



ING PROPERTY TRUST

Interim Financial Statements

30 September 2004



CHAIRMAN'S REPORT

There was much activity in both the Trust and the broader real estate market over the period under review (1 April 2004 to 30 September 2004).

As reported in the last Annual Report, the Trust has undergone considerable and positive change since the formation of the joint venture partnership between ING (NZ) Limited ("ING") and Symphony Investments Limited last year. The formation of this partnership saw the immediate renaming of the Trust (formerly the Paramount Property Trust) and the assignment of the property management contract to ING.

The subsequent strategy to develop and grow the Trust through an acquisition and rationalisation programme (as previously outlined in the Annual Report) has resulted in enormous change for the Trust's portfolio.

The programme continued over the period under review, with the unconditional sale of seven further properties identified as being inconsistent with the Trust's optimal property mix. As well as contributing strongly to the performance of the Trust, the sale of the properties – with all selling at prices above the existing book value – has helped lower the debt level of the Trust, now 25.1%.

On the acquisition side, the Trust purchased two high-quality assets: the first a purpose-built property at 107 Carlton Gore Road, Newmarket, occupied by a blue-chip bank on a

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long-term 9-year lease; the second the impressive Citibank building in downtown Auckland CBD.

As at 30 September 2004, the Trust comprised 46 properties, with a book value of \$333 million.

A continued bias to tightening monetary policy saw the Reserve Bank of New Zealand raise interest rates on four further occasions between the start of the Trust's financial year and 30 September 2004.

Despite the resulting increase in lending rates, interest in the real estate market continued, with strong investor demand for all types of property. Other strong property market fundamentals, e.g. good demand for rental space and low vacancy rates, continued to prove beneficial to the Trust's performance.

The vacancy rate for the entire portfolio is now extremely low at around 1%, reflecting the consistent nature and quality of the portfolio, as well as the superior level of service provided by the property manager (ING) to our tenants.

In addition, 22 new leaseings were completed over the period, resulting in an average lease term for the entire portfolio of 4.8 years.

Looking forward, there is a further possibility for advancing the Trust's position, with the start of discussions regarding a merger of the Trust and listed property investment company Urbus Properties Limited. These two

property portfolios share a similar philosophy and profile, and a number of benefits could arise through economies of scale, enhanced growth capabilities and other operational advantages. It is expected that detail on the progress of this opportunity will be provided shortly.

Although outside the period under review, the resignation in October 2004 of founding chairman Dr Robin Congreve must be noted and his enormous contribution to the Trust acknowledged. Dr Congreve was instrumental in both the formation and development of the Trust, which within two years of commencing operations has become the third largest listed property vehicle in New Zealand by market capitalisation.

As the recently appointed chairman of the Manager, ING Property Trust Management Limited, I am also pleased to welcome two new directors to the board, the Hon Philip Burdon and Mr David McClatchy. Investors will have received further details about these changes to the board in a recent newsletter.

Finally, on behalf of all my fellow directors, I thank you for your continued support. We all look forward to the second half of the financial year with optimism.



Michael Smith
CHAIRMAN
ING PROPERTY TRUST MANAGEMENT LIMITED

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Group (unaudited)	Group (unaudited)	Group (audited)
Note	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
Net property income	14,930	2,998	14,123
Gains on disposal of properties (Net of disposal costs)	3,338	–	4,792
Interest received	27	1	43
Total income	18,295	2,999	18,958
Audit fees	39	10	81
Doubtful debts	–	–	245
Management fees	1,423	117	1,104
Trustee fees	76	23	81
Interest expense	2,421	848	3,260
Other Trust expenses	239	195	430
Total expenses	4,198	1,193	5,201
Operating surplus before taxation	14,097	1,806	13,757
Taxation	8	11	2,808
Surplus after taxation	11,082	1,795	10,949
Unrealised net change in value of investment properties	3	–	2,787
Surplus for the period	11,082	1,795	13,736

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

	Group (unaudited)	Group (unaudited)	Group (audited)
Note	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
Equity at the start of the period	246,735	32,850	32,850
Equity issued as consideration for the purchase of investment properties	2	–	182,000
Equity issued for cash	2	4,053	23,329
Surplus for the period	11,082	1,795	13,736
Dividends to Unitholders	(10,217)	(1,927)	(5,180)
Equity at the end of the period	247,600	36,771	246,735

