics is to uphold the highest ethical standards, acting in good faith and in the best interests of unitholders at all times. The Code of Ethics outlines the Manager's policies in respect of conflicts of interest, fair dealing, compliance with applicable laws and regulations, maintaining confidentiality of information, dealing with Trust assets and use of Trust information.

Procedures for dealing with breaches of these policies are contained in the Code of Ethics, which forms part of every employee's conditions of employment with the Manager.

Composition of the Board

The Manager is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Trust and returns to unitholders. The Constitution of the Manager provides for there to be not more than six Directors. All the members of the Board are Non-Executive Directors. The members of the Board are listed below and their brief resumés are included under "The Board of Directors" on page 9.

Attendance of Directors

Director	Meetings attended
Michael Smith (Chair)	8 of 8
Andrew Evans	8 of 8
David McClatchy (resigned 30 November 2009)	6 of 6
Hon. Philip Burdon	6 of 8
Peter Brook	8 of 8
Trevor Scott	8 of 8

The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board.

Independent Directors

The Manager recognises that Independent Directors are important in assuring unitholders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance. The procedures in place for determining independence is whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. As required under Rule 3.3.1A, the Board has determined that Peter Brook and Trevor Scott are considered to be Independent Directors under the NZSX Listing Rules as neither has a Disqualifying Relationship with the Trust. Michael Smith, Andrew Evans and Hon Philip Burdon are considered not to be independent.

In February 2006, the Manager announced a policy which provides unitholders with the opportunity to nominate the two Independent Directors of the Manager required by the NZSX Listing Rule 3.3.1. This is a significant innovation and was a first for the listed property trust sector in New Zealand. Unitholders are able to nominate and vote on one Independent Director of the Manager each year. The nominee receiving the most votes will be approved as a Director of the Manager by the Manager's shareholders, and will hold the position for a two-year term.

Board and Director performance

The Board has a formal annual performance self-assessment, carried out under the direction of the Chairman. The self-assessment process involves reviewing the performance of the Board and its committees, together with setting forth the goals and objectives of the Trust for the upcoming year. Assessment of individual Directors' performance is a process determined by the Chairman, taking into account attendance, contribution and experience of each individual Director concerned.

Insider Trading and Restricted Persons Trading

The Manager's Directors, officers and employees, their families and related parties must comply with the Insider Trading policy and the Restricted Persons Trading policy. Amongst other requirements this identifies two 'black out periods' where trading in the Trust's units is prohibited, namely between 1 March until the day following the full year announcement date and from 31 August until the day following the half year announcement date each year. Ongoing fixed trading by participation in the Dividend Reinvestment Plan (DRP) is available throughout the year.

At all other times trading requires that an application is made and approval obtained from any two Directors or a Director and the Chief Financial Officer in order to buy or sell units. The holdings of directors of the manager is disclosed in the section headed Holdings of the Directors of the Manager on page 68.

Directors and officers indemnification and insurance

The Trust has arranged directors and officers liability insurance covering Directors, senior executives and employees for their personal liability arising out of duties as Directors and officers and reimburse the Trust where it has indemnified its Directors.

Board committees

Board committees assist with the execution of the Board's responsibilities to unitholders. Each committee operates under a charter agreed by the Board, setting out its role, responsibilities, authority, relationship with the Board, reporting requirements, composition, structure and membership.

Remuneration Committee

The Board does not maintain a Remuneration Committee as the Manager pays the remuneration of the Directors and the senior executives, rather than the Trust. The Manager does have the right under the Trust Deed to be reimbursed for fees payable to Directors up to a specified limit of $252,500 each year. However, this limit cannot be increased without the approval of unitholders.

Nominations Committee

The Board does not maintain a Nomination Committee as it is not deemed necessary as Directors are appointed in accordance with the Manager's constitution.

Audit Committee

The Board has established an Audit Committee, which is responsible for overseeing the financial and accounting responsibilities of the Trust. The minimum number of members on the Audit Committee is three. All members must be Directors, the majority must be Independent Directors and at least one member must have an accounting or financial background.

The members of the Audit Committee are Trevor Scott (Chairman), Michael Smith and Peter Brook.

The Audit Committee assists the Board in fulfilling its corporate governance and disclosure responsibilities with particular reference to financial matters, and internal and external audit, and is specifically responsible for:

- The appointment of the external auditor of the Trust;
- Supervising and monitoring external audit requirements;
- Reviewing annual and interim financial statements prior to submission for Board approvals;
- Reviewing the performance and independence of the external auditor; and
- Monitoring compliance with the Unit Trusts Act 1960, Financial Reporting Act 1993, Companies Act 1993 and the NZSX Listing Rules.

Attendance at Audit Committee

Director	Meetings attended
Trevor Scott (Chair)	4 of 4
Michael Smith	3 of 4
Peter Brook	4 of 4

External audit firm guidelines

In addition to the formal charter under which the Audit Committee operates, the Audit Committee has also developed a Charter of Audit Independence, which sets out the procedures that need to be followed to ensure the independence of the Trust's external auditor.

The Audit Committee is responsible for recommending the appointment of the external auditor and maintaining procedures for the rotation of the external audit engagement partner. Under the Audit Charter, the external audit engagement partner must be rotated every five years.

The charter covers provision of non-audit services with the general principle being applied that the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. It is however appropriate for the external auditor to provide services of due diligence on proposed transactions and accounting policy advice.

External Audit for ING Property Trust – following careful consideration and recommendation from the Audit Committee, the Board appointed the firm of Deloitte as the Trust's statutory and compliance auditor.

External Audit of the Manager – the firm of KPMG (2009: Ernst & Young) has been appointed as the auditor of the Manager – ING Property Trust Management Limited.

Unitholder relations

The Board aims to ensure that unitholders are informed of all information necessary to assess the Trust's performance.

It does so through a communication strategy which includes:

- Periodic and continuous disclosure to NZX
- Information provided to analysts and media
- Annual and interim reports distributed to all unitholders
- The annual unitholders' meeting and any other meetings called to obtain approval for Manager actions as appropriate
- Notices and explanatory memoranda for annual and special meetings
- Trust newsletters and investor roadshow
- The Trust's website **www.ingproperty.co.nz**.

Unitholders may raise matters for discussion at annual and special meetings and have the opportunity to question Directors and the external auditor at such meetings.

Te Puni Kokiri, Wellington

Strategy

2010 saw good progress on delivery on strategy for the global financial crisis. The strategy has proved to be effective and appropriate and above all, in the best interests of unitholders.

The immediate strategy is concentrated in three key areas as covered in the Chairman's report on page 2. In summary, the three key areas of focus currently are:

Risk mitigation – both income and value

Debt reduction (capital management)

Portfolio structuring for the future.

Risk mitigation

It is important to manage tenant relationships to identify as early as is possible any potential issues that may arise as a result of a tenant's business becoming financially stressed and consequently eroding the income levels for the Trust's portfolio. As managers, the earlier we become aware of a potential issue the better our opportunity to achieve a result that is in the best interests of both unitholder and tenant.

It is also important to ensure that the correct investment management decisions are made in order to preserve and enhance the value of individual properties in the portfolio.

Debt reduction (capital management)

The potential for reduced availability of debt funding has led to a strong focus on gearing levels. The Trust had targeted a reduction to a 35% gearing ratio for the 2010 financial year.

Whilst this target was achieved, negative year end revaluations increased gearing to 40%. Management considers this to reflect a relatively conservative position. A sales campaign similar to last year's is not considered appropriate in the absence of a further deterioration in market conditions or property values. Sales and acquisition activity during the year ahead will be focused on normal asset management activity.

Portfolio structuring for the future

The portfolio should be positioned to enable the Trust to deliver strong and reliable returns to unitholders from well located and well managed property investments.

The long term investment strategy of the Trust remains unchanged, however, of key importance is the degree to which individual assets meet the current and the potential future wants and needs of tenants in the target market. One key aspect is the property location and relative attractiveness of one location over another has again been shown to be a fundamental issue in the performance of a property asset in the current, more challenging economic environment.

An asset such as the Trust owned Stewart Dawsons Corner in Wellington will never be in the wrong location and clearly represents a quality investment, in spite of being well over 100 years old. Buildings such as the Citigroup Centre in Auckland's CBD are now in a more desirable location than when the property was first acquired by the Trust, due to the change in location preference of occupiers to focus on the Waitemata Harbour and the city's transport hub.

Active management philosophy

The Manager actively manages the existing portfolio to ensure that the quality of the portfolio is maintained and, where possible, enhanced. Key facets of this philosophy are a divestment and acquisition programme, and actively managing and investing in existing assets to improve investment quality levels.

It is essential to manage the tenancy relationship to ensure that tenants are treated appropriately and that any opportunities to add value or security to the income from a lease are acted on. In a difficult economic period this approach is unlikely to be solely focused on rental income. The Trust's unitholders would likely be better served by an holistic approach to the income stream with other issues considered such as lease term, security of tenure and future rental growth potential.

Diversification

The Manager will continue to develop a well balanced, diversified portfolio by actively identifying types of property, tenant, or business that are either under or over represented in the portfolio, having regard for changes, or potential changes, and to risk weightings effected by the domestic and international economic environment.

Value range

The Manager targets the acquisition of properties having a value between $10 million and $100 million, and will also consider larger portfolio and corporate acquisitions and properties that have strategic benefit to the Trust.

It is considered appropriate to maintain a number of assets in the portfolio at the lower end of this range to ensure that the Trust continues to have the best chance of being able to transact in the area of the market that remains relatively liquid in an economic recession.

25 College Hill, Auckland

» Portfolio overview

As the global environment improves and the domestic economy recovers, the property market in New Zealand will be poised to satisfy both the growing accommodation requirements for businesses that are re-entering a growth pattern and for expected new businesses taking advantage of a fresh opportunity in the market.

Portfolio statistics

	Total properties	Commercial	Industrial	Retail
Number of buildings	72	17	33	22
Market value of assets ($m)	$862.8	$264.1	$266.4	$332.4
Net lettable area (sqm)	515,342	85,442	271,507	158,393
Vacancy factor (sqm)	2.46%	10.20%	0.97%	0.82%
Weighted average lease term (years)	4.85	3.89	4.94	5.57
Average value ($m)	$10.7	$15.5	$6.3	$15.1
Passing yield	8.77%	8.96%	8.78%	8.61%

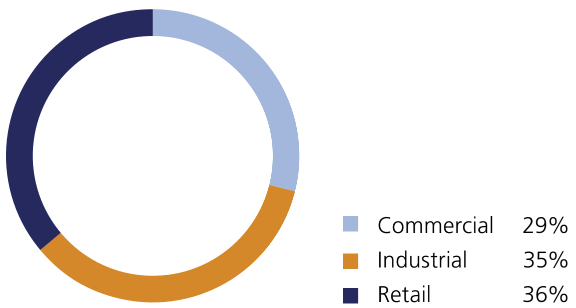
(Excluding NEIL joint venture)

The key to property market success over the forthcoming years will be to match the supply of new space to the market with the demand for that space, as closely as possible both in terms of nature and volume.

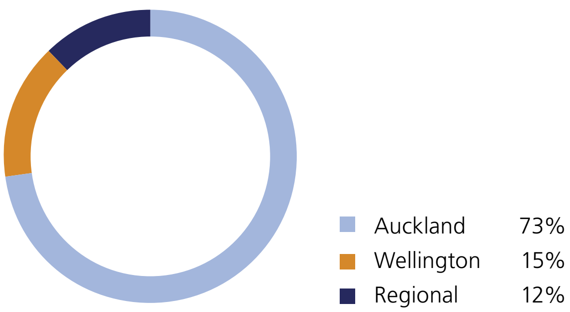
Investment policy

The Trust's investment policy is to invest primarily in a diversified portfolio of good quality, well tenanted properties and to grow the income of the Trust through active management of the existing portfolio, including single property and corporate acquisitions and acquisitions, of land for future greenfields development.

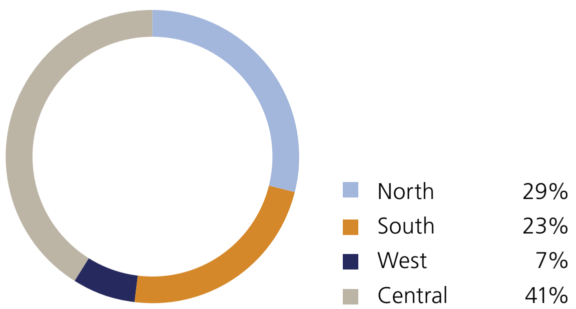
TOTAL PORTFOLIO BY SECTOR



TOTAL PORTFOLIO BY REGION



TOTAL AUCKLAND PORTFOLIO BY AREA



Occupancy and leasing

The uncertain economic conditions have had an effect on the property market in general and on the Trust's property portfolio in particular. During the year 107 lease transactions were completed preserving and enhancing the risk profile of the property portfolio.

Occupancy at year end was an encouraging 97% despite of a number of lease expiries and tenant failures during the year. The tenant retention rate for the year was 75%, a lesser figure than in prior years as a result of the affect that the economic conditions have had on tenants. The re-leasing successes reflect the strong locations and desirable amenities offered by properties in the portfolio, and provides assurance that they remain appropriate for their tenant's uses.

New leases and lease extensions (by sector)

	Floor area (sqm)	Average lease term (years)
Commercial	25,594	4.37
Industrial	114,665	5.84
Retail	43,062	6.33
TOTAL	183,321	5.57

New leases and lease extensions (by type)

	Floor area (sqm)	Average lease term (years)
New lease	111,857	6.44
Right of renewal	16,327	4.58
Extension	55,136	3.92
TOTAL	183,321	5.57

Rent reviews

	Number of reviews	Annualised rent increase	Increase over contract
Commercial	29	4.0%	$298,554
Industrial	23	2.1%	$352,743
Retail	35	3.6%	$364,443
TOTAL	87	2.8%	$1,015,740

» 1

» 1 _ 3 Semple Street, Wellington
2 _ Manpower House, Wellington

2

Portfolio weighted average lease term (WALT)

The weighted average lease term ended the year at 5.0 years, an almost 20% increase on last year's 4.2 years. This reflects the trend (mentioned earlier) for tenants who are uncertain during the current economic situation to be more disposed to renew existing leases on shorter terms. The 5.0 years weighted average lease term is a solid result from a risk management perspective especially when recognition is given to the breadth and depth of the portfolio as well as the highly diversified nature of the buildings, tenants and locations.

The WALT is represented across the various portfolio sectors in the chart to the right.

Valuations

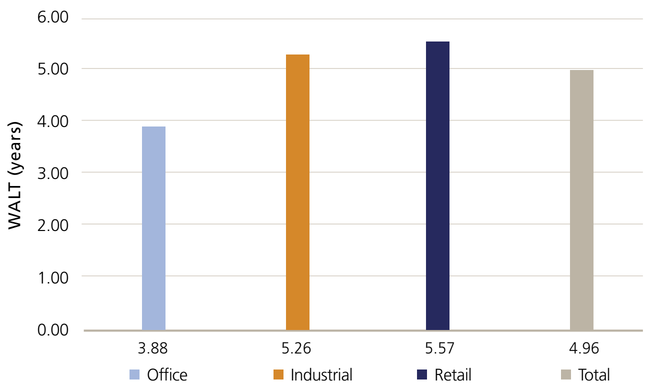
The property portfolio was revalued at year end and this resulted in a decline in property value of $82.7 million largely as a result of a decline in current market rental assessments and in the projections for rental growth in the future. Capitalisation rates and internal rates of return remained largely flat.

Since the onset of valuation declines – brought on by the global financial crisis – the Trust has sold approximately $250 million of property to reduce debt levels and improve the average quality of the portfolio. These assets have been sold at an average of approximately 92% of the book values as at 31 March 2008. Overall this should have illustrated a level of stability and liquidity that would be enviable in any class of investment assets around the world.

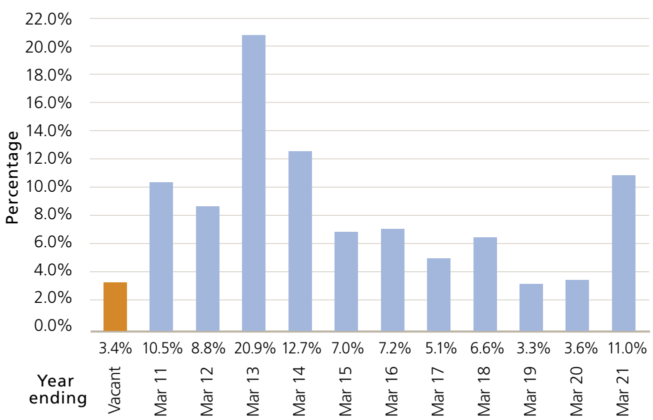
It is a challenge to arrive at reasonable market assessments of value in the current environment when so many variables are subject to considerable change in short periods of time. In our opinion valuations this year appear conservative as a result of the continuing uncertainty in the market.

Note: Some figures may differ to those in the accounts due to finalised lease transactions not recognised under valuation methodology.

WALT HOLDING BY SECTOR



LEASE EXPIRY BY RENT



» Retail portfolio

Financial year 2010 has been a hard road and many have fallen by the wayside.

The retail sector has certainly been a difficult place for the last three years, tried firstly by a domestic recession and then by the global financial crisis. The supply and demand of space in the retail sector did not enter this malaise in ideal shape, principally due to significant expansion in the years leading up to the domestic recession. Many retailers have been challenged by a drop in turnover and the relatively high rental rates that they were paying based on historical rents driven up by the expansionist aspirations of retail chains and franchise operations.

The retail sector will respond fairly quickly to changes in the market and while some retailers have not been able to keep their doors open, this has meant that delays in response to market conditions are limited. In general, the market has confronted the reality of negative rental growth and increased incentives; most of the bad news from this sector is already out there.

While the situation for retailers appears to have stopped getting worse, the story is far from positive. Just as the retail market turned quickly into negative growth, it can respond equally quickly to positive economic growth. Expansion enquiry is there, but for deferred commencement and at bargain rentals.

Property address	Weighted average lease term (years)	Net lettable area (sqm)	Vacant space (sqm)	Passing yield	Major tenant
Rebel Sports, Main Street, Palmerston North	1.00	1,467	0	8.79%	The Sports Authority Limited
Waitakere Mega Centre, Henderson, Auckland	4.83	17,568	0	8.77%	Coles Myer (NZ) Holdings Limited
28-30 Catherine Street, Henderson, Auckland	7.38	2,427	0	7.63%	Appliance Shed
Albany Mega Centre, Albany, Auckland	4.15	24,509	0	8.18%	Farmers Trading Co Limited
Cnr Taniwha & Paora Hape Streets, Taupo	2.85	4,186	0	8.21%	The Warehouse Limited
320 Ti Rakau Drive, East Tamaki, Auckland	7.03	28,259	0	8.74%	Bunnings Limited (Retail)
Briscoes, Main Street, Palmerston North	1.00	2,340	0	8.51%	Briscoes (NZ) Limited
Homemakers Centre, Albany, Auckland	9.65	25,042	0	9.65%	Mitre 10 New Zealand Limited
7 Wagener Place, St Lukes, Auckland	7.07	7,056	0	8.36%	The Warehouse Limited
39 Cavendish Drive, Manukau City, Auckland	2.84	8,171	0	8.14%	The Warehouse Limited
501 Ti Rakau Drive, East Tamaki, Auckland	0.08	3,085	0	8.44%	Danske Mobler
180-202 Hutt Road, Kaiwharawhara	2.38	6,132	0	9.01%	Fletcher Distribution Limited
Stewart Dawsons Corner, Wellington	6.32	1,754	0	8.91%	Rodd & Gunn (NZ) Limited
10 Tutu Place, Porirua, Wellington	4.09	2,347	0	9.53%	Team Capital Limited
2-10 Semple Street, Porirua, Wellington	3.98	6,585	0	8.89%	Smith City (Southern) (NZ)
9 Tutu Place, Porirua, Wellington	4.44	6,918	0	8.81%	Spotlight Stores (NZ) Limited
5 Tutu Place, Porirua, Wellington	2.07	3,781	0	9.34%	Department of Inland Revenue
3 Semple Street, Porirua, Wellington	0.08	1,543	0	8.43%	Placemakers
7 Maui Street, Hamilton	6.09	1,410	0	8.92%	Redpaths (NZ) Limited
792 Great South Road, Manukau City, Auckland	7.32	3,812	1,306	7.70%	Fresh + Save Supermarket
Total retail portfolio (excludes Albany undeveloped land)	**5.57**	**158,393**	**1,306**	**8.61%**	

Top 10

retail tenants by percentage
of rental income

- Briscoes (NZ) Ltd
- The Warehouse Limited
- Mitre 10 New Zealand Limited
- Warehouse Stationery Limited
- Steinhoff Asia Pacific Limited
- Fletcher Distribution Limited
- Coles Myer (NZ) Holdings Ltd
- Lighting Direct Limited
- Danske Mobler
- Farmers Trading Co Limited
- Other tenants

1. 10 Tutu Place, Porirua, Wellington

Weighted average lease term 4.09

Net lettable area (sqm) 2,347

Vacant space 0.00%

Passing yield 9.53%

Major tenant Team Capital Limited

2. Waitakere Mega Centre, Henderson, Auckland

Weighted average lease term 4.83

Net lettable area (sqm) 17,568

Vacant space 0.00%

Passing yield 8.77%

Major tenant Coles Myer (NZ) Holdings Limited

3. Albany Mega Centre, Albany, Auckland

Weighted average lease term 4.15

Net lettable area (sqm) 24,509

Vacant space 0.00%

Passing yield 8.18%

Major tenant Farmers Trading Co Limited

» 1

» 1_Waitakere Mega Centre, Henderson, Auckland
2_North Beach, Albany Mega Centre, Auckland

» 2

» Commercial portfolio

Diversified by tenant and location, the Trust's commercial portfolio is well positioned to meet future challenges.

The market for commercial office space in Auckland's CBD and, to a lesser extent, in Wellington is currently characterised by an increasing level of vacancy due to decreased demand and – particularly in the case of Auckland – an increasing future supply. While the current figures indicate a reduction in the amount of office space required by the market, as the general economic situation improves this will move to a more normal annual increase in space required (net absorption). The market is currently making allowances for the negative net absorption that was experienced last year and for the majority of new space that is expected to be added to the market through new developments over the next three years. The performance of the office market in general will be determined by the accuracy of these projections both in terms of degree and timing. In the event that one of the office buildings that is proposed (and is reflected in the projections) not proceeding as currently planned, the market would be expected to move to an equilibrium phase much sooner.

There are of course some encouraging signs in the domestic economy with both employment growth and job advertisements on the increase. While these are a positive indicator for the market, we have yet to see this reflected in space requirements. As a result of the downturn, many businesses will lease more space than they currently occupy and this excess capacity will need to be absorbed before any new space will be required.

Property address	Weighted average lease term (years)	Net lettable area (sqm)	Vacant space (sqm)	Passing yield	Major tenant
99-107 Khyber Pass Road, Newmarket, Auckland	3.98	2,463	931	7.26%	Franklin Plumbers & Builders Supplies Limited
8 Pacific Rise, Mt Wellington, Auckland	2.53	3,638	473	8.85%	AsureQuality Limited
143 Lambton Quay, Wellington	0.48	6,216	0	10.11%	Te Puni Kokiri
25 College Hill, Ponsonby, Auckland	7.39	4,239	0	8.87%	Gentrack Limited
Old City Markets, 39 Market Place, Auckland	7.91	10,478	540	9.16%	NIWA
105 Carlton Gore Road, Newmarket, Auckland	4.13	5,367	0	9.30%	Tonkin & Taylor Limited
107 Carlton Gore Road, Newmarket, Auckland	3.15	6,136	0	9.23%	ANZ
56 Cawley Street, Ellerslie, Auckland	2.99	4,936	979	8.60%	James & Wells
302 Great South Road, Greenlane, Auckland	7.70	1,890	0	8.42%	McDonalds Restaurants (NZ) Limited
308 Great South Road, Greenlane, Auckland	5.72	1,565	0	8.98%	Pacific Brands
626 Great South Road, Ellerslie, Auckland	3.93	2,647	483	8.22%	International Accreditation NZ
25 Nugent Street, Grafton, Auckland	1.10	3,038	0	8.58%	Schindler Lifts (NZ) Limited
65 Upper Queen Street, Auckland CBD	6.46	2,637	2,226	2.33%	Chester Grey
46 Waring Taylor Street, Wellington	3.22	8,994	0	9.26%	Department of Internal Affairs
23 Customs Street East, Auckland	3.11	9,777	627	9.25%	Citibank Group/USA Embassy
8-14 Willis Street, Wellington	2.98	5,232	1,992	7.78%	Pagani Clothing Limited
82 Wyndham Street, Auckland	2.65	6,190	462	9.87%	IBM New Zealand Limited
Total commercial portfolio	**3.89**	**85,442**	**8,713**	**8.96%**	

Top 10

commercial tenants by percentage of rental income

- Department of Internal Affairs
- Arawata Assets Limited
- Te Puni Kokiri
- IBM New Zealand Limited
- Tonkin & Taylor Limited
- National Institute of Water & Atmospheric Research
- Contact Energy Limited
- Gentrack Limited
- Boffa Miskell
- PMP Limited
- Other tenants

1. 82 Wyndham Street, Auckland

Weighted average lease term 2.65

Net lettable area (sqm) 6,190

Vacant space 7.46%

Passing yield 9.87%

Major tenant IBM New Zealand Limited

2. 302 Great South Road, Greenlane, Auckland

Weighted average lease term 7.70

Net lettable area (sqm) 1,890

Vacant space 0.00%

Passing yield 8.42%

Major tenant McDonalds Restaurants (NZ) Limited

3. 105 Carlton Gore Road, Newmarket, Auckland

Weighted average lease term 4.13

Net lettable area (sqm) 5,367

Vacant space 0.00%

Passing yield 9.30%

Major tenant Tonkin & Taylor Limited

» 1

» 1_82 Wyndham Street, Auckland
2_105 Carlton Gore Road, Auckland

» 2

» Industrial portfolio

Despite global economic challenges, the industrial sector has remained relatively robust.

In contrast with the commercial office sector, there is little excess capacity and no overbuilding evident in the industrial sector. While there has been an increase in the vacancy level in many areas, much of this is related to a decrease in supply to the retail sector. Demand for new space remains limited, but there are positive signs evident and the sector in general is expected to provide solid returns in the years ahead. With the industrial sector there is always the requirement to ensure that properties remain fit for the purpose to which the occupiers wish to put them but this remains an issue at all times in the market.

Demand for industrial space in the main centres is often location specific and this is of course contributed to by the traffic congestion issues at least in the Auckland office market.