The notes form part of and are to be read in conjunction with these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group (unaudited)	Group (unaudited)	Group (audited)
	Note	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
Equity				
Units on issue	2	236,872	35,596	236,872
Revaluation reserve	3	3,187	400	3,187
Retained earnings	4	7,541	775	6,676
Total Unitholder's funds		247,600	36,771	246,735
<i>Represented by:</i>				
Assets				
Current assets				
Cash & deposits		580	119	751
Accounts receivable		800	460	221
Properties intended for sale		59,456	–	86,412
Taxation receivable		–	49	418
Total current assets		60,836	628	87,802
Investment properties	5	273,854	65,650	221,783
Total assets		334,690	66,278	309,585
Current liabilities				
Accounts payable & accruals	6	2,588	349	1,724
Taxation payable		455	–	–
Total current liabilities		3,043	349	1,724
Non current liabilities	7	84,047	29,158	61,126
Total liabilities		87,090	29,507	62,850
Net assets		247,600	36,771	246,735

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



Michael Smith
Chairman



Trevor Scott
Director

Date: 22 November 2004

The notes form part of and are to be read in conjunction with these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group (unaudited)	Group (unaudited)	Group (audited)
	Six months to 30 September 2004	Six months to 30 September 2003	Twelve months to 31 March 2004
Note	\$000s	\$000s	\$000s
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Net property income	14,841	2,435	12,464
Interest received	27	1	43
<i>Cash was applied to:</i>			
Management and trustee fees	(1,442)	(127)	(737)
Interest expense	(2,405)	(857)	(2,814)
Taxation	(2,142)	(63)	(3,229)
Other Trust expenses	(313)	(169)	(511)
Net cash flows from operating activities	8,566	1,220	5,216
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of properties	30,645	–	51,027
<i>Cash was applied to:</i>			
Capital additions	(597)	–	(664)
Purchase of properties	(51,489)	(7,900)	(109,616)
Net cash flows used in investing activities	(21,441)	(7,900)	(59,253)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Debt drawdown	64,437	4,850	111,150
Issue of units	–	4,200	24,200
<i>Cash was applied to:</i>			
Distributions	(10,217)	(1,927)	(5,180)
Debt repaid	(41,516)	(999)	(75,333)
Cost of issuing units	–	(147)	(871)
Net cash flows from financing activities	12,704	5,977	53,966
Net increase in cash	(171)	(703)	(71)
Opening cash brought forward	751	822	822
Ending cash carried forward	580	119	751

The notes form part of and are to be read in conjunction with these financial statements.

NOTES

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with FRS 24: Interim Financial Statements, and should be read in conjunction with the previous annual report. The accounting policies used are consistent with those used in the previous annual and interim reports.

2 UNITS

	Group (unaudited) Six months to 30 September 2004 \$000s	Group (unaudited) Six months to 30 September 2003 \$000s	Group (audited) Twelve months to 31 March 2004 \$000s
Opening balance 1 April 2004	236,872	31,543	31,543
Issue of units as consideration for part payment of purchase of MFL & SIL Properties	–	–	182,000
Issue of units for cash to purchase ANZ House	–	–	20,000
Issue of units for cash to purchase Liggins Institute	–	4,200	4,200
Issue cost of units	–	(147)	(871)
Closing balance as at 30 September 2004	236,872	35,596	236,872

The number of units on issue at 30 September 2004 was 237,743,000 (30 September 2003: 35,743,000, 31 March 2004: 237,743,000).

3 REVALUATION RESERVE

	Group (unaudited) Six months to 30 September 2004 \$000s	Group (unaudited) Six months to 30 September 2003 \$000s	Group (audited) Twelve months to 31 March 2004 \$000s
Opening balance 1 April 2004	3,187	400	400
Change in value of investments as reflected in the Statement of Movements in Equity	–	–	2,787
Closing balance as at 30 September 2004	3,187	400	3,187

4 RETAINED EARNINGS

	Group (unaudited) Six months to 30 September 2004 \$000s	Group (unaudited) Six months to 30 September 2003 \$000s	Group (audited) Twelve months to 31 March 2004 \$000s
Opening balance 1 April 2004	6,676	907	907
Net surplus after taxation	11,082	1,795	10,949
Distributions to Unitholders	(10,217)	(1,927)	(5,180)
Closing balance as at 30 September 2004	7,541	775	6,676