Property address	Weighted average lease term (years)	Net lettable area (sqm)	Vacant space (sqm)	Passing yield	Major tenant
2 Carmont Place, Mt Wellington, Auckland	1.08	4,103	0	9.40%	Downer EDI Engineering Limited
67 Dalgety Drive, Manukau City, Auckland	7.01	6,998	0	8.45%	RLA Polymers PTY Limited
90-104 Springs Road, East Tamaki, Auckland	2.42	3,875	0	8.90%	Goodyear & Dunlop Tyres (NZ) Limited
80 Springs Road, East Tamaki, Auckland	2.25	9,865	0	9.83%	Fisher & Paykel Appliances Limited
1 Allens Road, East Tamaki, Auckland	4.02	1,791	0	8.88%	Bayleys Real Estate Limited
2 Allens Road, East Tamaki, Auckland	4.34	2,920	0	8.33%	Henkel New Zealand Limited
5 Allens Road, East Tamaki, Auckland	2.67	2,664	0	9.26%	Thermo Fisher Scientific (NZ) Limited
12 Allens Road, East Tamaki, Auckland	0.89	2,377	0	10.34%	Transpacific Technical Services (NZ) Limited
106 Springs Road, East Tamaki, Auckland	4.20	3,846	0	8.32%	Henkel New Zealand Limited
19 Richard Pearse Drive, Mangere, Auckland	3.53	4,529	2,634	3.28%	New Zealand Food Safety Authority
Cnr William Pickering Drive & Bush Road, Albany, Auckland	2.00	5,037	0	9.57%	Dick Smith Electronics
Forge Way, Panmure, Auckland	3.47	4,231	0	10.68%	Truck Leasing Limited (Esanda)
10 Transport Place, East Tamaki, Auckland	12.18	13,281	0	8.65%	Easy Logistics Limited
6 Zelanian Drive, East Tamaki, Auckland	0.00	5,072	0	12.01%	Robinhood Industries Limited
Cnr Wakefield, Taranaki & Cable Streets, Wellington	7.08	3,307	0	6.15%	BP Oil (NZ) Limited
205-221 Wakefield Street, Wellington	0.08	1,460	0	5.61%	General Distributors
1 Rothwell Avenue, Albany, Auckland	2.95	10,636	0	7.31%	Complete Entertainment Services Limited
1-3 Unity Drive, Albany, Auckland	2.42	6,454	0	8.70%	Alto Packaging Limited
5 Unity Drive, Albany, Auckland	6.01	3,046	0	9.09%	Sealegs International Limited
211 Albany Highway, Albany, Auckland	6.60	15,764	0	9.29%	HP Industries (NZ) Limited
9 Ride Way, Albany, Auckland	7.48	9,477	0	9.60%	Amcor Packaging (NZ) Limited
Cnr William Pickering Drive & Rothwell Avenue, Albany, Auckland	4.09	7,445	0	8.44%	Electrix Limited
4 Henderson Place, Onehunga, Auckland	4.66	11,696	0	8.70%	Redeal Limited
1 Pandora Road, Napier	2.92	26,330	0	12.10%	Fonterra Co Operative Group Limited
8 Foundry Drive, Woolston, Christchurch	1.91	11,360	0	10.34%	Polarcold Stores Limited
308 Port Hills Road, Port Hills, Christchurch	7.42	7,071	0	8.90%	McKenzie Balfour & Associates Limited
12-32 Bell Avenue, Penrose, Auckland	1.72	32,942	0	7.52%	Peter Baker Transport Limited
960 Great South Road, Penrose, Auckland	5.00	3,676	0	8.24%	Gough Gough & Hamer Investments Limited
Mayo Road, Wiri, Auckland	8.01	18,680	0	9.39%	DSE (NZ) Limited
1478 Omahu Road, Hastings	3.34	10,945	0	10.36%	Crasborn Coolstores Limited
Rewarewa Road, Whangarei	11.95	27,704	0	9.01%	Toll Holdings Limited
Total industrial portfolio (excludes NEIL joint venture)	**4.94**	**271,507**	**2,634**	**8.78%**	

Top 10

industrial tenants by percentage of rental income

- Bunnings Limited
- Easy Logistics Limited
- DSE (NZ) Limited
- Peter Baker Transport Limited
- HP Industries (NZ) Limited
- Amcor Packaging (NZ) Limited
- Truck Leasing Limited
- Fonterra Co-Operative Group Limited
- Toll Holdings Limited
- Other tenants

1. 9 Ride Way, Albany, Auckland

Weighted average lease term 7.48

Net lettable area (sqm) 9,477

Vacant space 0.00%

Passing yield 9.60%

Major tenant Amcor Packaging (New Zealand) Limited

2. 12-32 Bell Avenue, Penrose, Auckland

Weighted average lease term 1.72

Net lettable area (sqm) 32,942

Vacant space 0.00%

Passing yield 7.52%

Major tenant Peter Baker Transport Limited

3. Rewarewa Road, Whangarei

Weighted average lease term 11.95

Net lettable area (sqm) 27,704

Vacant space 0.00%

Passing yield 9.01%

Major tenant Toll Holdings Limited

» 1

» 1 _ Rewarewa Road, Whangarei
2 _ 9 Ride Way, Albany, Auckland

» 2

Environmental statement

The protection of the environment has become more important. Scarce resources must be preserved for future generations. At the same time, there is a growing awareness that many environmental issues do not stand alone, but are intertwined with broader social and political developments.

ING Property Trust Management Limited (IPTML), recognises that certain natural resources are finite and must therefore be used responsibly. We are committed to conducting our business responsibly and environmental protection is a fundamental part of this commitment.

Healthy economic growth and environmental care are two sides of the same coin. We believe that companies like IPTML have an important role to play in contributing to sustainable development.

All employees of IPTML are expected to be aware of environmental issues and encourage environmentally responsible behaviour among staff. Over and above our in-house recycling and printing initiatives, we believe our biggest impact on the environment can be seen in our buildings and building management policy and our communications.

Communication and reporting

Raw materials (natural wood) and the use of bleaching chemicals make the production of paper harmful to the environment. ING Property Trust Management Limited uses vast quantities of paper for its internal and external communications, so to limit our impact on the environment IPTML aims to reduce paper consumption by making greater use of electronic communications such as the internet, intranet and document imaging. Recently, unitholders were offered the opportunity to receive communications from the manager via email. Approximately 20% of unitholders took up the offer.

The Board encourages business units to use environmentally friendly paper that is non-bleached (ECF and TCF) and originates from sustainable sources. IPTML uses a range of environmentally responsible paper stock for all printed unitholder publications.

Called Evolve, the paper range is made from FSC Certified, 100% Post Consumer recycled, Process Chlorine Free (PCF) pulp, and manufactured under strict ISO 14001 environmental management system. At every stage of production, Evolve utilises technology and methods that maximise efficiency and minimise the impact on the environment, right down to using wood waste from local community, industry and pulp mills to generate biomass energy.

Printing companies used by ING Property Trust use the latest in vegetable oil-based and mineral oil-free inks for all printed publications. These inks contain less chemicals, are more biodegradable and more carbon efficient than their synthetically produced counterparts.

Our building management policy

ING Property Trust Management Limited, as a responsible investor, is keen to ensure that each of its investments uses initiatives to achieve environmentally sustainable features in each individual building's strategic plan. We consider the initiative to produce environmentally responsible developments a fundamental requirement of any project, be it a new development or a retro-fit.

This view is supported by tenant demand for green accommodation that:

- Provides a reduction in operating costs
- Provides an improved environment for the occupants
- Mitigates the functional obsolescence of an investment
- Results in increased tenant demand for our buildings, and an increase in the property value.

The Manager is committed to finding innovative ways of making the Trust's new and existing buildings more environmentally sound and sustainable. ING (NZ) Limited is a member of the New Zealand Green Building Council, the non-government organisation made up of industry leaders committed to developing market based solutions that help deliver efficient, healthier, innovative buildings for New Zealand.

To date, these initiatives include rainwater harvesting for reuse, installing bike racks to encourage the use of environmentally friendly transport and bringing essential services (lifts, airconditioning etc) within a building in line with green operating standards.

1 Rothwell Avenue, Albany, Auckland

» Financial statements

» 1 _ Manpower House, Wellington
2 _ Stewart Dawson Corner, Wellington
3 _ 12-32 Bell Avenue, Penrose, Auckland

Contents

Statement of Financial Position

As at 31 March 2010

	Note	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Non-current assets					
Investment properties	5	925,919	–	963,660	–
Property, plant and equipment	5	–	–	87,928	–
Derivative financial instruments	6	147	147	–	–
Other non-current assets	7	7,386	791,525	8,731	878,328
Deferred tax	16	–	7,181	–	11,915
Total non-current assets		933,452	798,853	1,060,319	890,243
Current assets					
Cash and cash equivalents		1,230	55	1,070	47
Trade and other receivables	8	7,215	63	3,640	97
Other current assets	9	671	16	9,023	–
Taxation receivable		714	4,474	–	2,636
		9,830	4,608	13,733	2,780
Non-current assets classified as held for sale	10	6,722	–	7,755	–
Total current assets		16,552	4,608	21,488	2,780
Total assets		950,004	803,461	1,081,807	893,023
Unitholders' funds					
Units on issue	11	538,282	538,282	531,574	531,574
Hedging reserves	12	(9,525)	(9,525)	(23,027)	(23,027)
Retained earnings/(accumulated losses)	13	(25,263)	(115,864)	68,529	(66,522)
Minority interest	14	11,656	–	–	–
Total unitholders' funds		515,150	412,893	577,076	442,025
Non-current liabilities					
Borrowings	15	–	–	410,750	410,570
Derivative financial instruments	6	19,177	17,379	35,295	34,045
Deferred tax	16	22,886	–	22,501	–
Total non-current liabilities		42,063	17,379	468,546	444,615
Current liabilities					
Borrowings	15	380,916	345,693	18,234	–
Trade and other payables	17	9,019	6,069	11,374	3,993
Derivative financial instruments	6	1,290	1,290	2,456	2,390
Taxation payable		–	–	1,973	–
Other current liabilities		1,566	20,137	2,148	–
Total current liabilities		392,791	373,189	36,185	6,383
Total liabilities		434,854	390,568	504,731	450,998
Total unitholders' funds and liabilities		950,004	803,461	1,081,807	893,023

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

Michael Smith, Chairman   **Trevor Scott,** Director   20 May 2010

The notes on pages 37 – 65 form part of and are to be read in conjunction with these financial statements.

Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Gross property income from rentals		83,822	–	93,349	–
Gross property income from expense recoveries		12,760	22	14,247	26
Property expenses		(18,655)	47	(19,758)	81
Net property income	4	77,927	69	87,838	107
Recharges charged to subsidiaries		–	34,626	–	47,013
Distribution received from available-for-sale investment		–	–	1,083	–
Distribution received from subsidiaries		–	1,441	–	9,533
Other income	18	527	–	–	–
Total income		78,454	36,136	88,921	56,653
Administration expenses	20	10,209	8,165	11,437	12,942
Other expenses	18	–	–	13,439	–
Total expenses before finance income/(expenses) and other gains/(losses)		10,209	8,165	24,876	12,942
Profit before financial income/(expenses) and other gains/(losses)		68,245	27,971	64,045	43,711
Financial income/(expense)					
Finance expense	19	(42,413)	(41,858)	(39,501)	(40,155)
Finance income	19	581	1	939	23
		(41,832)	(41,857)	(38,562)	(40,132)
Other gains/(losses)					
Revaluation (losses)/gains on investment property	5	(70,659)	–	(89,127)	–
Revaluation (losses)/gains on joint venture investment property	5	(12,102)	–	(804)	–
Unrealised gain on construction	5	–	–	30	–
		(82,761)	–	(89,901)	–
(Loss)/profit before income tax		(56,348)	(13,886)	(64,418)	3,579
Taxation credit	21	(2,486)	(4,599)	(1,324)	(2,107)
(Loss)/profit for the year		(53,862)	(9,287)	(63,094)	5,686
Other comprehensive income					
Movement in cash flow hedge reserve	12	19,289	19,289	(40,322)	(40,322)
Fair value loss – units in ING Medical Properties Trust		–	–	1,712	–
Income tax (expense)/benefit relating to other comprehensive income	21	(5,787)	(5,787)	12,321	12,321
Total other comprehensive income/(loss) after tax		13,502	13,502	(26,289)	(28,001)
Total comprehensive income/(loss) after tax		(40,360)	4,215	(89,383)	(22,315)
(Loss)/profit for the year is attributable to:					
Unitholders of the Trust		(53,737)	(9,287)	(63,094)	5,686
Minority interest		(125)	–	–	–
Total comprehensive income/(loss) for the year is attributable to:					
Unitholders of the Trust		(40,235)	4,215	(89,383)	(22,315)
Minority interest		(125)	–	–	–
All amounts are from continuing operations					
(Loss)/earnings per unit					
Basic and diluted earnings per unit (cents)	23	(10.07)		(12.15)	

The notes on pages 37 – 65 form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2010

	Note	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Unitholders' funds at the beginning of the year		577,076	442,025	700,528	498,409
(Loss)/profit for the year		(53,862)	(9,287)	(63,094)	5,686
Fair value (losses) on cashflow hedges		13,502	13,502	(28,001)	(28,001)
Fair value loss – units in ING Medical Properties Trust	13	–	–	1,712	–
Total comprehensive income for the year		(40,360)	4,215	(89,383)	(22,315)
Contributions by unitholders					
Issue of units from Dividend Reinvestment Plan	11	6,729	6,729	13,202	13,202
Issue costs of units	11	(21)	(21)	(146)	(146)
Units purchased in buy back	11	–	–	(4,358)	(4,358)
Distributions to unitholders	13	(40,055)	(40,055)	(42,767)	(42,767)
Minority interest on business combination	14	11,781	–	–	–
Unitholders' funds at the end of the year		515,150	412,893	577,076	442,025

The notes on pages 37 – 65 form part of and are to be read in conjunction with these financial statements.