NOTES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 INVESTMENT PROPERTIES

	Group (unaudited)	Group (unaudited)	Group (audited)
	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
GE Capital Building (Leasehold)	36,156	36,550	36,000
Ericsson House	21,350	21,200	21,350
Liggins Institute Building	7,970	7,900	7,970
1 and 5 Allens Rd, East Tamaki	3,544	–	3,544
2 and 12 Allens Rd, and 106 Springs Rd, East Tamaki	5,748	–	5,741
12-20 Bell Ave, Mt Wellington	20,366	–	20,314
39 Cavendish Dr, Manukau City	11,435	–	11,435
56 Cawley St, Ellerslie	9,999	–	9,999
302 and 308 Great South Rd, Greenlane	6,864	–	6,815
626 and 632 Great South Rd, Penrose	12,128	–	12,128
706 Great South Rd, Penrose	2,721	–	2,703
960 Great South Rd, Penrose	3,128	–	3,128
17 Mayo Rd, Wiri, K Mart, Wiri	9,603	–	9,603
306 Neilson St, Onehunga	3,416	–	3,416
25 Nugent St, Grafton	3,910	–	3,911
Ti Rakau Dr, cnr East Tamaki Rd, East Tamaki	5,029	–	5,029
65 Upper Queen St, Auckland	5,593	–	5,594
Cnr William Pickering Dr & Rothwell Ave, Albany	5,515	–	5,485
Annie Huggan Grove, Wellington	7,722	–	7,722
180-202 Hutt Rd, Kaiwharawhara	7,128	–	7,128
Stewart Dawsons cnr, Wellington	11,187	–	11,187
46 Waring Taylor St, Wellington	21,587	–	21,581
Carlton Gore Road, Newmarket (ANZ Building)	21,250	–	–
Citibank Centre	30,505	–	–
Net Current Value as at 30 September 2004	273,854	65,650	221,783

A provision for disposal costs of \$1,661,900 (30 September 2003, nil; 31 March 2004 \$1,661,900) has been deducted in the calculation of net current value.

There were 16 properties intended for sale at balance date with a value of \$59,455,980 (30 September 2003: nil properties, nil; 31 March 2004: 26 properties, \$86,411,754). During the period, the Trust unconditionally sold 7 properties for \$20,471,250 (30 September 2003: nil properties, nil; 31 March 2004: 24 properties, \$66,093,731). The Trust also settled the sales of 10 properties during the period for \$31,202,208 (30 September 2003: nil properties, nil; 31 March 2004: 19 properties, \$50,529,523). At balance date, the Trust had entered into unconditional sales contracts for 2 properties totalling \$4,833,250 (30 September 2003: nil properties, nil; 31 March 2004: 5 properties, \$15,564,208).

The Trust holds the freehold to all properties unless otherwise stated.

All properties intended for sale are valued at the lower of cost or net realisable value.

Adjoining properties have been aggregated for the purpose of the table above.

NOTES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 ACCOUNTS PAYABLE AND ACCRUALS

	Group (unaudited)	Group (unaudited)	Group (audited)
	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
Interest accrued on non-current liabilities	587	116	465
Manager's fee accrued	510	37	468
Deposits received on property disposals	205	-	497
Other creditors and accruals	1,286	196	294
Balance as at 30 September 2004	2,588	349	1,724

7 NON CURRENT LIABILITIES

	Group (unaudited)	Group (unaudited)	Group (audited)
	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
ANZ National Bank Limited	84,047	29,158	61,126
Total term liabilities	84,047	29,158	61,126

The Trust has a revolving credit facility with the ANZ National Bank Limited of \$140,000,000 (30 September 2003: \$31,775,000; 31 March 2004: \$140,000,000) secured by way of mortgage over the properties of the Trust. The facility has a term of 3 years and expires on 10 December 2006.

The effective interest rate on the borrowings as at 30 September 2004 was 6.59% including margin per annum (30 September 2003: 5.74%; 31 March 2004: 6.05%). The Trust also pays a line fee of 0.25% per annum.

8 INCOME TAX

	Group (unaudited)	Group (unaudited)	Group (audited)
	Six months to 30 September 2004 \$000s	Six months to 30 September 2003 \$000s	Twelve months to 31 March 2004 \$000s
Operating surplus before taxation	14,097	1,806	13,757
Depreciation	4,960	1,771	5,246
Taxable income	9,137	35	8,511
Taxation at 33%	3,015	11	2,808
<i>The taxation charge is made up as follows:</i>			
Current taxation	3,015	11	2,808

NOTES

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group (unaudited) Six months to 30 September 2004 \$000s	Group (unaudited) Six months to 30 September 2003 \$000s	Group (audited) Twelve months to 31 March 2004 \$000s
Net cash flows from operating activities	8,566	1,220	5,216
<i>Movements in:</i>			
Accounts payable & accruals	(1,062)	155	(1,206)
Rent in advance	-	151	151
Taxation payable	(873)	52	421
Accounts receivable	485	217	459
Unrealised net change in value of investment properties	-	-	2,787
Gains on disposal of properties*	3,966	-	5,908
Advances to subsidiaries	-	-	-
Surplus after taxation	11,082	1,795	13,736

* Gross proceeds from sales of properties are included as an investing activity within cash flow, and disposal costs of \$630,000 have been included within operating cash flows.