Statements of Cash Flows

For the year ended 31 March 2010

	Note	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Cash flows from operating activities					
Cash was provided from:					
Property income		91,762	–	109,351	–
Interest received		398	1	462	22
Distributions received		–	–	1,083	–
Cash was applied to:					
Property expenses		(21,129)	–	(21,686)	(430)
Management and Trustee fees		(6,548)	(6,545)	(7,612)	(7,612)
Interest paid		(26,848)	(25,983)	(38,931)	(37,336)
Close of swaps contracts		(12,284)	(11,985)	–	–
Tax paid		(4,756)	(862)	(7,286)	(3,568)
Other trust expenses		(1,951)	(1,508)	(2,003)	(1,992)
Net cash from operating activities	22	18,644	(46,882)	33,378	(50,916)
Cash flows from investing activities					
Cash was provided from:					
Sale of properties		101,509	–	107,855	–
Sale of units in ING Medical Properties Trust		–	–	16,549	–
Repayment of advance from related party		–	–	705	–
Cash was applied to:					
Loan to North East Industrial Limited		(330)	–	(1,823)	–
Capital additions on investment properties		(19,061)	–	(13,293)	–
Purchase of properties		–	–	(51,093)	–
Expenditure on property, plant and equipment		–	–	(29,936)	–
Net cash used in investing activities		82,118	–	28,964	–
Cash flows from financing activities					
Cash was provided from:					
Debt drawdown		54,842	54,287	96,729	93,894
Issue of units (net of issue costs)		–	–	8,823	8,823
Advances from subsidiaries		–	145,871	–	114,770
Cash was applied to:					
Repayment of debt		(122,139)	(119,808)	(124,413)	(123,432)
Distributions paid to unitholders		(33,439)	(33,439)	(38,539)	(38,539)
Issue of units (net of issue costs)		(21)	(21)	–	–
Buyback of units		–	–	(4,579)	(4,579)
Net cash from financing activities		(100,757)	46,890	(61,979)	50,937
Net increase/(decrease) in cash and cash equivalents		5	8	363	21
Cash and cash equivalents bought through business combination		155	–	–	–
Cash and cash equivalents at the beginning of the year		1,070	47	707	26
Cash and cash equivalents at the end of the year		1,230	55	1,070	47

The notes on pages 37 – 65 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

1. General information

ING Property Trust ("INGPT" or "the Trust") is a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 30 October 2002 as amended by a Deed of Variation and Reinstatement dated 30 September 2004, 17 October 2006, 17 December 2008 and 27 May 2009. 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 New Zealand. The Trust is managed by ING Property Trust Management Limited ("the Manager"), which is a wholly owned subsidiary of ING (NZ) Limited.

These financial statements include those of ING Property Trust and its subsidiaries (the "Group").

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

These financial statements were approved by the Board of Directors of the Manager on 20 May 2010.

2. Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The accounting policies applied in these financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards issued and effective at the time of preparing these statements as applicable to the Trust as a profit-oriented entity. The Trust and Group financial statements also comply with International Financial Reporting Standards (IFRS).

The 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 with NZ IFRS requires the use of certain critical accounting estimates that affect the application of policies and reported amount of assets and liabilities, income and expenses. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Note 5 – valuation of investment property
Note 6 – valuation of derivative financial instruments
Note 16 – deferred tax (and taxation in note 21)

Change in accounting policies

The following new, amended accounting standards are mandatory for application at 31 March 2010. These financial statements have been prepared under the revised disclosure requirements.

NZ IAS 1 Presentation of Financial Statements – The revised standard requires that an entity must present all non-owner changes in equity ('comprehensive income") either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present one statement of comprehensive income.

NZ IAS 1 amends the titles of financial statements as follows:

- 'Balance Sheet' becomes 'Statement of Financial Position'
- 'Income Statement' becomes part of the 'Statement of Comprehensive Income.'
- 'Cash Flow Statement' becomes 'Statement of Cash Flows'

NZ IAS 40 Investment Property – The amendment requires property acquired for the purpose of development to be classified as investment properties. Previously, investment properties under development were held at cost less any impairment in accordance with NZ IAS 16 Property, Plant and Equipment. Following the amendment, investment properties under development are classified as investment properties and stated at fair value. Where the property's fair value can't be reliably measured, it will continue to be measured at cost until either its fair value can be reliably measured or the construction is completed.

The change has been applied prospectively from 1 April 2009, resulting in a reclassification of investment property under development for the Group at its carrying amount of $87.9 million in the year, and the recognition of a loss on revaluation of the property in profit or loss (reported as part of 'other gains and losses') of $15.1 million, offset by a deferred tax expense of $4.4 million. At 31 March 2010, the impact has been to decrease property, plant and equipment by $87.9 million, to increase investment property by $81.9 million, and to decrease deferred tax liabilities by $4.4 million and to decrease retained earnings by $10.7 million.

NZ IFRS 8 Operating Segments – NZ IFRS 8 replaces NZ IAS 14 Segment Reporting. Operating segments are required to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The impact of the adoption of this standard has been to expand the disclosure provided in note 4 and it has not led any changes in the Group's business segments.

3. Significant accounting policies

Basis of consolidation

The Group's financial statements incorporate the financial statements of INGPT and its controlled subsidiaries accounted for using the purchase method. Control is achieved where the Group 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 statement of comprehensive income 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.

Minority share in a subsidiary's net assets is reported as a separate item in the Group's equity. In the consolidated statement of comprehensive income, minority share is included in net profit.

Transactions with minority interests are handled in the same way as transactions with external parties.

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
North East Industrial Limited

On 31 January, 2010 ING Property Trust obtained the control of the board of North East Industrial Limited (2009: 50% joint control). As a result of this, North East Industrial Limited has effectively become the subsidiary of the Group. There was no change of shareholding.

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 jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on acquisition of a subsidiary.

Investment properties

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 the statement of comprehensive income. 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.

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 statement of comprehensive income in the year of derecognition.

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 the statement of comprehensive income. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Statement of cash flows

The statement of cash flows is prepared on a GST exclusive basis, which is consistent with the statement of comprehensive income.

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the equity.

Financial instruments

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised and derecognised on trade date where the purchase or sale of investment is under a contract whose terms require delivery of the financial instrument within the time frame established by the market concerned, and are initially measured 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 purpose of the statement of cash flows.

Notes to the financial statements (cont.)

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 and loss over the period of the borrowing using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to property under development are capitalised as part of the cost of those assets in note 5.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Derivative financial instruments

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 expense in the statement of comprehensive income.

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 certain 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 in the statement of comprehensive income when the forecast transaction is ultimately recognised in the statement of comprehensive income. 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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income 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.

Dividend revenue from investments is recognised when the Group's right to receive the payment has been established.

Management fees are recognised in the period in which the services are performed.

Notes to the financial statements (cont.)

Financial income and expenses

Finance income comprises interest income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income over the relevant period (including all fees and points paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial instrument.

Finance expenses comprise interest expense on borrowings and gains and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in the statement of comprehensive income 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 affects 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.

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations were in issue but not yet effective, which are not expected to have a material impact but may affect presentation and disclosure:

NZ IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2013);

NZ IAS 32 (Amended) Financial Instruments: Presentation – Classification of Rights issues (effective for accounting periods beginning on or after 1 February 2010);

NZ IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011);

Other Standards and Interpretations in issue but not yet effective are not expected to have an impact in the financial statements of the Group and Trust in the period of initial application.

4. Segment information

The principal business activity of the Trust and its subsidiaries is to invest in New Zealand properties. The Group has adopted NZ IFRS 8 Operating Segments with effect from 1 April 2009. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The information reported to the Group's chief operating decision maker is based on primarily three business sectors, being Retail, Commercial and Industrial, based on what occupants actual or intended use is.

Notes to the financial statements (cont.)

4. Segment information (cont.)

The following is an analysis of the Group's results by reportable segments.

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment profit/(loss) for the year ended 31 March 2010:				
Net property income	28,116	22,467	27,344	77,927
Administration expenses	(2,430)	(1,901)	(2,537)	(6,868)
Other income/(expenses)	754	(855)	628	527
Finance income/(expenses)	221	16	11	248
	26,661	19,727	25,446	71,834
Revaluation (loss)/gains on investment properties and joint venture investment properties	(23,891)	(19,707)	(39,163)	(82,761)
Total segment profit/(loss)	2,770	20	(13,717)	(10,927)
Unallocated:				
Administration expenses				(3,341)
Finance income/(expenses)				(26,567)
Unrealised interest rate swaps gain/(loss)				(15,513)
Profit/(loss) before income tax				(56,348)
Taxation				2,486
Profit/(loss) for the year				(53,862)
Segment profit/(loss) for the year ended 31 March 2009:				
Net property income	31,436	31,404	24,283	87,123
Administration expenses	(2,604)	(2,407)	(3,099)	(8,110)
Other income/(expenses)	(2,307)	(5,176)	(2,070)	(9,553)
Finance income/(expenses)	5	27	348	380
	26,530	23,848	19,462	69,840
Revaluation (loss)/gains on investment properties and joint venture investment properties	(29,352)	(28,138)	(32,441)	(89,931)
Unrealised (loss)/gain on construction	30	–	–	30
Total segment profit/(loss)	(2,792)	(4,290)	(12,979)	(20,061)
Unallocated:				
Distribution received from available-for-sale investment				1,083
Administration expenses				(3,327)
Finance income/(expenses)				(34,470)
Other income/(expenses)				(3,886)
Unrealised interest rate swaps gain/(loss)				(4,472)
Unallocated net property income				715
Profit/(loss) before income tax				(64,418)
Taxation				1,324
Profit/(loss) for the year				(63,094)

Net property income consists of revenue generated from external tenants less property operating expenditure.

There were no inter-segment sales during the year (31 March 2009: Nil).

Segment profit represents the profit earned by each segment including allocation of identifiable administration costs, finance costs, revaluation (losses)/gains on investment properties, and (losses)/gains on disposal of investment properties. This is the measure reported to the General Manager, who is the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the financial statements (cont.)

4. Segment information (cont.)

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment assets for the year ended 31 March 2010				
Current assets	**5,364**	**392**	**2,001**	**7,757**
Investment properties	**329,469**	**264,060**	**332,390**	**925,919**
Total segment assets	**334,833**	**264,452**	**334,391**	**933,676**
Unallocated assets:				**16,328**
Consolidated assets				**950,004**
Segment assets for the year ended 31 March 2009				
Current assets	2,344	550	7,785	10,679
Investment properties	337,285	325,970	300,405	963,660
Property, plant and equipment	21,497	–	66,431	87,928
Total segment assets	361,126	326,520	374,621	1,062,267
Unallocated assets:				19,540
Consolidated assets				1,081,807

	Industrial $000s	Commercial $000s	Retail $000s	Total $000s
Segment liabilities for the year ended 31 March 2010				
Current liabilities	**849**	**1,299**	**1,670**	**3,818**
Total segment liabilities	**849**	**1,299**	**1,670**	**3,818**
Unallocated liabilities				**431,036**
Consolidated liabilities				**434,854**
Segment liabilities for the year ended 31 March 2009				
Current liabilities	2,552	2,923	3,147	8,622
Total segment liabilities	2,552	2,923	3,147	8,622
Unallocated liabilities				496,109
Consolidated liabilities				504,731

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than cash and cash equivalents, assets held for sale, derivatives, management contract and tax assets.
- all liabilities are allocated to reportable segments other than borrowings, derivatives, current tax and deferred tax liabilities.

Notes to the financial statements (cont.)

5. Investment properties

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Investment properties	925,919	–	963,660	–
Investment properties under construction (formerly property, plant and equipment)	–	–	87,928	–
	925,919	–	1,051,588	–
Movement in investment properties				
Balance at the beginning of the year	938,338	–	1,087,949	–
Acquisition of properties	–	–	52,892	–
Transfer in from joint venture	31,540	–	–	–
Acquisition through business combination (note 14)	31,540	–	–	–
Capitalised costs	22,991	–	4,437	–
Disposals	(92,825)	–	(117,813)	–
Transfer to properties held for sale	(6,722)	–	–	–
Transfer from investment properties under construction	66,431	–	–	–
Change in fair value	(70,659)	–	(89,127)	–
Closing balance	920,633	–	938,338	–
Deferred initial direct costs/lease incentives				
Opening balance	3,922	–	3,413	–
Change during the year	1,364	–	509	–
Closing balance	5,286	–	3,922	–
Share of joint venture investment properties				
Opening balance	21,400	–	20,125	–
Transfer from investment properties under construction	21,497	–	2,051	–
Capitalised costs	746	–	–	–
Change in fair value	(12,102)	–	(804)	–
Unrealised gain on construction	–	–	30	–
Deferred lease incentive change	(1)	–	(2)	–
Transfer to investment property	(31,540)	–	–	–
Closing balance	–	–	21,400	–
Movement in investment properties under construction				
Balance at the beginning of the year	87,928	–	55,830	–
Purchase of land and ground lease	–	–	2,202	–
Capitalised costs	–	–	28,221	–
Interest capitalised	–	–	3,726	–
Transfer to investment property (note 2)	(87,928)	–	(2,051)	–
	–	–	87,928	–
Closing balance	925,919	–	1,051,588	–

Deferred initial direct costs/lease incentives

This 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 Group holds the freehold to all investment properties other than 39 Market Place, Auckland and Oteha Valley Rd, Albany Centre, Auckland.

Investment properties purchased and disposed of during the year are as follows:

Acquisition of properties				
7 Wagener Place, Auckland	–	–	19,062	–
32 Bell Avenue, Auckland	–	–	9,126	–
9 Ride Way, Albany	–	–	17,043	–
308 Port Hills Road, Christchurch	–	–	7,661	–
	–	–	52,892	–

Notes to the financial statements (cont.)

5. Investment properties (cont.)

Investment properties purchased and disposed of during the year are as follows:

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Disposal of properties				
Cnr Munroe & Dickens Streets, Napier	7,755	–	–	–
43 College Hill, Auckland	7,667	–	–	–
Annie Huggan Grove, Wellington	8,700	–	–	–
18 London Street, Hamilton	7,625	–	–	–
42 Sir William Drive, Auckland	5,000	–	–	–
632 Great South Road, Auckland	7,056	–	–	–
11 Maui Street, Hamilton	1,800	–	–	–
94 Cryers Road, Auckland	3,550	–	–	–
15 Maui Street, Hamilton	1,981	–	–	–
Cnr Lambie & Cavendish Drives, Auckland	6,003	–	–	–
9 Maui Street, Hamilton	1,900	–	–	–
3-5 Croftfield Lane, Auckland	13,500	–	–	–
7-9 Niall Burgess Drive, Auckland	20,325	–	–	–
269 Khyber Pass Road, Auckland	3,682	–	–	–
369 Khyber Pass Road, Auckland	4,035	–	–	–
2-14 Railway Street, Auckland	–	–	5,967	–
127 Newton Road, Auckland	–	–	3,825	–
Cnr Spa Road & Tongariro Street, Taupo	–	–	8,594	–
Cnr Worksop & Queen Streets, Masterton	–	–	5,250	–
11 McCormack Place, Wellington	–	–	5,500	–
2-6 Park Avenue, Auckland	–	–	9,739	–
477 Great South Road, Auckland	–	–	5,750	–
Cnr Bridge & Anglesea Streets, Hamilton	–	–	5,070	–
101 Garnet Avenue, Hamilton	–	–	9,497	–
Cnr Main & Albert Streets, Palmerston North	–	–	3,950	–
12-22 Hawkestone Street, Wellington	–	–	17,460	–
1-11 The Strand, Auckland	–	–	13,166	–
12 Henderson Place, Auckland	–	–	2,961	–
59-63 Druces Road, Auckland	–	–	4,301	–
Cnr Queen Street West & King Street North, Hastings	–	–	7,475	–
1 Elizabeth Street, Tauranga	–	–	9,308	–
	100,579	–	117,813	–
Sale proceeds of properties disposed of	101,094	–	108,260	–
Net gain/(loss) on disposal	515	–	(9,553)	–

Valuation of investment properties

All investment properties were independently valued as at 31 March 2010. The valuations were prepared by independent registered valuers Jones Lang LaSalle, CB Richard Ellis and Colliers International New Zealand. The total value per valuer was as follows:

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
DTZ New Zealand Limited	–	–	513,655	–
CB Richard Ellis Limited	239,464	–	–	–
Colliers International New Zealand Limited	281,080	–	218,410	–
Jones Lang LaSalle	405,375	–	231,595	–
	925,919	–	963,660	–

Notes to the financial statements (cont.)

5. Investment properties (cont.)

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. The most common and accepted methods for assessing the current market value are the Capitalisation of Contract and Market Income approaches and the Discounted Cash Flow approach. The major inputs and assumptions that are used in the valuation that require judgement include forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, vacancy and leasing costs.

Principal assumptions, which are unchanged from last year, in establishing the valuation include the capitalisation rate, occupancy and the lease term with the below table identifying the respective levels adopted by the valuers within the Trust's sectors:

Investment properties for the year ended 31 March 2010 are as follows:
(including development properties held previously under property, plant and equipment)

		Industrial	Commercial	Retail	Total
Contract capitalisation rate	– Average	8.13%	8.75%	8.27%	8.36%
	– Maximum	12.24%	10.08%	9.38%	12.24%
	– Minimum	3.15%	6.44%	5.73%	3.15%
Market capitalisation rate	– Average	8.17%	9.37%	8.40%	8.60%
	– Maximum	10.87%	12.02%	11.36%	12.02%
	– Minimum	3.15%	8.12%	7.26%	3.15%
Occupancy		98.08%	89.80%	99.18%	97.11%
Weighted average lease term		4.98	3.69	4.69	4.23
No. of buildings		42	17	22	81
Fair value total ($000s)		329,469	264,060	332,390	925,919

Investment properties for the year ended 31 March 2009 are as follows:

		Industrial	Commercial	Retail	Joint Venture	Total
Contract capitalisation rate	– Average	8.91%	8.66%	7.92%	8.81%	8.51%
	– Maximum	11.27%	11.34%	9.94%	9.26%	11.34%
	– Minimum	5.20%	1.27%	6.63%	7.79%	1.27%
Market capitalisation rate	– Average	9.12%	9.82%	8.58%	8.80%	9.18%
	– Maximum	11.27%	11.53%	11.20%	9.34%	11.53%
	– Minimum	6.97%	8.41%	7.25%	7.74%	6.97%
Occupancy		99.03%	93.42%	97.78%	100.00%	97.80%
Weighted average lease term		4.64	3.74	4.51	7.70	4.24
No. of buildings		38	23	23	9	93
Fair value total ($000s)		315,885	325,970	300,405	21,400	963,660

In deriving a market value under each approach, all assumptions are based where possible, on market based evidence and transactions for properties with similar locations, conditions and quality of construction and fitout. The market value adopted is a weighted combination of the Capitalisation of Contract or Market Income and Discounted Cash Flow approaches.

Notes to the financial statements (cont.)

6. Financial instruments

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 program 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 some of 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) 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 a range of approximately 70% – 100% of its borrowings in fixed rate instruments, unless instructed otherwise by the Board. At 31 March 2010, 65% (2009: 88%) 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.

Maturity profile of financial instruments

The following financial assets and liabilities which potentially subject the Group and the Trust to financial risk have been recognised in the financial statements. The tables below have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Trust and Group can be required to pay. The tables include both interest and principal cash flows.

The following table details the Group's exposure to liquidity and interest rate risk as at 31 March 2010 as the contractual maturity of financial instruments:

	Weighted average interest rate	Less than 1 year $000	1–2 years $000	2–3 years $000	3–4 years $000	4–5 years $000	5+ years $000	Total $000
Financial liabilities								
Revolving credit facility								
– ANZ National Bank Limited	3.09%	(351,131)	–	–	–	–	–	(351,131)
Revolving credit facility								
– Bank of New Zealand Limited	4.17%	(36,393)	–	–	–	–	–	(36,393)
Trade and other payables		(9,019)	–	–	–	–	–	(9,019)
Derivative financial instruments		(8,981)	(6,647)	(5,622)	(4,750)	(4,277)	(1,331)	(31,608)
		(405,524)	(6,647)	(5,622)	(4,750)	(4,277)	(1,331)	(428,151)

Notes to the financial statements (cont.)

6. Financial instruments (cont.)

	Weighted average interest rate	Less than 1 year $000	1–2 years $000	2–3 years $000	3–4 years $000	4–5 years $000	5+ years $000	Total $000

The following table details the Group's exposure to liquidity and interest rate risk as at 31 March 2009:

Financial liabilities								
Revolving credit facility								
– ANZ National Bank Limited	3.48%	(14,326)	(418,473)	–	–	–	–	(432,799)
Revolving credit facility								
– Bank of New Zealand Limited	3.41%	(18,751)	–	–	–	–	–	(18,751)
Trade and other payables		(11,374)	–	–	–	–	–	(11,374)
Derivative financial instruments		(17,654)	(13,175)	(10,856)	(9,392)	(8,313)	(5,769)	(65,159)
		(62,105)	(431,648)	(10,856)	(9,392)	(8,313)	(5,769)	(528,083)

The following table details the Trust's exposure to liquidity and interest rate risk as at 31 March 2010:

Financial liabilities								
Revolving credit facility								
– ANZ National Bank Limited	3.09%	(351,131)	–	–	–	–	–	(351,131)
Trade and other payables		(6,069)	–	–	–	–	–	(6,069)
Derivative financial instruments		(8,180)	(6,028)	(5,104)	(4,401)	(3,965)	(1,291)	(28,969)
Advances from subsidiaries		(20,137)	–	–	–	–	–	(20,137)
		(385,517)	(6,028)	(5,104)	(4,401)	(3,965)	(1,291)	(406,306)

The following table details the Trust's exposure to liquidity and interest rate risk as at 31 March 2009:

Financial liabilities								
Revolving credit facility								
– ANZ National Bank Limited	3.48%	(14,326)	(418,473)	–	–	–	–	(432,799)
Trade and other payables		(3,993)	–	–	–	–	–	(3,993)
Derivative financial instruments		(17,106)	(12,751)	(10,423)	(8,998)	(8,018)	(5,437)	(62,733)
		(35,425)	(431,224)	(10,423)	(8,998)	(8,018)	(5,437)	(499,525)

Categories of financial instruments

The following table details the Group's categories of financial instruments as at 31 March 2010:

	Derivatives held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Derivatives used for hedging $000	Financial liabilities at amortised cost $000	Total $000
Financial assets						
Cash and cash equivalents	–	1,230	–	–	–	1,230
Trade and other receivables	–	7,215	–	–	–	7,215
Derivative financial instruments	147	–	–	–	–	147
	147	8,445	–	–	–	8,592
Financial liabilities						
Revolving credit facility – ANZ National Bank Limited	–	–	–	–	(345,693)	(345,693)
Revolving credit facility – Bank of New Zealand Limited	–	–	–	–	(35,223)	(35,223)
Trade and other payables	–	–	–	–	(9,019)	(9,019)
Derivative financial instruments	(1,798)	–	–	(18,669)	–	(20,467)
	(1,798)	–	–	(18,669)	(389,935)	(410,402)

Notes to the financial statements (cont.)

6. Financial instruments (cont.)

Categories of financial instruments

	Derivatives held for trading $000	Loans and receivables $000	Available-for-sale financial assets $000	Derivatives used for hedging $000	Financial liabilities at amortised cost $000	Total $000
The following table details the Group's categories of financial instruments as at 31 March 2009:						
Financial assets						
Cash and cash equivalents	–	1,070	–	–	–	1,070
Trade and other receivables	–	3,640	–	–	–	3,640
Other current assets	–	3,407	–	–	–	3,407
Loan to NEIL	–	1,823	–	–	–	1,823
	–	9,940	–	–	–	9,940
Financial liabilities						
Revolving credit facility – ANZ National Bank Limited	–	–	–	–	(410,570)	(410,570)
Revolving credit facility – Bank of New Zealand Limited	–	–	–	–	(18,414)	(18,414)
Trade and other payables	–	–	–	–	(11,374)	(11,374)
Derivative financial instruments	(3,140)	–	–	(34,611)	–	(37,751)
	(3,140)	–	–	(34,611)	(440,358)	(478,109)
The following table details the Trust's categories of financial instruments as at 31 March 2010:						
Financial assets						
Cash and cash equivalents	–	55	–	–	–	55
Trade and other receivables	–	63	–	–	–	63
Derivative financial instruments	147	–	–	–	–	147
Advances to subsidiaries	–	791,424	–	–	–	791,424
	147	791,542	–	–	–	791,689
Financial liabilities						
Revolving credit facility – ANZ National Bank Limited	–	–	–	–	(345,693)	(345,693)
Trade and other payables	–	–	–	–	(6,069)	(6,069)
Derivative financial instruments	–	–	–	(18,669)	–	(18,669)
Advances from subsidiaries	–	–	–	–	(20,137)	(20,137)
	–	–	–	(18,669)	(371,899)	(390,568)
The following table details the Trust's categories of financial instruments as at 31 March 2009:						
Financial assets						
Cash and cash equivalents	–	47	–	–	–	47
Trade and other receivables	–	97	–	–	–	97
Advances to subsidiaries	–	878,328	–	–	–	878,328
	–	878,472	–	–	–	878,472
Financial liabilities						
Revolving credit facility – ANZ National Bank Limited	–	–	–	–	(410,570)	(410,570)
Trade and other payables	–	–	–	–	(3,993)	(3,993)
Derivative financial instruments	(1,824)	–	–	(34,611)	–	(36,435)
	(1,824)	–	–	(34,611)	(414,563)	(450,998)

Notes to the financial statements (cont.)

6. Financial instruments (cont.)

Credit risk

In the normal course of business the Group and Trust incurs credit risk from debtors and transactions with financial institutions. The risk associated with trade debtors is managed with a credit policy which includes performing credit evaluations on customers requiring credit. The Group and Trust do not hold any collateral in respect of any balance past due. The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. The Group and Trust places its cash deposits with the ANZ National Bank Limited. The maximum exposures to credit risk are outlined in the preceding tables.

Currency risk

There are no amounts receivable or payable in foreign currencies.

Interest rate risk

The Group and Trust's revolving credit facility is subject to market risk in the event of interest rate changes. To manage this risk, the Group and Trust has implemented a hedging strategy by entering into interest rate swap contracts that have a range of maturities. The contract details at balance date were:

	Group 2010		Trust 2010		Group 2009		Trust 2009	
Maturing	Nominal value	Contracted interest rate	Nominal value	Contracted interest rate	Nominal value	Contracted interest rate	Nominal value	Contracted interest rate
2009	–	–	–	–	93,000,000	6.93%	90,000,000	6.92%
2010	45,000,000	6.44%	45,000,000	6.44%	45,000,000	6.44%	45,000,000	6.44%
2011	15,000,000	6.45%	15,000,000	6.45%	15,000,000	6.45%	15,000,000	6.45%
2012	–	–	–	–	20,000,000	7.34%	20,000,000	7.34%
2013	17,000,000	6.79%	–	–	28,500,000	6.87%	20,000,000	6.91%
2014	30,000,000	7.95%	30,000,000	7.95%	60,000,000	7.61%	60,000,000	7.61%
2015	141,000,000	7.37%	135,000,000	7.36%	210,500,000	7.33%	205,000,000	7.33%
2019	25,000,000	5.97%	25,000,000	5.97%	–	–	–	–
2020	20,000,000	5.99%	20,000,000	5.99%	–	–	–	–
	293,000,000		270,000,000		472,000,000		455,000,000	

Credit facilities

As at 31 March 2010 the Trust has a revolving credit facility with ANZ National Bank Limited of $500,075,000 (2009: $600,075,000). As at 31 March 2010 $345,789,518 (2009: $411,309,971) had been drawn-down. The contractual interest rate was 3.09% (2009: 3.48%).

As at 31 March 2010 NEIL has a revolving credit facility with Bank of New Zealand Limited of $40,000,000 (2009: $50,000,000). As at 31 March 2010 $35,290,000 (2009: $36,840,000) had been drawn-down. The contractual interest rate was 4.17% (2009: 3.59%).