10 EARNINGS PER UNIT

	Group (unaudited) Six months to 30 September 2004 \$	Group (unaudited) Six months to 30 September 2003 \$	Group (audited) Twelve months to 31 March 2004 \$
Basic earnings per unit	4.66	5.26	11.10

11 PRINCIPAL BUSINESS ACTIVITY & SEGMENT INFORMATION

The principal business activity of the Trust and its subsidiaries is to invest in New Zealand realty. Property investments are located in Auckland, Wellington and Christchurch.

12 TRUST DEED

The terms of the Trust are set out in the Trust Deed dated 30 October 2002. The Trust Deed was amended on 30 September 2004. The changes do not affect these financial statements. A summary of the changes can be found on the ING Property Trust website (www.ingproperty.co.nz) and a summary will also be included in the 31 March 2005 financial statements.

The Trust terminates after a period of 80 years on 29 October 2082.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED**13 UNITS HELD BY THE MANAGER**

The Manager held no units in the Trust as at 30 September 2004 (30 September 2003, nil; 31 March 2004, nil).

14 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 period was \$140,660 (30 September 2003, \$140,660; 31 March 2004, \$281,320). The annual ground lease commitment is \$281,320 and is fully recoverable from tenants in proportion to their area of occupancy. The lease is renewable in perpetuity.

Given these factors, the total value of the commitment has not been calculated.

Estimated Capital Commitments contracted for building projects not yet completed at balance date but not provided for, were \$1,127,881 (30 September 2003: nil; 31 March 2004: \$21,341,054).

15 CONTINGENCIES

There were no contingencies as at 30 September 2004 (30 September 2003, nil; 31 March 2004, nil).

16 MERGER DISCUSSIONS

On 17 September 2004, the Trust and Urbus Properties Limited announced that they had agreed to progress formal discussions on a potential merger. These discussions were continuing at balance date.

17 SUBSEQUENT EVENTS

There have been no material events subsequent to balance date.



ING PROPERTY TRUST CORPORATE DIRECTORY

TRUSTEE

The New Zealand Guardian Trust Company Limited
Vero Centre, 48 Shortland Street
PO Box 1934
Auckland 1015
Telephone | 09 377 7300
Facsimile | 09 377 7477

MANAGER

ING Property Trust Management Limited
ASB Bank Centre, 135 Albert Street
PO Box 7149, Wellesley Street
Auckland 1036
Telephone | 09 357 1800
Facsimile | 09 357 1801
Email | www.ingproperty.co.nz

DIRECTORS OF THE MANAGER

Dr Robin Lance Congreve | Auckland
(resigned 26 October 2004)
Peter Clynton Brook | Auckland
Trevor Donald Scott | Dunedin
Philip Michael Smith | Auckland
Andrew Hardwick Evans | Auckland
The Hon Philip Ralph
Burdon | Christchurch
(appointed 26 October 2004)
David Malcolm McClatchy | Sydney
(appointed 26 October 2004)

REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
North Shore
Private Bag 92119
Auckland 1020
Telephone | 09 488 8777

AUDITOR

Deloitte Touche Tohmatsu
Deloitte House, 8 Nelson Street
Auckland
Telephone | 09 309 4944
Facsimile | 09 309 4947

LEGAL ADVISERS TO THE MANAGER

Harmos Horton Lusk
Vero Centre, 48 Shortland Street
PO Box 28
Auckland 1015
Telephone | 09 921 4300
Facsimile | 09 921 4319

Burton & Co

16 Viaduct Harbour Ave
PO Box 8889, Symonds St
Auckland
Telephone | 09 300 3777
Facsimile | 09 300 3770

Bell Gully

Vero Centre, 48 Shortland Street
PO Box 4199
Auckland
Telephone | 09 916 8800

LEGAL ADVISERS TO THE TRUSTEE

Bell Gully
Vero Centre, 48 Shortland Street
PO Box 4199
Auckland
Telephone | 09 916 8800

BANKERS TO THE TRUST

ANZ National Bank Limited
ANZ House, 23 Albert Street
PO Box 6334
Auckland