Fair value

Given their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, advances to subsidiaries, trade and other payables and borrowings are equivalent to their fair value.

6. Financial instruments (cont.)

The fair value of interest rate swaps at 31 March 2010 was as follows:

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Current assets				
Interest rate swaps – cash flow hedges	–	–	–	–
Interest rate swaps – held for trading	–	–	–	–
	–	–	–	–
Non-current asset				
Interest rate swaps – cash flow hedges	–	–	–	–
Interest rate swaps – held for trading	147	147	–	–
	147	147	–	–
Current liability				
Interest rate swaps – cash flow hedges	1,290	1,290	566	566
Interest rate swaps – held for trading	–	–	1,890	1,824
	1,290	1,290	2,456	2,390
Non-current liability				
Interest rate swaps – cash flow hedges	17,379	17,379	34,045	34,045
Interest rate swaps – held for trading	1,798	–	1,250	–
	19,177	17,379	35,295	34,045
Balance	(20,320)	(18,522)	(37,751)	(36,435)
Nominal value of interest rate swaps	293,000	270,000	472,000	455,000
Average fixed interest rate	6.99%	6.99%	7.15%	7.15%
Floating rates based on NZD BBR	3.21%	3.09%	3.49%	3.48%

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 statement of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

NZ IFRS 7 requires to group the fair valued financial instruments into three levels. The categorisation of the levels are determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs.)

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates. The group has determined the interest rate swaps are level 2 fair value measurements.

Notes to the financial statements (cont.)

6. Financial instruments (cont.)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value.

	Total $000s	Level 1 $000s	Level 2 $000s	Level 3 $000s
The Group's financial assets as at 31 March 2010				
Interest rate swaps	147	–	147	–
Total	147	–	147	–
The Group's financial liability as at 31 March 2010				
Interest rate swaps	20,467	–	20,467	–
Total	20,467	–	20,467	–
The Trust's financial assets as at 31 March 2010				
Interest rate swaps	147	–	147	–
Total	147	–	147	–
The Trust's financial liability as at 31 March 2010				
Interest rate swaps	18,669	–	18,669	–
Total	18,669	–	18,669	–

There have been no transfers during the year between levels 1 and 2.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated charge taking place at the beginning of the financial year and held constant throughout the reporting period. The sensitivity analyses include interest expense and the fair value of the swap portfolio. A 100 basis point increase or decrease represents management's assessment of the possible change in interest rates.

At 31 March 2010, if interest rates had been 100 basis points higher and all other variables were held constant:
- the Group's net profit would increase by $7,361,970;
- the Trust's net profit would increase by $6,657,819;
- other equity reserves would increase by $3,388,830.

At 31 March 2010, if interest rates had been 100 basis points lower and all other variables were held constant:
- the Group's net profit would decrease by $7,981,625;
- the Trust's net profit would decrease by $7,237,769;
- other equity reserves would decrease by $3,561,026.

7. Other non-current assets

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Management fee buyout	**7,354**	**101**	8,671	102
Advances to subsidiaries	**–**	**791,424**	–	878,226
Other	**32**	**–**	60	–
Total other non-current assets	**7,386**	**791,525**	8,731	878,328

The unitholders of the Trust agreed to terminate contracts relating to the management of properties held by ING Properties Limited (formerly Urbus Properties Limited), 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 ING Properties Limited 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.

Notes to the financial statements (cont.)

8. Trade and other receivables

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Trade receivables	7,185	1	2,165	–
Share of joint venture trade receivables	–	–	1,699	–
Allowance for doubtful debts	(124)	–	(426)	–
	7,061	1	3,438	–
Amount receivable from unsettled sales of properties	154	–	202	–
GST receivable	–	62	–	97
Total trade and other receivables	7,215	63	3,640	97

The average credit period on receivables is 16 days. The Group is entitled to charge interest on trade receivables as determined in each individual lease agreement. Interest is charged on a receivables over 90 days on a case by case basis at the Group's effective interest rate plus 5% per annum. The Group has provided for 50% of all receivables over 90 days that are considered doubtful. This amount increases to 100% of any receivable that is determined as being not recoverable. Trade receivables less than 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Aged past due but not impaired trade receivables				
30-60 Days	510	–	254	–
60-90 Days	293	–	64	–
Beyond 90 days	1,855	–	155	–
	2,658	–	473	–

Included in the Trust's trade receivable balance are debtors with a carrying amount of $2,658,010 (2009: $472,542) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful debts				
Balance at the beginning of the year	426	–	454	–
Amounts written off as uncollectible	(962)	–	(267)	–
Increase in allowance recognised in profit or loss	598	–	279	–
Doubtful debts balance brought in through business combination	117	–	–	–
Amounts recovered during the year	(55)	–	(40)	–
Balance at end of the year	124	–	426	–

9. Other current assets

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Capitalised interest accrued	414	–	3,941	–
Prepayments	257	16	76	–
Preliminary development expense	–	–	3,183	–
Loan to NEIL	–	–	1,823	–
Total other current assets	671	16	9,023	–

10. Property held for sale

The industrial investment property at 308 Port Hills Road, Port Hills, Christchurch (2009: Cnr Munroe and Dickens Streets, Napier) was subject to a sale and purchase agreement at balance date. The valuation of the property was based on the agreed purchase price less disposal costs, which approximates to its fair value at 31 March 2010.

11. Units

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Balance at the beginning of the year	531,574	531,574	522,876	522,876
Purchase of units through buyback	–	–	(4,358)	(4,358)
Issue of units from Dividend Reinvestment Plan	6,729	6,729	4,230	4,230
Issue of units to underwriter	–	–	8,972	8,972
Issue costs of units	(21)	(21)	(146)	(146)
Balance at the end of the year	538,282	538,282	531,574	531,574

The number of units on issue at 31 March 2010 was 539,328,026 (2009: 529,704,173). The units have no par value and are fully paid. Fully paid ordinary units carry one vote per unit and carry the right to distributions.

Reconciliation of number of units

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Balance at the beginning of the year	529,704	529,704	514,275	514,275
Purchase of units through buyback	–	–	(4,942)	(4,942)
Issue of units from Dividend Reinvestment Plan	9,624	9,624	6,732	6,732
Issue of units to underwriter	–	–	13,639	13,639
Balance at the end of the year	539,328	539,328	529,704	529,704

Capital risk management

The Group's capital includes units, reserves and retained earnings with total unitholders' funds sitting at $515.2m (2009: $577.1m).

The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain the Group's future on-going activities and development of the business. The impact of the level of capital on unitholder returns is also recognised along with the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is subject to imposed capital requirements arising from the Trust Deed.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall strategy during the year.

12. Hedging reserves

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Balance at the beginning of the year	(23,027)	(23,027)	4,974	4,974
Profit/(loss) recognised on cash flow hedges	1,684	1,684	(39,359)	(39,359)
Transferred to finance expense	101	101	–	–
Loss/(gain) arising from ineffective interest rate swaps transferred to finance expense	17,504	17,504	(962)	(962)
Effect on reserve balance due to change in income tax rate from 33% to 30%	–	–	224	224
Tax on fair value (losses)/gains on cashflow hedges	(5,787)	(5,787)	12,096	12,096
Balance at the end of the year	(9,525)	(9,525)	(23,027)	(23,027)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Notes to the financial statements (cont.)

13. Retained earnings

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Balance at the beginning of the year	68,529	(66,522)	172,678	(29,441)
(Loss)/profit for the year	(53,737)	(9,287)	(63,094)	5,686
Distributions to unitholders	(40,055)	(40,055)	(42,767)	(42,767)
Fair value loss – units in ING Medical Properties Trust	–	–	1,712	–
Balance at the end of the year	(25,263)	(115,864)	68,529	(66,522)
Available for sale reserve (included in retained earnings)				
Balance at the beginning of the year	–	–	1,712	–
Decrease arising on revaluation of available-for-sale financial assets	–	–	2,117	–
Cumulative loss charged to the statement of comprehensive income on sale of available-for-sale financial assets	–	–	(3,829)	–
Balance at the end of the year	–	–	–	–

	Group & Trust 2010 cents per unit	Group & Trust 2009 cents per unit
Distributions to unitholders		
Interim		
Cash	5.63	6.06
Imputation credits	0.52	1.02
	6.15	7.08
Final		
Cash	1.87	1.94
Imputation credits	–	0.39
	1.87	2.33
Total		
Cash	7.50	8.00
Imputation credits	0.52	1.41
	8.02	9.41

After 31 March 2010 the final distribution was declared by the Directors. The distribution has not been provided for and there are no income tax consequences.

Notes to the financial statements (cont.)

14. Business combination

On 31 January 2010 the Trust exercised its right under its Shareholders' Agreement covering North East Industrial Limited (NEIL) to remove the directors who represented the minority shareholder following a breach of that Agreement by the minority shareholder. From that date, the Trust has ceased to proportionately consolidate its interest in NEIL, and begun to consolidate that interest. At 31 March, the minority shareholder continues to hold a 50% economic interest in NEIL, which is recognised as a minority shareholders' interest in the Trust's consolidated financial statements.

The acquisition had the following effect on the Trust's assets and liabilities on acquisition date:

	Previously recognised 50% proportionately consolidated values $000s	Consolidated values recognised on obtaining control $000s
Non-current assets		
Investment properties (note 5)	31,540	63,080
Deferred tax (note 16)	316	632
Total non-current assets	31,856	63,712
Current assets		
Cash and cash equivalents	155	310
Trade and other receivables	1,840	3,680
Provision for doubtful debts (note 8)	(117)	(234)
Other current assets	45	90
Total current assets	1,923	3,846
Total assets	33,779	67,558
Non-current liabilities		
Derivative financial instruments	901	1,802
Total non-current liabilities	901	1,802
Current liabilities		
Borrowings	18,604	37,208
Trade and other payables	2,493	4,986
Total current liabilities	21,097	42,194
Total liabilities	21,998	43,996
Net identifiable assets and liabilities	11,781	23,562
Minority interest recognised on acquisition	–	(11,781)
Carrying Value of the Trust's interest in NEIL	11,781	11,781

No consideration was paid to the minority interest, no fair value adjustments were made to the previously consolidated net assets, and no goodwill or discount arose on the business combination.

In the two months from 31 January 2010 to 31 March 2010, NEIL contributed a loss after tax of $250,055 (of which $125,027 is recognised as attributable to the minority interest). If the investment in NEIL had been consolidated from 1 April 2009, the Trust would have consolidated $4,126,006 of NEIL revenue, giving rise to a combined revenue total of $98,299,866 and recognised loss after tax of $706,184 (of which $353,092 would have been recognised as attributable to the minority interest) relating to its investment in NEIL, giving rise to a combined loss after tax of $54,088,952 for the year ended 31 March 2010.

In measuring the fair value of the Trust's investment in NEIL, the Manager has considered the value of rights held by NEIL and the Trust for claims against the minority shareholder arising from the breach of agreements between the parties. The Manager intends to pursue its rights under these agreements. However, the recovery of any value from the minority shareholder depends on the outcome of a dispute between the parties and is considered to be highly uncertain at the date of these financial statements. No value has been recognised in these financial statements in relation to those rights.

Minority interest	$000s
Balance at acquisition	11,781
Share of profit after acquisition	(125)
Balance at end of the year	11,656

Notes to the financial statements (cont.)

15. Borrowings

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
ANZ National Bank Limited	**345,790**	**345,790**	411,310	411,310
Bank of New Zealand	**35,290**	**–**	18,420	–
Borrowing costs	**(164)**	**(97)**	(746)	(740)
Total borrowings	**380,916**	**345,693**	428,984	410,570
Shown as:				
Current	**380,916**	**345,693**	18,234	–
Term	**–**	**–**	410,750	410,570

The Trust has a revolving credit facility with the ANZ National Bank Limited of $500,075,000 (2009: $600,075,000) secured by way of mortgage over the investment properties of the Trust. The facility has a term of three years and expires on 30 September 2010.

The contractual interest rate on the borrowings as at 31 March 2010 was 3.09% per annum (2009: 3.48%). The Trust also pays a line fee of 0.35% per annum on the total facility.

NEIL has a committed cash advance facility with Bank of New Zealand of $40,000,000 (2009: $50,000,000) secured by way of mortgage over the investment properties. The facility expires on 31 December 2010. The borrowings are subject to various covenants pursuant to the Committed Cash Advance Facility with Bank of New Zealand. Upon the receipt of year end valuations the Company was not in compliance with the security ratio covenant which states that the outstanding amount of borrowings must not exceed 50% of the property value. The security ratio as at 31 March 2010 has been calculated as 53.6 %. Bank of New Zealand was notified and action was immediately taken to remedy it by partial repayment of $2,375,000 of the loan, post year end.

The contractual interest rate on the NEIL borrowings as at 31 March 2010 was 4.17% per annum (2009: 3.41%). NEIL also paid a commitment fee of $580,000 (2009: $145,000), being 1.45% per annum on the total facility.

16. 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 years:

	Loss carried forward in joint venture $000s	Interest rate swaps $000s	Revaluation of building $000s	Accruals $000s	Total $000s
At 1 April 2009	(237)	(11,325)	31,589	2,474	22,501
Credit to unitholders' funds for the year	–	5,787	–	–	5,787
Charge/(credit) to profit and loss for the year	237	(969)	(3,987)	(366)	(5,085)
Acquired deferred tax through business combination	–	(270)	(11)	(35)	(317)
At 31 March 2010	–	(6,777)	27,591	2,073	22,886
At 1 April 2008	–	2,450	41,939	(124)	44,265
Credit to unitholders' funds for the year	–	(12,319)	–	–	(12,319)
Charge/(credit) to profit and loss for the year	48	(1,456)	(10,350)	2,598	(9,160)
Loss carried forward in Joint Venture	(285)	–	–	–	(285)
At 31 March 2009	(237)	(11,325)	31,589	2,474	22,501

Notes to the financial statements (cont.)

16. Deferred tax (cont.)

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

	Interest rate swaps $000s	Revaluation of building $000s	Accruals $000s	Total $000s
At 1 April 2009	(10,930)	–	(985)	(11,915)
Credit to unitholders funds for the year	5,787	–	–	5,787
(Credit) to profit and loss for the year	(1,094)	–	41	(1,053)
At 31 March 2010	(6,237)	–	(944)	(7,181)
At 1 April 2008	2,450	–	(10)	2,440
Credit to unitholders funds for the year	(12,319)	–	–	(12,319)
Charge/(credit) to profit and loss for the year	(1,061)	–	(975)	(2,036)
At 31 March 2009	(10,930)	–	(985)	(11,915)

Key assumptions used in calculating income tax:

Deferred tax on depreciation – Deferred tax is provided in respect of depreciation claimed. Depreciation is claimed at Inland Revenue Department approved rates.

Deferred tax on changes in fair value of investment properties – Deferred tax is provided on the building components of the fair value change to investment properties, being the taxable temporary difference. Investment properties are valued each year by independent valuers (as outlined in Note 5). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on the building component places reliance on the split provided by the valuers.

17. Trade and other payables

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Interest accrued on non-current liabilities	–	–	2,668	2,668
Manager's fee accrued	479	479	650	650
GST payable	214	–	527	–
Other creditors and accruals	8,326	5,590	7,529	675
Total trade and other payables	9,019	6,069	11,374	3,993

18. Other income/expenses

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Income				
Gain on disposal of investment properties	527	–	–	–
	527	–	–	–
Expenses				
Loss on disposal of investment properties	–	–	9,610	–
Loss on disposal of investment	–	–	3,829	–
	–	–	13,439	–

Notes to the financial statements (cont.)

19. Finance income/(expenses)

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Income				
Interest income	581	1	939	23
Expense				
Interest expense	(28,200)	(26,227)	(38,755)	(37,318)
Less amount capitalised to investment properties	1,300	–	–	–
Less amount capitalised to property, plant and equipment	–	–	3,726	–
Total interest expense	(26,900)	(26,227)	(35,029)	(37,318)
Interest rate swaps – held for trading				
Loss arising on derivative financial instruments held for trading	2,391	1,974	(5,434)	(3,799)
Transfer from hedge reserve	(17,605)	(17,605)	962	962
Swaps closeout costs	(299)	–	–	–
Total loss arising on derivative financial instruments	(15,513)	(15,631)	(4,472)	(2,837)
Total finance expense	(42,413)	(41,858)	(39,501)	(40,155)

20. Administration expenses

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Auditors' remuneration:				
Audit of the statutory financial statements	192	192	209	209
Audit – ancillary accounting advice	9	9	2	2
Other Trust expenses	1,776	1,776	1,790	1,790
Doubtful debts expense	(418)	(183)	(28)	3,247
Bad debts	962	–	452	–
Amortisation of management contract cancellation costs	1,317	–	1,317	–
Management fees	6,069	6,069	7,347	7,347
Trustee fees	302	302	348	347
Total administration expenses	10,209	8,165	11,437	12,942

21. Taxation

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
The taxation charge is made up as follows:				
Current taxation	3,069	(3,546)	8,094	13
Adjustment recognised in the current year in relation to the current tax of prior years	(471)	–	(258)	(84)
Total current taxation (benefit)/expense	2,598	(3,546)	7,836	(71)
Deferred tax expense relating to the origination and reversal of temporary differences	(5,084)	(1,053)	(9,160)	(2,036)
Total deferred tax (benefit)/expense	(5,084)	(1,053)	(9,160)	(2,036)
Total tax (benefit)/expense recognised in profit/(loss)	(2,486)	(4,599)	(1,324)	(2,107)

Notes to the financial statements (cont.)

21. Taxation (cont.)

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
The expense of the year can be reconciled to the accounting profit as follows:				
(Loss)/profit before income tax	(56,348)	(13,886)	(64,418)	3,579
Current income tax (benefit)/expense at 30%	(16,904)	(4,166)	(19,325)	1,074
Adjusted for:				
Non-deductible gain/(loss) on sales	(158)	–	4,032	–
Tax exempt income/(loss)	–	–	(372)	–
Non-assessable distribution from subsidiaries	–	(432)	–	(2,860)
Net change on revaluation of investment properties	24,916	–	26,972	–
Interest costs capitalised on buildings	(390)	–	(1,115)	–
Expenditure not deductible for tax purpose	(612)	14	(327)	(26)
Depreciation	(6,371)	–	(6,456)	–
Deferred leasing costs and incentives	(450)	–	(145)	–
Net change on revaluation of derivative financial instruments other than hedge accounted	4,564	4,690	1,342	851
Deductible costs of closing of swaps	(3,596)	(3,596)	–	–
Other adjustments	1,709	(56)	3,488	974
Written off current tax credit	361	–	–	–
Current taxation (benefit)/expense	3,069	(3,546)	8,094	13
Movements in deferred tax assets and liabilities attributable to:				
Building component of net change on revaluation of investment properties	(11,198)	–	(17,844)	–
Interest costs capitalised on buildings	390	–	1,115	–
Expenditure not deductible for tax purpose	184	–	(20)	–
Depreciation	6,371	–	6,234	–
Deferred leasing costs and incentives	450	–	145	–
Derivative financial instruments other than hedge accounted	(969)	(1,094)	(1,456)	(1,062)
Other	(312)	41	2,666	(974)
Deferred taxation (benefit)/expense	(5,084)	(1,053)	(9,160)	(2,036)
Adjustment recognised in the current year in relation to the current tax of prior years	(471)	–	(258)	(84)
Total income tax (benefit)/expense recognised in profit or loss	(2,486)	(4,599)	(1,324)	(2,107)
Deferred tax recognised in other comprehensive income				
Deferred tax arising from revaluations of derivative financial instruments treated as cash flow hedges	(5,787)	(5,787)	12,321	12,321
Reclassifications from equity to profit or loss	–	–	–	–
Total income tax recognised in other comprehensive income	(5,787)	(5,787)	12,321	12,321
Imputation credits				
Imputation credits at beginning of year	19	19	–	–
Prior period adjustment	(15)	(15)	554	554
New Zealand tax payments, net of refunds	4,953	4,953	6,382	6,382
Imputation credits attached to dividends received	5	5	96	96
Imputation credits attached to dividends paid	(4,806)	(4,806)	(7,013)	(7,013)
Imputation credits at end of year	155	155	19	19

Notes to the financial statements (cont.)

22. Reconciliation of surplus after taxation with cash flows from operating activities

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Profit after tax for the year	(53,862)	(9,287)	(63,094)	5,686
Adjustments for non-cash items				
Change in fair value of investment properties	82,761	–	89,901	–
Fair value losses on derivative financial instruments	3,229	3,646	4,473	2,837
Loss/(gain) on disposal of properties	(527)	–	9,610	–
Loss/(gain) on disposal of investment	–	–	3,828	–
Non cash inter-entity distributions	–	(1,441)	–	(9,533)
Non cash inter-entity recharges	–	(34,626)	–	(47,013)
Other non-cash items	(636)	450	(3,683)	(593)
Operating cash flow before changes in working capital	30,965	(41,258)	41,035	(48,616)
Change in trade and other payables	(1,611)	(194)	(148)	109
Change in taxation payable	(7,243)	(5,460)	(8,609)	(5,674)
Change in other current liabilities	(1,123)	–	1,691	–
Change in trade and other receivables	(2,344)	30	(591)	3,265
Net cash from operating activities	18,644	(46,882)	33,378	(50,916)

During the 2010 year, distributions of $6,727,113 (2009: 4,230,251) have been reinvested under the Dividend Reinvestment Plan (DRP), which is excluded from investing and financing activities.

23. Earnings/(loss) per unit

Basic and diluted earnings/(loss) 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 year.

	Group 2010 $000s	Group 2009 $000s
Profit/(loss) attributable to unitholders of the Trust	(53,737)	(63,094)
Weighted average number of units on issue	533,495	519,138
Basic and undiluted (loss)/earnings per unit (cents)	(10.07)	(12.15)

On 18 May 2010 a final gross distribution of 1.875 cents per unit was announced by the Trust. Continuation of the DRP programme will increase the number of units on issue.

Notes to the financial statements (cont.)

24. Investment in subsidiaries

The Trust has control over the following subsidiaries:

Name of Subsidiary	Principal activity	Place of incorporation and operation	Holding 2010	Holding 2009
ING Property Trust No.1 Limited	Property investment	NZ	100%	100%
ING Property Trust No.4 Limited	Property investment	NZ	100%	100%
ING Property Trust Holdings Limited	Holding company	NZ	100%	100%
ING Property Trust Investments Limited	Holding company	NZ	100%	100%
ING Properties Limited	Property investment	NZ	100%	100%
ING No.1 Trust	Property investment	NZ	100%	100%
North East Industrial Limited	Property investment	NZ	50%	N/A

The subsidiaries have the same reporting date as the Trust.

Although the Group does not own more than half of the equity shares of NEIL and consequently does not control more than half the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. Consequently, from 31 January 2010 NEIL is controlled by the Group and is consolidated in the financial statements.

The Group has the following significant interests in joint ventures:

Name of joint venture	Principal activity	Place of incorporation and operation	Holding 2010	Holding 2009
North East Industrial Limited	Property investment	NZ	N/A	50%

25. Commitments

Ground rent

Ground leases exist over the GE Capital Building in the Viaduct Harbour. The amount paid in respect of ground leases during the year was $627,000 (2009: $627,000). The annual ground lease commitment is $627,000 and is fully recoverable from tenants in proportion to their area of occupancy. The lease is renewable in perpetuity with the next renewable date in 2012. Given these factors the total value of the commitment beyond 2010 has not been calculated.

The Trust committed to make ground rental payment to E block, Albany from 25 June 2008. The full commencement ground rental is $1.14 million payable in stages. From June 2010 the rental is determined by an agreed formula and increased on an annual basis at the rate of change in the consumer price index plus 1%. Given these factors the total value of the commitment beyond June 2010 has not been calculated.

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Payments recognised as an expense/development costs				
Minimum lease payments as expense	824	–	627	–
Minimum lease payments as development costs	354	–	305	–
	1,178	–	932	–

Building upgrades

Estimated capital commitments contracted for building projects not yet completed at balance date but not provided for were $2,036,754 (2009: $8,649,309).

There were no other commitments as at 31 March 2010 (2009: nil).

Notes to the financial statements (cont.)

25. Commitments (cont.)

Non-cancellable operating lease receivable

Operating leases relate to the investment properties owned by the Group with the leases expiring between 2010 and 2025. The lessee does not have an option to purchase the property at the expiry of the period.

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Within one year	**74,187**	**–**	86,910	–
One year or later and not later than five years	**196,751**	**–**	225,672	–
Later than five years	**109,188**	**–**	110,608	–
	380,126	**–**	423,190	–

There were no contingent rents recognised as income during the year.

26. Contingencies

There were no contingencies as at 31 March 2010 (2009: nil).

27. Subsequent events

On 17 May 2010 the Trust entered into a new bank loan facility agreement which will commence from satisfaction or waiver of conditions precedent; or 1 July 2010, whichever is later, and run to 30 June 2013. The facility is for $400 million and is syndicated to ANZ National Bank Limited, Bank of New Zealand and the Hong Kong and Shanghai Banking Corporation Limited.

On 18 May 2010 a final gross distribution of 1.875 cents per unit was announced by the Trust. The record date for the final distribution is 4 June 2010 and a payment is scheduled to unitholders on 18 June 2010. No imputation credits are attached to the distribution.

28. Related party transactions

Details of transactions between the Group and other related parties are disclosed below.

Fees paid to the Manager

The Trust is managed by ING Property Trust Management Limited ("the Manager"). The ownership of the Manager has been a wholly owned subsidiary of ING (NZ) Limited from 3 February 2009.

The Trust paid management fees and incentive fees to the Manager. The calculation of management fees and incentive fees is stipulated in the Trust Deed. Management fees have been charged at 0.6% of the gross value of the assets of the Trust. Incentive fees are payable when the unitholder returns exceed a 10% threshold in the relevant quarter. The incentive fee is 10% of the amount of the outperformance. When outperformance exceeds 15%, the excess is carried forward to the next quarter. Where performance does not exceed the 10% threshold, a deficit is carried forward to the next quarter. Any excess or deficit carried forward shall be added to or subtracted from unitholder returns in subsequent quarters. Excesses and deficits can only be carried forward for up to 24 months.

The Trust also reimbursed the Manager for fees paid to the Manager's directors and shareholders. These fees include directors' fees. The maximum aggregate amount of directors' fees the Trust will reimburse the Manager is $252,500 plus GST (if any) per annum.

Notes to the financial statements (cont.)

28. Related party transactions (cont.)

Fees paid to the Manager

The total fees incurred for the year and the amounts outstanding as at balance date are shown below.

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Total fees incurred				
Management fees	6,069	6,069	7,347	7,347
Directors' fees	253	253	230	230
Due diligence fees	–	–	–	–
	6,322	6,322	7,577	7,577
Amounts outstanding				
Management fees	479	479	578	578
Incentive fees	–	–	–	–
	479	479	578	578

Properties owned by the Trust have been managed on normal commercial terms by ING (NZ) Limited. Property management fees charged are either included in property expenses or capitalised. The amount paid to ING (NZ) Limited was $2,333,107 (2009: $2,115,299). The amount not recovered from tenants was $1,458,202 (2009: $1,206,184).

Other related party transactions

ING (NZ) Limited paid for rental and car parks within the building at 8-14 Willis Street, Wellington. The total paid by ING (NZ) Limited for the year was $225,965 (2009; $210,724).

ANZ National Bank Limited (a 100% shareholder of the parent company of ING (NZ) Limited) paid for rental and car parks within 107 Carlton Gore Rd. The total paid by ANZ National Bank Limited for the year was $1,975,865 (2009; $1,975,865).

The Trust has a revolving credit facility with ANZ National Bank Limited of $400,075,000 (2009: $500,075,000). As at 31 March 2010 $345,789,519 (2009: $411,309,971) had been drawn-down.

North East Industrial Limited (a subsidiary of ING Property Trust) have been managed on normal commercial terms by ING (NZ) Limited and Valor Ideal Limited. The amount paid to Valor Ideal Limited and not recovered from tenants was $77,462 (2009: $74,016).

Valor Ideal Limited ("Valor") is associated with the Trust's partner in North East Industrial Limited. Valor paid for services provided by the Trust in relation to the Manawatu Business Park. The total billed to Valor for the year was $1,224,312 (2009 $1,235,209).

Valor has also agreed to pay all infrastructure costs relating to the Manawatu Business Park. These costs have been paid by the North East Industrial Limited, thus generating a receivable from Valor Ideal limited of $3,324,571 (2009: $3,159,030). The receivable is payable on demand and interest is charged at the company's effective interest rate. Valor made nil repayments during the financial year (2009: $1,409,629).

On 14 July 2008, ING Property Trust No 4 Limited (a subsidiary of ING Property Trust) advanced a loan of $3,646,653 to North East Industrial Limited (NEIL) at interest rate of 10.00% per annum and the loan is rolled over every two months. On September 2009, ING Property Trust No 4 Limited advanced a further loan of $660,000 to NEIL on the same terms. Effective from 25 August 2009, the loan interest has been charged at 8% above the INGPT's average interest rate per annum.

Notes to the financial statements (cont.)

28. Related party transactions (cont.)

The following transactions occurred between the Trust and it's subsidiaries during the year:

	Group 2010 $000s	Trust 2010 $000s	Group 2009 $000s	Trust 2009 $000s
Advances to subsidiaries	–	**771,287**	–	878,226
Fees recharged to subsidiaries:	–	**8,535**	–	9,695
Interest recharged to subsidiaries:	–	**26,091**	–	37,318
Distributions from subsidiaries	–	**1,441**	–	9,533
	–	**807,354**	–	934,772

Advances have been made by ING Property Trust to its subsidiaries to finance the purchases of investment properties and to fund working capital requirements when necessary. The subsidiaries have returned money to ING Property Trust upon the settlement of properties intended for sale and at other times when working capital requirements allow. The Trust re-charges expenses, including management fees and interest, to the subsidiaries.

No related party debts have been written off or forgiven during the year. The Trust has provided $3,064,513 for intercompany receivables (2009: $3,247,484).

The Manager held no units in the Trust as at 31 March 2010 and 31 March 2009.

29. Trust Deed

The terms of the Trust are set out in the Trust Deed dated 30 October 2002 (as amended and restated by deeds of variation and restatement dated 30 September 2004, 17 October 2006, 17 December 2008 and 27 May 2009). The Trust Deed was amended on 27 May 2009 to correct certain formatting issues with the deed which involved the table of contents and the schedule being deleted and replaced.

30. Trustee information

The Trustee is The New Zealand Guardian Trust Company Limited. In accordance with the Trust Deed, the Trustee will receive from the Trust a fee to a maximum of 0.075% per annum of the gross value of the Trust, or such lesser percentage as is agreed between the Manager and Trustee from time to time.

The Trustee and the Manager have currently agreed an annual fee based on the gross value of the assets of the Trust as follows:

- $250,000 per annum on the first $750 million of gross assets
- 0.020% per annum on the gross assets above $750 million

31. NZX waivers

The following waivers from the NZX Listing Rules ("Listing Rules") were applicable as at balance date.

Management fees

In 2002, prior to the initial public offer of units in the Trust, the Trust obtained a waiver from the requirement to seek unitholder approval under Listing Rule 9.2 to the extent that the amounts payable to the Manager under the Trust Deed, or to ING (NZ) Limited ("ING(NZ)") under the Property Management Agreement, exceed the thresholds set out in Listing Rule 9.2. This waiver was granted on conditions described (and satisfied) in the prospectus in relation to the initial public offer of units in the Trust dated 31 October 2002.

Corporate governance

On 25 May 2005, NZX granted the Trust waivers in respect of 3.1.1(a), 3.3.1B(a), 3.3.2 to 3.3.12 and 3.4.3 in relation to the application of the Listing Rules to the Trust's corporate governance structure, in light of the fact that those Listing Rules are not readily applicable to an issuer which is a unit trust where the directors for the purposes of the Listing Rules are the directors of the Manager. The waivers provided for the following:

(a) 3.1.1(a): to exempt the Trust from incorporating in its Trust Deed those Listing Rules for which waivers outlined in the decision were granted;

31. NZX waivers (cont.)

(b) 3.3.1B(a): to exempt the Trust and the Manager from identifying which directors are independent no later than 10 business days following the Trust's annual meeting. The waiver was granted on the condition that the Manager announce to the market, within 10 business days of such determination, the names of those directors of the Manager deemed to be independent;

(c) 3.3.2 to 3.3.12: to exempt the Trust from compliance with such Listing Rules which relate to the process for the appointment of an issuer's directors. The waiver was granted on the basis that since listing, the Trust, nor any other listed unit trust, has been required to comply with these provisions; and

(d) 3.4.3: the directors of the Manager who are "interested", solely due to being a director of the Manager, may vote on transactions which the Manager is entering into for the purposes of the day-to-day management of the Trust. This waiver is conditional upon a director abstaining from voting on a transaction entered into by the Manager, on behalf of the Trust with another entity, in respect of which the director would otherwise be interested.

Dividend Reinvestment Plan

On 14 September 2006, the Trust obtained a waiver from Listing Rule 7.11.1 to allow units to be allotted, pursuant to its Dividend Reinvestment Plan ("DRP"), later than five business days after applications to participate in the DRP are required to be submitted.

Applications to participate in the DRP are required to be submitted by the Record Date (being 5pm on the date fixed by the Manager to determine unitholder entitlements to a distribution). Under the terms of the DRP, the price per unit is determined with reference to the period of seven days immediately following the Record Date for the relevant distribution, or if no sale occurs during that period, the net asset value per unit on the day immediately following the Record Date. On the strict application of Listing Rule 7.11.1, units to be allotted under the DRP would need to be allotted within five business days of the Record Date, which would be before the price for the units had been determined.

The waiver was granted subject to the following conditions:

(a) that the Trust will allot units pursuant to the DRP within two business days of payment of the relevant distribution; and

(b) that if the DRP does not proceed to allotment, and monies are returned to subscribers, the Trust will refund any interest accrued on such monies between the latest date on which applications for units close and the date of the refund.

Acquisition and development of Block E, Albany

On 17 May 2007, the Trust obtained a waiver from the requirement to seek unitholder approval under Listing Rule 9.2 in respect of a transaction involving the Trust (i) acquiring a leasehold interest in Block E, Albany on Auckland's North Shore from the Albany City Joint Venture and (ii) entering into a development agreement with Symphony Projects Management Limited pursuant to which Symphony will develop the land (together the "Transaction"). The leasehold acquisition and development arrangements constitute a related series of transactions which include a "Material Transaction" of the Trust for the purposes of Listing Rule 9.2.2.

The waiver was granted subject to the following conditions:

(a) that each director of the Manager, other than Mr P C Brook, certify that:

   (i) the directors are satisfied that the personal connections with, involvement or personal interests of Symphony Group Limited (which owns 50% of the Manager through its ownership of Symphony Investments Limited) are immaterial and have not influenced the promotion of the Transaction or its terms and conditions;

   (ii) Symphony has not used its shareholding in the Manager to appoint nominees or representatives to the Manager's Board or to influence the day to day operation, management or decision making of the Trust;

   (iii) Mr Reynolds has not provided any advice to the Board of the Manager in respect of the Transaction;

   (iv) the Transaction and its terms will be undertaken on an arms length and commercial basis;

   (v) they consider entering into the Transaction to be in the best interests of the Trust's unitholders not associated with Symphony; and

   (vi) each of the development proposals under the development agreement will be approved by the Trustee.

(b) that at the time the Manager decides to proceed with a proposal for development pursuant to the development agreement (the "Development Proposal"), each director of the Manager, other than Mr P C Brook, certify that:

   (i) the directors are satisfied that the personal connections with, involvement or personal interests of Symphony are immaterial and have not influenced the promotion of the Development Proposal or its terms and conditions;

   (ii) the Development Proposal and its terms will be undertaken on an arms length and commercial basis; and

   (iii) they consider entering into the Development Proposal to be in the best interests of the Trust's unitholders not associated with Symphony.

(c) that each Development Proposal is approved by the Trustee in reliance on a report from a qualified adviser who is independent from Symphony and its associated persons.

Auditor's report

Deloitte.

To the unitholders of ING Property Trust

We have audited the financial statements on pages 33 to 65. The financial statements provide information about the past financial performance and financial position of the Trust and Group as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 37 to 40.

This report is made solely to the Trust's unitholders, as a body. Our audit has been undertaken so that we might state to ING Property Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ING Property Trust's unitholders as a body for our audit work, for this report, or for the opinions we have formed.

Manager's Responsibilities

The Manager is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of ING Property Trust and group as at 31 March 2010 and of the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Manager.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.
It also includes assessing:

- the significant estimates and judgments made by the Manager in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Trust and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in ING Property Trust or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by ING Property Trust as far as appears from our examination of those records; and
- the financial statements on pages 33 to 65:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of ING Property Trust and group as at 31 March 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 20 May 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
AUCKLAND, NEW ZEALAND

This audit report relates to the financial statements of ING Property Trust for the year ended 31 March 2010 included on ING Property Trust's website. The Directors are responsible for the maintenance and integrity of ING Property Trust's website. We have not been engaged to report on the integrity of ING Property Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on this website. The audit report refers only to the financial statements names above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 20 May 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Unitholder statistics

Twenty largest security holders as at 15 June 2010

Unitholders	No of units	% of total issued units
MFL Mutual Fund Limited	131,000,497	24.29
Premier Nominees Limited Armstrong Jones Property Securities Fund	24,635,912	4.57
Accident Compensation Corporation	24,079,997	4.46
Investment Custodial Services Limited	16,811,308	3.12
HSBC Nominees (New Zealand) Limited A/C State Street	14,978,663	2.78
BT NZ Unit Trust Nominees Limited	12,412,410	2.30
Citibank Nominees (New Zealand) Limited	11,040,059	2.05
FNZ Custodians Limited	8,205,630	1.52
Forsyth Barr Custodians Limited	6,642,511	1.23
HSBC Nominees (New Zealand) limited	6,364,113	1.18
Forsyth Barr Custodians Limited	5,769,852	1.07
New Zealand Superannuation Fund Nominees Limited	5,567,772	1.03
Albany Power Centre Limited (in liquidation)	5,038,434	0.93
James Harvey Mansell & Christine Anne Mansell & Douglas Tony Brown	3,948,779	0.73
Peter John Whiting & Janet Graham Whiting & Wayne Derek Anderson	3,799,000	0.70
Premier Nominees Ltd	3,782,331	0.70
Lynwalsh Holdings Limited	3,500,000	0.65
University of Otago Foundation Trust	3,500,000	0.65
Mint Nominees Limited	3,337,256	0.62
Custodial Services Limited	3,086,005	0.57
Total	**297,500,529**	**55.16**
Total units on issue	**539,328,026**	

Substantial security holders as at 17 June 2010

The following security holders had filed substantial security holder notices in accordance with the Securities Markets Act 1988.

Unitholders	Date notice filed	No of units	% of total issued units
MFL Mutual Fund Limited	17-Jun-10	131,000,497	24.29%
ING (NZ) Limited	17-Jun-10	37,824,138	7.01%

The total number of units on issue in the Trust as at 17 June 2010 was 539,328,026

Distribution of security holders and security holdings as at 15 June 2010

Unitholders	No of unitholders	Total units	% of total issued units
1 to 99	9	499	0.00%
100 to 199	4	689	0.00%
200 to 499	15	5,863	0.00%
500 to 999	66	46,004	0.01%
1,000 to 1,999	194	265,138	0.05%
2,000 to 4,999	1,094	3,869,160	0.72%
5,000 to 9,999	1,633	11,727,979	2.17%
10,000 to 49,999	3,669	79,535,394	14.75%
50,000 to 99,999	522	34,604,208	6.42%
100,000 to 499,999	291	49,997,992	9.27%
500,000 to 999,999	23	15,825,598	2.93%
1,000,000+	48	343,449,502	63.68%
Total	**7,568**	**539,328,026**	**100%**

Holdings of directors of the Manager as at 15 June 2010

	Holdings (number of units)		
Directors	Non-beneficial	Beneficial	Associated person
Trevor Scott	2,013,167	6,300,000	–
Peter Brook	304,389	66,897	–
Michael Smith	–	100,000	–
Andrew Evans	43,884	–	–
Hon. Philip Burdon	–	–	–

Directory

Manager

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Telephone: (09) 357 1800
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Directors of the Manager

Philip Michael Smith, Auckland
Andrew Hardwick Evans, Auckland
Peter Clynton Brook, Auckland
Hon. Philip Ralph Burdon, Christchurch
Trevor Donald Scott, Dunedin

Trustee

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Unit Registrar

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna, North Shore City 0622
Private Bag 92119
Auckland 1142
New Zealand

Managing Your Unitholding Online

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit **www.computershare.co.nz/investorcentre**

General enquiries can be directed to;
enquiry@computershare.co.nz
Private Bag 92119, Auckland 1142
Telephone (09) 488 8777
Facsimile (09) 488 8787

Please assist our registrar by quoting your CSN or shareholder number.

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